



COUNCIL REPORT

Report Date: November 19, 2025
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VanRIMS No.: 08-2000-20
Meeting Date: December 9, 2025
[Submit comments to Council](#)

TO: Vancouver City Council

FROM: Deputy City Manager

SUBJECT: Below Market Lease Extension to Veterans Memorial Housing Society
for 310 and 320 Alexander Street

Recommendations

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute an extension and amendment agreement (the "Agreement") of the ground lease (the "Original Lease, and together with the Agreement, the "Lease") between the City of Vancouver as lessor (the "City") and Veterans Memorial Housing Society ("VMHS") as the lessee for the City-owned property located at 310 and 320 Alexander Street, legally described as:

PID: 015-605-396, LOT 3 BLOCK 40 DISTRICT LOT 196 PLAN 196

PID: 015-605-400, LOT 4 BLOCK 40 DISTRICT LOT 196 PLAN 196

PID: 015-605-418, AMENDED LOT 5 (EXPLANATORY PLAN 3239) BLOCK 40 DISTRICT LOT 196 PLAN 196

PID: 015-605-426, AMENDED LOT 6 (EXPLANATORY PLAN 3239) BLOCK 40 DISTRICT LOT 196 PLAN 196

PID: 015-605-434, AMENDED LOT 7 (EXPLANATORY PLAN 3239) BLOCK 40 DISTRICT LOT 196 PLAN 196

PID: 015-605-451, LOT 8 BLOCK 40 DISTRICT LOT 196 PLAN 196

(collectively, "Lands"),

at below market rates pursuant to the lease renewal framework set out in Sustaining Affordable Non-Profit Housing on City Land (RTS 11904) approved by Council on July 14, 2018 ("Non-Profit Lease Renewal Framework") which Lease will provide for:

- i. an extension of term up to November 18, 2036 commencing on November 19, 2026;
- ii. nominal ground rent;
- iii. additional reporting requirements to measure operating performance and affordability delivered;
- iv. right of first refusal to sublease the Social Service Facility (defined below) upon expiry or earlier termination of any subsequent sublease of the Social Service Facility after November 18, 2026, in the building; and
- v. the terms and conditions outlined in this report and such other terms and conditions as approved by the Deputy City Manager, the Director of Finance, General Manager of Real Estate, Environment and Facilities Management and the Director of Legal Services.

The proposed ground rent for the Lease extension determined in accordance with the Non-Profit Lease Renewal Framework constitutes a grant and is required to be passed by not less than 2/3 of all Council members, per Section 206(1) of the *Vancouver Charter*.

- B. THAT, pursuant to *Vancouver Charter* section 206(1)(j), Council approve that VMHS, as a society operating housing on City land, be deemed an organization contributing to the welfare of the City.
- C. THAT no legal rights or obligations will arise or be created between VMHS and the City unless and until a legally binding agreement is executed by the City through its authorized signatories as authorized by Council and VMHS.

Purpose and Executive Summary

This report recommends Council approve the negotiation and execution of the Agreement so VMHS can continue to provide affordable housing for marginalized seniors and veterans across the 133 one-bedroom units on City-owned property. The Agreement is required to support funding from British Columbia Housing Management Commission ("BC Housing") to VMHS for capital repairs as BC Housing requires a lease term of at least ten (10) years to secure funding. The initial term for the Lease would otherwise expire on November 18, 2026. The calculation for ground rent for the extension period pursuant to the Agreement (the "Extension Period") will be in accordance with the Non-Profit Lease Renewal Framework and based on the affordability of the housing provided.

Council Authority/Previous Decisions

- [Housing Vancouver Strategy](#) and [Housing Vancouver Three-Year Action Plan](#) (2017)
- [Affordable Housing Delivery and Financial Strategy](#) (2018)
- On July 24, 2019, Council approved the [Non-Profit Lease Renewal Framework](#) and authorized staff to negotiate future ground leases with non-profit operators in accordance

with the Options, Key Terms, and Ground Rent Valuation contained in the Non-Profit Lease Renewal Framework

City Manager's Comments

The City Manager supports the recommendations as set out above.

Context and Background

VMHS operates one social housing site, Veterans Manor, on City-owned land in the Downtown Eastside area, with a total of 133 one-bedroom units for marginalized seniors and veterans. VMHS has no other properties in its portfolio. The current term of the Lease is 41 years and commenced on November 19, 1985 and expires on November 18, 2026. The Lease was prepaid in full in 1985.

Veterans Manor is a designated building in the [Single Room Accommodation \(SRA\) By-law](#) (2003). The SRA By-law aims to prevent the loss of low-income housing and the displacement of tenants in the Downtown core.

