



## COUNCIL REPORT

Report Date: May 12, 2026  
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Meeting Date: June 2, 2026  
[Submit comments to Council](#)

TO: Vancouver City Council  
FROM: Deputy City Manager Amrolia  
SUBJECT: Below Market Lease and Grant to Rising Star Housing Co-op at 1556 East 5th Avenue

### Recommendations

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute a long term ground lease (the "Lease") with Rising Star Housing Co-operative (the "Co-op") for the City-owned property located at 1556 E 5<sup>th</sup> Avenue, legally described as PID: 002-697-921, Lot T Block 145 District Lot 264A Plan 20636 together with all buildings and improvements (the "Property"), at below-market rates for a term of up to 40 years, with an option to extend for an additional period of 20 years, based on the Methodology for Co-operative Housing Lease Renewals (RTS13783) ("Co-op Lease Methodology") and on the terms and conditions summarized in Appendix A.
- B. THAT Council authorizes the Director of Real Estate to negotiate and execute all such further amendments to the Lease and further ancillary legal documents as are consistent with the terms and conditions set out in this Report.

*As the rent for the Lease will be below market, Recommendation A constitutes a grant and requires at least 8 affirmative votes of Council, per Section 206(1) of the Vancouver Charter.*

### Purpose and Executive Summary

This report seeks Council authority to enter into a long-term ground lease with the Co-op for a term of up to 40 years, with an option to extend for an additional period of 20 years, based on the Co-op Lease Methodology, including a 10-year transition grant.

## Council Authority/Previous Decisions

On July 8, 2021, Council approved the [Methodology for Co-operative Housing Lease Renewals \(RTS 13783\)](#), which approved certain policies that are intended to guide or provide a framework for the negotiation of co-op lease renewals, including the 10-year transition grant.

## City Manager's Comments

The City Manager concurs with the foregoing recommendations.

## Context and Background

The Co-op is located at 1556 E 5<sup>th</sup> Avenue in the Grandview-Woodlands area. The City entered into a 41 year lease with the Co-op on October 1, 1985. The original lease is set to expire on September 30, 2026.

Council approved the [Methodology for Co-operative Housing Lease Renewals \(RTS 13783\)](#), providing a Lease Renewal Framework that establishes ground rent based on the incomes of co-op members rather than market land values, and includes the provision of a transition grant of up to 10 years.

## Discussion

Following the Co-op Lease Methodology, the term for the Lease will be for an initial period of up to 40 years. At the expiry of the initial Term, the Co-op will have an option to extend its lease for an additional 20 year period (the "Extension Term") if certain conditions specified in the Lease are met. The Co-op will have no further right of renewal or extension after the Extension Term. See Appendix A for key lease terms.

The Co-op has confirmed that the membership has voted to support this direction.

### Land Rent and Affordability

The Co-op Lease Methodology establishes an approach for the calculation of below market land rent for short and long term co-op leases. The land rent calculation is based on the level of affordability provided by the Co-op, and a transition grant, for up to 10 years, is provided to ease the introduction of land rent into the Co-op's budget.

Membership Profile - RGI and Non-RGI Units:

In accordance with the Co-op Lease Methodology, the Lease is intended to be below market where land rent is primarily determined by the number of non-Rent Geared to Income ("Non-RGI") and Rent Geared to Income ("RGI") member households as defined below.

Household Type	Definition
Non-RGI member households	Lower of a 15% discount to Canada Mortgage and Housing Corporation ("CMHC") average neighborhood area rents or 25% of median Vancouver renter incomes (Non-RGI Benchmark Rent)

RGI member households	30% of the average income of RGI Units below the lower of HILs/Non-RGI Benchmark Rent and no lower than Income Assistance Rates
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The Co-op Lease Methodology requires a minimum of 15% of the Co-op's units to be at RGI affordability. For the 33 units in the Co-op, 15 units (45%) are occupied by households that meet the RGI criteria and land rent will be set based on household income for these units. The remaining 18 units (55%) will have land rent based on the Non-RGI definition. The distribution of RGI and Non-RGI units is summarized below.

