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ADMINISTRATIVE REPORT

Report Date: January 5, 2011
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Meeting Date: January 18, 2011

TO: Vancouver City Council
FROM: Managing Director of Social Development
SUBJECT: Lease Terms and Other Arrangements for Social and Supportive Housing at 111 Princess Avenue (one of 14 sites)

RECOMMENDATION

A. THAT subject to the satisfactory conclusion of rezoning conditions and the enactment of the CD-1 By-law for this site, Council authorize the Director of Real Estate Services to lease City-owned lands located at 111 Princess Avenue (formerly 590 Alexander), legally described as PID 015-603-172(lot 12), PID 015-603-199(lot 13), PID 013-658-034(lot 14), PID 013-658-042(lot 15), and PID 013-658-069(lot 16), Block 42, DL 196, Plan 196 (the "Lands") by way of ground lease to the Portland Hotel Community Services Society ("PHS") to enable the development of a non-market housing project, which ground lease will provide for:

- i) a term of 60 years;
- ii) a nominal prepaid rent; and
- iii) a waiver of rent-in-lieu of property taxes for the term of the lease for the site, including the construction period, as long as it continues to provide supportive housing for the homeless and as long as BC Housing continues to provide operating subsidies;

and otherwise will be in accordance with the terms and conditions outlined in this report and to the satisfaction of the Managing Director of Social Development, the Director of Real Estate Services and the Director of Legal Services.

The lease at a nominal rent and a waiver of rent-in-lieu of property taxes for this City-owned site constitutes a grant and requires 8 affirmative votes.

- B. THAT the Director of Legal Services be authorized to execute all necessary agreements, plans and other documents on behalf of the City and that no legal rights or obligations are hereby created and none shall arise hereafter except upon execution of all legal documents required to complete these transactions to the satisfaction of the Director of Legal Services.

GENERAL MANAGER'S COMMENTS

The General Managers of Business Planning and Services and Community Services recommend APPROVAL of the foregoing recommendations. The 14 site partnership between BC Housing and the City of Vancouver is key to the City achieving its goal to end street homelessness by 2015 as well as the City's broader housing goals. The March 2010 Homeless Count undertaken by the City has allowed us to identify the specific locations in the City of our street and sheltered homeless. This partnership with BC Housing where the City has provided the sites across various communities will allow us to work with BC Housing and non-profits to house individuals as close to their social networks as possible.

COUNCIL POLICY

It is Council policy to purchase privately-owned sites for non-market housing projects and lease them to non-profit societies or co-operative associations for 60 years. A 60 year lease is valued at 75% of freehold market value.

Council's priorities for social housing are to maintain and expand housing opportunities in Vancouver for low and modest income households with priority being given to families with children, seniors on fixed incomes or in need of support; SRO residents; and the mentally ill, physically disabled and others at risk of homelessness.

In March 2007 Council approved in principle, making 12 or more City-owned sites available at no cost for the development of 1500 or more supportive housing units for low income singles, including those with mental health and addiction issues, by leasing the City-owned sites to non-profit sponsors of supportive housing for the development and operation of supportive housing for 60-year terms and nominal prepaid rents.

Council approved the Supportive Housing Strategy in June 2007.

Council approved a Memorandum of Understanding ("MOU") between the City and BC Housing on December 19, 2007, regarding the City/Province Social and Supportive Housing Partnership. Twelve (12) sites are included in this partnership, including the site at 111 Princess Avenue.

A lease at nominal rent and waiver of rent-in-lieu of property taxes for the Project constitutes a grant, requiring the approval of 8 members of Council.

PURPOSE AND SUMMARY

The purpose of this report is to obtain authorities required for the ground lease of this site to the Portland Hotel Community Services Society ("PHS") for the development and operation of supportive housing.

BACKGROUND

Acquisition: The site at 590 Alexander was formerly occupied by a 76-unit social housing project (Marie Gomez Place). The City acquired the three lots for the development of social housing in 1980. Due to major structural issues, the building was demolished in 2008 and the vacant site returned to the Property Endowment Fund. In 2008, Council approved the purchase of 522 Alexander for consolidation with the adjacent site at 590 Alexander for the development of social and supportive housing. The source of funding for 522 Alexander was the Property Endowment Fund and City-wide Development Cost Levies allocated to replacement housing. The current estimate of market value of the consolidated site is \$3,000,000.