In addition to the 133 residential units, the building includes a ~10,000 square foot social service facility at 320 Alexander Street ("Social Service Facility"). VMHS subleased the Social Service Facility back to the City for a term equivalent to the 41-year term of the Lease. The Social Service Space served as the Evelyne Saller Centre until it was relocated to 404 Alexander Street in 2022. Following the relocation of the Evelyne Saller Centre, the City made the facility available for use as a social service centre providing gender safe, low barrier, daytime drop-in, food programming, cultural supports and laundry and shower facilities predominantly for unhoused, Indigenous and 2SLGBTQQIA+ communities, operated by Watari with funding from BC Housing. Their services were initiated with temporary funding in 2023 in response to the Hastings encampment and are currently funded by BC Housing until March 2026. The City has paid the sublease in full until November 18, 2026 and will retain the Social Service Space until the end of the sublease term.

Discussion

Capital Renewal Funding from BC Housing and Lease Extensions

A building condition assessment for the building at Veterans Manor was undertaken by a third party consultant in 2025. Overall, the building is in fair condition but requires major capital repairs in the coming years, totalling approximately \$2.3M.

VMHS has secured capital maintenance funding from BC Housing through the Capital Renewal Fund. As a condition of funding and entering into a Capital Renewal Fund Agreement, BC Housing requires a lease term of at least ten (10) additional years. As the current Lease term expires on November 18, 2026, a lease extension to 2036 is required.

BC Housing has committed to fully funding the imminent elevator replacement project at approximately \$450,000 and may consider other repair items as they arise while the Capital Renewal Fund Agreement is in effect.

Based on Staff's analysis, VMHS will be able to support the remaining capital repairs over the 10 year Extension Period.

Staff supports a lease extension up to November 18, 2036 with the opportunity to discuss further lease extensions or redevelopment as the Extension Period nears expiry.

The Agreement terms are summarized in Schedule A.

The VMHS Board met on November 25 and endorsed the terms of the Agreement.

Affordability Profile

Veterans Manor offers deeply affordable housing to marginalized seniors and veterans with rents well below the 2025 Housing Income Limits (HILs) published by BC Housing for 1 bedroom or less (\$58,000). Current rent ranges have been summarized below.

Unit type	# Units	Rent from Tenant Range	Affordable to (rent as 30% of income)
1 Bed	133	\$450 - \$640	\$18,000 - \$25,600

The proposed Agreement includes an affordability term requiring 100% of the units to be rented to tenants earning at or below HILs for the duration of the Extension Period.

Sublease of the Social Service Facility

Current operations of the Social Service Facility have been reliant on ongoing funding from BC Housing. Continuation of funding has been determined on a year to year basis. Due to uncertainty of continued funding on a long term basis and fiscal constraints of the City to commit to an extended sublease of the Social Service Facility, the City is not currently in a position to negotiate a sublease extension of the Social Service Facility for the term of the Lease, but will retain a right of first refusal of the Social Service Facility upon the expiry or earlier termination of any subsequent sublease.

The City recognizes there is an ongoing need for day-time respite spaces in the DTES. Staff continue to advocate for sustained senior government funding for the operations of these services and are working to support the current operator, Watari, at 320 Alexander to establish options for relocation of programs and services where applicable.

VMHS will be responsible for the Social Service Facility during the Lease extension and may secure a new sublessee for the space upon the City's sublease expiry on November 18, 2026 or operate the Social Service Facility directly. Any new sublease of the Social Service Facility will be subject to City approval. Upon expiry or earlier termination of any subsequent sublease of the Social Service Facility after November 18, 2026, the City will have a right of first refusal to sublease the Social Service Facility.

Terms of the proposed Agreement (summarized in Schedule A) will include requirements that the Social Service Facility be independently viable, that the residential operations at 310 Alexander will not subsidize any costs related to the Social Services Facility, and that any sublease of the Social Services Facility will include terms setting out the sub-lessee's operations, maintenance, financial, and performance responsibilities and obligations to the satisfaction of the City.

Ground Rent Valuation

The Non-Profit Lease Renewal Framework provides a methodology for valuing ground rent by assessing a project's revenue and expenses, based on recent audited financial statements and

conservative projections. It also accounts for senior government funding sources for major capital repairs, new construction costs, and any operating subsidies (including rent supplements and care or health-related services).

Based on the projected financial model for the Extension Period, primarily determined by current affordability levels, operating expenses, and capital expenses (with annual escalations applied to both), Veterans Manor cannot support the payment of ground rent. As such, Staff propose that any surplus generated be placed into a capital replacement reserve ("Capital Replacement Reserve") and for ground rent for the Lease term be nominal. If a Capital Replacement Reserve balance exists at the end of the Lease term, as extended, it will be surrendered to the City.

Financial Implications

Consistent with longstanding Council policies, all affordable housing projects are expected to be self-sustaining over the life of the project and do not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City. Housing partners are responsible for operating and maintaining the housing project at prescribed affordability where rent and other revenues (including senior government subsidies) are sufficient to cover operating and capital expenditures over the term of the Lease.

The estimated fair market value of a 10 year ground lease is \$1,376,965. As such, the below-market extension of Lease constitutes a grant and is required to be passed by not less than 2/3 of all Council members, per Section 206(1) of the Vancouver Charter.