*Figure 1: Summary of RGI and Non RGI Units*

Unit type	Unit count	RGI units		Non-RGI units	
		Count	% of units	Count	% of units
1 BR	10	6	60%	4	40%
2 BR	14	5	36%	9	64%
3 BR	9	4	44%	5	56%
<b>Overall</b>	<b>33</b>	<b>15</b>	<b>45%</b>	<b>18</b>	<b>55%</b>

#### Membership Profile – Income Profile:

Summarized below is the current income profile for the Co-op, with the average annual income by bedroom type for RGI and non-RGI households.

*Figure 2: Average Incomes of RGI and Non-RGI Units*

Unit type	Unit count	RGI units		Non-RGI units	
		Count	Average income	Count	Average income
1 BR	10	6	\$32,074	4	\$109,689
2 BR	14	5	\$53,093	9	\$116,344
3 BR	9	4	\$41,800	5	\$113,445
<b>Overall</b>	<b>33</b>	<b>15</b>	<b>\$41,674</b>	<b>18</b>	<b>\$114,060</b>

#### Estimated Land Rent and Transition Grant:

After operating, capital and vacancy deductions described in the ground rent formula in Appendix A, indicative Annual Rent for Year 1 amounts to an unadjusted land rent total of \$258,203 as broken down below. Rent Revenue is the sum of land rent calculated for all RGI and Non RGI units in the Co-op.

*Figure 3: Estimated Year 1 Annual Rent*

	Total \$	\$ per unit per month
<b>Rent revenue</b>	\$609,207	<b>1,538.40</b>
Senior Gov't Subsidy	\$94,632	238.97
Vacancy deduction	(\$6,092)	(15.38)
Opex deduction	(\$193,363)	(488.29)
Capex deduction	(\$246,180)	(621.67)
<b>Unadjusted Land Lease Rent</b>	<b>\$258,203</b>	<b>\$720.21</b>

The adjusted calculation of land rent for the Co-op's Lease will incorporate a transition grant for the first 10 years following the end of the original lease. The estimated transition grant of \$1.09M over 10 years is summarized as follows:

Figure 4: Estimated Transition Grant over 10 Years

Year	Est. land rent, before grant (\$)	Est. Transition grant		Est. land rent, after grant	
		%	\$	\$ Total	\$ per unit per month
1 (2026)	\$258,203	95%	\$245,293	\$12,910	33
2 (2027)	\$214,977	90%	\$193,479	\$21,498	54
3 (2028)*	\$171,852	80%	\$137,482	\$34,370	87
4 (2029)	\$176,148	70%	\$123,304	\$52,844	133
5 (2030)	\$180,552	60%	\$108,331	\$72,221	182
6 (2031)	\$185,066	50%	\$92,533	\$92,533	234
7 (2032)	\$189,692	40%	\$75,877	\$113,815	287
8 (2033)	\$194,435	30%	\$58,300	\$136,104	344
9 (2034)	\$199,296	20%	\$39,859	\$159,437	403
10 (2035)	\$204,278	10%	\$20,428	\$183,850	464
<b>Total</b>	<b>\$1,974,499</b>		<b>\$1,094,916</b>	<b>\$879,583</b>	

*\*In Year 3, the Co-op's operating subsidy agreement with CMHC reaches term. If this agreement is not extended, more of the City's land rent will go towards subsidizing RGI member households.*

#### Land Rent Payment Structure:

The Co-op Lease Methodology and the Lease contemplate two payment options for co-ops:

- Annual rent – which is set annually based on Non-RGI Benchmark Rent for Non-RGI Units and incomes of RGI Units, offset with operating, capital and vacancy deductions to account for the Co-op's responsibilities to maintain the Property during the Lease ("Annual Rent"); or
- Prepaid rent (up to 40 years) – which is set by escalating the first year Annual Rent derived from (a) above for the initial Term and discounting back to establish a present value ("Prepaid Rent").

If Rising Star sought to enter into a prepaid lease for 40 years, staff estimate that prepaid rent of approximately \$3.7 million would be indicated based on a commitment by the co-op to continue providing ongoing income-tested affordability equivalent to the current 15 RGI households with an initial average income of \$41,674. Staff will update the indicative value if any of the core assumptions above change from the timing of this report and lease commencement

Prior to execution of the Lease, the Co-op will advise the City of which payment option the Co-op chooses to pursue.

#### Financial Implications

Consistent with Council policies, all affordable housing projects are expected to be self-sustaining over the long-term where rents are set at levels that will cover mortgage payments,

operating costs and capital replacement, and do not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City.

The estimated fair market rental value for this property is approximately \$411,906 annually. As such, the below-market rent for the Lease constitutes a grant and approval requires eight affirmative votes of Council, per Section 206(1) of the *Vancouver Charter*.

**Legal Implications**

No legal rights or obligations shall arise or be created by Council’s adoption of Recommendation A unless and until all legal documentation has been executed and delivered by the respective parties.

Recommendation A constitutes a grant and require at least 8 affirmative votes of Council, per Section 206(1) of the *Vancouver Charter*.

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**APPENDIX A**  
**GROUND LEASE – TERMS AND CONDITIONS**

<b>Category</b>	<b>Terms</b>
<b>Landlord</b>	City of Vancouver
<b>Tenant</b>	Rising Star Housing Co-operative
<b>Term</b>	The term will start on September 1, 2026 (the “Commencement Date”) up to September 30, 2066 (the “Term”).
<b>Option to Extend</b>	One 20 year option to extend effective at the expiry of the initial Term
<b>Basic Rent</b>	<p>Basic Rent will be determined in accordance with Schedule A.</p> <p>Basic Periodic Rent for the initial Term will be set annually and is payable monthly starting on the Commencement Date.</p> <p>As of the date of this report, Basic Prepaid Rent is estimated to be approximately \$3,744,342 (inclusive of Transition Grants).</p> <p>The Tenant should strive to ensure its unit mix represents the Housing Vancouver Strategy of equity and diversity.</p>
<b>Taxes:</b>	<p>The Tenant will pay, directly to the taxing authority, all property taxes in respect of the Premises.</p> <p>The Tenant will pay, every tax and permit and licence fee (including penalties and interest) in respect of any business carried on in the Premises or in respect of the use or occupancy of the Premises by the Tenant or its members.</p>
<b>Utilities:</b>	The Tenant will be responsible for charges for utilities and services including heat, electricity, gas, water, waste and recycling collection, telephone, cable and internet, used by the Tenant during the term.
<b>Permitted Use:</b>	The Tenant will use the Premises only for the purpose of providing residential housing to its members in accordance with the terms and conditions of the Lease, unless otherwise approved by the Landlord in its sole discretion.
<b>Assignment and Subleasing:</b>	<p>The Tenant may not assign its interest in the Lease without the Landlord’s consent, which may be arbitrarily withheld.</p> <p>The Tenant will not sublease, license, set over or otherwise part with possession of the Premises or let any other person into possession of the Premises, save and except to its members pursuant to occupancy agreements (on the terms and conditions set out in the Lease), without the prior written consent of the Landlord, which consent the Landlord may arbitrarily withhold.</p>
<b>Maintenance and Repairs:</b>	The Landlord will not be obliged to furnish any services or facilities or to make repairs, replacements or alterations in or to the Premises, and the Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Premises and all expenses related thereto.