Legal Implications

No legal rights or obligations will arise or be created between VMHS and the City unless and until a legally binding agreement is successfully negotiated and executed by the City and VMHS through their authorized signatories as authorized by Council and VMHS respectively.

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APPENDIX A

Term Sheet – Veterans Manor (Veterans Memorial Housing Society)

This term sheet sets out the proposed terms of a lease amendment and extension agreement (the “Agreement”) between the City of Vancouver (the “City”) and The Veterans Memorial Housing Society (the “Society”) in relation to a lease dated November 19, 1985 (the “Lease”) of the affordable housing building (the “Building”) at 310 and 320 Alexander Street (the “Lands”).

While this term sheet does not create binding rights or obligations, the parties wish to confirm their intent to work together in a cooperative and collaborative manner, acting reasonably, fairly and in good faith to negotiate and finalize with all reasonable due diligence the Agreement.

Lease Component	Terms
Lands	310 and 320 Alexander Street
Existing Lease Term	Expires November 18, 2026
Extension Period	10 years, commencing November 19, 2026 and expiring November 18, 2036
Options to Further Extend	10 year option, provided the Society is not in breach of any of its obligations in the Lease, and subject to the City’s review of project performance and future financial feasibility, which will include a viable capital plan to be prepared by the Society, with rent to be agreed to by the parties prior to the commencement of the Extension Period
Restricted Use	Unless otherwise agreed to in writing by the City, the Society covenants and agrees with the City that neither the Lands nor Building nor any part of the Lands or Building will be used for any purpose except the provision of: <ol style="list-style-type: none">1. with respect to the residential portion at 310 Alexander Street, for the provision of affordable rental housing, with the affordability as set out in the Agreement; and2. with respect to the social service facility at 320 Alexander Street, operation of a social service facility serving persons in the Downtown Eastside area, as further set out in the Agreement
Affordability	100% of units rented to tenants earning Housing Income Limits (HILs) or below, or as agreed upon between the City and Society.
Land Rent	\$10 for the initial term, plus applicable property taxes (or rent in lieu of taxes)
Redevelopment Option	If at any time during the term the City wishes to redevelop the Lands, the City will have the right to terminate the Lease upon providing to the Society a minimum of five years’ prior written

	notice, all in accordance with and subject to the terms and conditions set out in the Lease
Repairs and Maintenance	The City will not be obliged to furnish any services or facilities or to make repairs or alternations in or to the lands or building, and the Society hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Lands and the Buildings and all expenses related thereto.
Capital Asset Plan	The Society will, at the commencement of the Extension Period, and updated every five years subsequently, submit to the City for approval a capital asset plan that sets out the maintenance, repair and replacement standards and practices required to preserve the capital components to the Lands and the Building over the term.
Capital Replacement Reserve	<p>The Society will create a reserve for capital replacements (the "Capital Replacement Reserve") to the Lands and the Buildings and their systems, equipment and surfaces, based on the items and life in years as set out in the Capital Asset Plan. Beginning on the commencement date of the Extension Period, the Society will deposit in the Capital Replacement Reserve an amount to be determined by an independent third part consultant with experience in capital asset planning and approved by the City. The Society will use or dispose of the Capital Replacement Reserve for only capital replacements to the Lands and the Building in accordance with the Capital Asset Plan, or other capital items identified by the Society, acting in a reasonable manner as a competent building owner.</p> <p>Upon the expiry or earlier termination of the initial term, any portion of the Capital Replacement Reserve not expended as set out above will be surrendered to the Landlord.</p>
Operating Surplus	All operating surpluses will be transferred to the Capital Replacement Reserve, to be used solely for capital repairs and replacements to the Lands and the Building
Reporting Requirements	On an annual basis, the Society will provide the City with audited financial statements, operating budgets and an operating report that details occupancy statistics, rents charged to occupants, and operating expense statistics. The Society will, every five years, provide the City with a building condition report setting out the condition of the Building structure and all major Building systems prepared by an independent third party.
Subleasing	<p>The Society may sublease the social service facility at 320 Alexander Street with the prior written consent of the City.</p> <p>The social service facility sublease will be subject to the following requirements:</p>

	<p>a) the social service facility must be independently feasible and financially viable</p> <p>b) the residential operations at 310 Alexander Street will not subsidize any costs related to 320 Alexander Street including but not limited to tenant improvement, operations, or maintenance costs associated with the social service facility;</p> <p>c) terms will be included in the social service facility sublease that set out the sub-lessee's operations, maintenance, financial, and performance responsibilities and obligations, to the satisfaction of the City; and</p> <p>d) a service level agreement will be included detailing the roles and responsibilities of both parties</p> <p>Any deviation from any of the above requirements will require prior written approval of the City, which may be arbitrarily withheld.</p> <p>No agreement with any sub-operator or sublease will relieve the Society of any of its obligations to the City under the lease.</p> <p>Upon the expiry or earlier termination of any sublease of the Social Service Facility, the City will have a right of first refusal to sublease the Social Service Facility.</p>
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