	<p>The Tenant will operate, manage and maintain the Premises or will cause the Premises to be operated, managed and maintained in a good, efficient and businesslike manner and will properly and adequately supervise the Premises, will supply or cause to be supplied all necessary building services to the occupants thereof, will impose and enforce rules and regulations relating to the use and occupancy of the Premises, and will generally manage the Premises as would a prudent owner pursuant to the terms of the Lease.</p> <p>Within two (2) years of the Lease Commencement Date, the Tenant will establish and maintain a capital asset plan ("<b>Capital Asset Plan</b>") that sets out the resource allocations and practices regarding the protection of the Building for a minimum of 30 years, but that will also take into consideration the Term and the life cycle of the Building. The Tenant will promptly provide a copy of the Capital Asset Plan to the Landlord.</p>
<b>Affordability</b>	Requires a minimum of 15% of the Co-op's units to be at Rent Geared to Income (RGI) affordability.
<b>Recording Keeping and Financial Management:</b>	<p>Annual income testing for all members occupying RGI Units (as defined in Schedule A) throughout the Term to support discounts in land rent, and to support any adjustments if required.</p> <p>For remaining members occupying units which are not RGI units ("<b>Non-RGI Units</b>"), income reporting at commencement of the Lease and thereafter 90 days prior to each fifth anniversary of the Commencement Date.</p> <p>Within 12 months of the Commencement Date and upon replacement from time to time during the Term, provide to the Landlord: (a) the Tenant's member referral and selection policy as approved by the Tenant's members and enforced by the Tenant; and (b) the Tenant's unit occupancy and over/under housing guidelines/policies as approved by the Tenant's members and enforced by the Tenant, which the Tenant will make reasonable efforts to align with the National Occupancy Standard developed by Canada Mortgage and Housing Corporation. The City strongly encourages Tenants to incorporate more equity based approaches to member selection policies.</p> <p>Annually provide to the Landlord (a) financial statements; (b) schedule of repairs/capital expenditures; (c) housing charge statistics (i.e., housing charges to all members); (d) occupancy statistics (i.e., vacancy and turn overs); and (e) operating budget and expense statistics (detail and summary operating expenses).</p> <p>Provide to the Landlord on the Commencement Date of the Lease and every three years following or as otherwise approved by the Landlord: (f) a building condition report; and (g) an asset management plan.</p> <p>Other Tenant reporting obligations to be detailed in the Lease.</p>
<b>Insurance Requirements:</b>	The Tenant will take out Commercial General Liability insurance of not less than \$10M per occurrence, all risk property insurance to the full replacement cost value of the building, business interruption (rental

	income) insurance in an amount equal to or greater than the Basic Rent payable for the relevant 12 month period, and insurance covering boilers, machinery and pressure vessels protection against usual and unusual perils.
<b>Tenant Default for RGI Unit Count or Reporting Deficiencies:</b>	In addition to standard events of default to be listed in the Lease, it will be an event of default for the Tenant if the number of members occupying RGI Units in the building and receiving income adjusted housing charges at a maximum of 30% of the member's household income is less than 15% of the total number of housing units in the building.
<b>Redevelopment</b>	During the Term, the City may elect to terminate the Lease in order to redevelop the Premises on the terms outlined in Appendix B of the Co-op Lease Methodology.

**SCHEDULE A  
GROUND LEASE BASIC RENT TERMS AND CONDITIONS**

<b>RGI/Non-RGI Household Target</b>
<ul style="list-style-type: none"> <li>• Basic Rent will be reduced for member households that meet the RGI Unit Eligibility Criteria. The number of RGI Units that meet the RGI Unit Eligibility Criteria must be agreed-upon and must be at least 15% of total units in the Premises.</li> </ul>

<b>Basic Periodic Rent Calculation and Payment</b>
<ul style="list-style-type: none"> <li>• At the beginning of each year of the Term, (a) the Landlord will provide the Tenant with the RGI Unit Eligibility Criteria; (b) the Tenant and the Landlord will define the Minimum RGI Units, which will impact the calculation of Basic Rent; and Basic Rent will be set annually by determining an indicative rent at the beginning of the year using the previous year's income for members occupying the Minimum RGI Units.</li> <li>• Rent will be paid monthly in advance.</li> <li>• At the end of each year of the Term, (a) Basic Rent will be adjusted based on income testing results of that year for Minimum RGI Units; and (b) any amounts owing to the Landlord will be paid the next rent payment date, and any amounts owing to the Tenant may be deducted from the next payment date(s).</li> <li>• Number of Minimum RGI Units will be agreed upon at the beginning of each year, such number to be no less than 15% of the total number of Housing Units in the Building. Failing agreement, the Landlord's determination of the number of Minimum RGI Units will govern.</li> </ul>

<b>Basic Prepaid Rent Calculation and Payment</b>
<ul style="list-style-type: none"> <li>• Basic Prepaid Rent will be calculated on the basis of the Target RGI Units.</li> <li>• As of the date of this report, Basic Prepaid Rent is estimated to be approximately \$3,744,342 (inclusive of Transition Grants).</li> <li>• Rent will be paid on or before the Lease Commencement Date.</li> </ul>

<b>Rent Formula:</b>	
	Non-RGI Revenue
+	RGI Revenue
+	Sr. Government Subsidies
-	Vacancy Allowance
-	OPEX Deduction
-	<u>CAPEX Deduction</u>
=	<b>Rent before Grant</b>
-	<u>Transition Grant</u>
=	<b><u>Annual Net Rent</u></b>

**Non-RGI Revenue**

- Non-RGI Rent revenue = # of units x lower of:
  - 25% of Median Vancouver Renter Income (MVRI), and
  - 15% discount of CMHC average area rents (Downtown zone);
    - MVRI is adjusted when new census data is published and escalated by RTA rate between census periods.
    - CMHC area rents are published annually.
- Eligibility/income threshold:
  - Non-RGI Unit households must report income at the beginning of the Term
  - Should members occupying Non-RGI Units not provide income information, the Landlord reserves the right to determine land rent for these units at the prevailing market rates for the number of units with income information outstanding

**RGI Revenue**

- Rent revenue = # of eligible units x 30% of household income and not lower than the maximum shelter rate component of Income Assistance;
- Eligibility/ income threshold:
- Household income is at or below HILs or Non-RGI rent rate, whichever is lower
  - Should members occupying RGI Units be over-housed according to the Tenant's unit occupancy and over/under housing guidelines/policies, the Landlord reserves the right to determine land rent for these units at the Non-RGI unit rate
- Tenant Housing Charge Conditions:
- Housing charges set by Tenant for households in RGI eligible units must use best efforts not to exceed 30% of income
  - RGI Unit households must report income at the beginning of the Term and, for basic Periodic Rent Payment, be income tested (and adjusted) annually
  - Landlord and Tenant sets number of RGI Units; minimum 15% of total units

**OPEX Deduction**

OPEX deduction of \$488 PUPM in year 1 of the Term, escalated annually by rate of escalation of Non-RGI and RGI Revenue from the previous year

**CAPEX Deduction**

CAPEX deduction of \$622 PUPM in year 1 of the Term, escalated annually by rate of escalation of Non-RGI and RGI Revenue from the previous year

**Vacancy Deduction**

Vacancy deduction of 1% of RGI Revenue and Non-RGI Revenue

**Transition Grant**

The Transition Grant is only available for the first 10 years, and for a maximum of 10 years. The Transition Grant is not available to new co-op members of the Tenant after the commencement of the Term *as its purpose is to assist existing members with lease payments*. The Tenant's existing co-op members moving to different units leased to the Tenant are not considered new members.

Rent Discount Formula:

- Total Unadjusted Rent x Year Rent Discount %

Year Rent Discount #:

- Yr 1 – 95%
- Yr 2 – 90%
- Yr 3 – 80%
- Yr 4 – 70%
- Yr 5 – 60%
- Yr 6 – 50%
- Yr 7 – 40%
- Yr 8 – 30%
- Yr 9 – 20%
- Yr 10– 10%

Term & Eligibility:

- Available only to existing members at commencement of the Term
- All members must report income at beginning of the Term for Co-op to be eligible

**Senior Government Subsidy**

Adjustment for senior government operating subsidy received by the Tenant

Adjustment cannot exceed the difference in rent between RGI and Non-RGI units