This is a partnership with BC Housing, the City, and PHS, who will manage the housing and provide tenant services.

PHS is a charitable, non-profit community development organization which began in 1991. Since its inception, PHS has provided community residents – primarily those residing in the Downtown Eastside and other inner city neighbourhoods – with housing, supports and programs to help stabilize their lives. The Society seeks to promote, develop and maintain supportive affordable housing for low-income adult individuals who are homeless or at risk of homelessness. In addition to shelter, PHS provides service and advocacy through numerous projects for people with multiple challenges, including physical and/or mental health issues, behavioural issues and substance dependencies.

The MOU provided the following outline of the proposed use:

It is proposed that a design be prepared for the site based on a 100 ft. tall building with a Floor Space Ratio of up to 5. It is proposed that the project consist of 100 or so small studio units of 200-250 sq. ft. and be developed as low barrier housing. Sufficient amenity space would be provided to accommodate a kitchen and dining area and the necessary support for a low barrier project. Meals would be provided. Most of the units would accommodate persons with a mental health and/or substance abuse problem. All units will be tenanted by core-need singles with a priority for those living in the shelters and (SRO) hotels in the Downtown Eastside.

Site and Project Description: Council approved in principle the rezoning of the site from DEOD to CD-1 following a Public Hearing held on October 6 & 8, 2009. The prior-to conditions for enactment of the rezoning by-law are presently being satisfied.

The site has an area of 1 417.32 m² (15,238 ft.²), with a frontage of 38.1 m (124.9 ft.) and a depth of 37.2 m (122 ft.). Three of the lots are vacant, and the remaining two lots are occupied by a two-storey building.

The development proposal consists of the following components:

- 139 dwelling units with a total floor area of 7 500 m² (80,700 ft.²), including 800 m² (8,643 ft.²) of amenity space;
- A building height of 10 storeys, at 34.2 m (112 ft.);
- 14 parking spaces at grade
- One loading bay; and
- Storage for 112 bicycles

The estimated project capital cost is \$31.2 million, excluding land. The approximate cost per unit is \$224,500; or \$246,000/unit including (estimated) cost of land.

Appendix A shows the location of the site. Appendix B outlines the timeline for sites currently under construction and proposed timeline for those sites under development.

DISCUSSION

Ground Lease to PHS: The site will be leased to PHS in accordance with the standard terms and conditions agreed to between the City and BC Housing for social and supportive housing:

1. Term of 60 years
2. Rent will be prepaid nominal rent;
3. The value of the foregone rent, based on a calculation of 75% of the 2010 market value of the site, is \$2,250,000;
4. Lease to be signed within 180 days after Council approval, or such later date as may be approved by the City Manager;
5. PHS will not pay property taxes (in the form of rent-in-lieu of taxes) on this property, in accordance with the MOU approved by Council on December 19, 2007; and
6. Such further and other terms as are acceptable to the Managing Director of Social Development, the Directors of Real Estate Services and Legal Services. No legal obligation shall arise or be created until execution of the lease to the satisfaction of the Director of Legal Services.

The MOU notes that the City as owner of the supportive housing sites will, as a term of the lease, "exempt each Project from property taxes (in the form of rent-in-lieu of taxes) for the term of the lease as long as the Project continues to provide supportive housing for the homeless and those at risk of homelessness and as long as BC Housing continues to provide operating subsidies to the Project." (This assumes a key emphasis on those who are currently street homeless in the vicinity of the site.)

Construction on this site is expected to start in the third quarter of 2011. Occupancy is anticipated in the second quarter of 2013. Once operational, it is BC Housing's expectation that the entire property will be designated by the Province as Class 3 - Supportive Housing which will be subject to special valuation rules that reduce the assessed value of the property to a nominal amount and therefore effectively exempt the site from property taxes.

FINANCIAL IMPLICATIONS

Nominal Rent - The foregone rent on the 60 year lease to PHS at a nominal rate is valued at \$2,250,000, which represents 75% of the market value of the site. This represents a grant and does not involve further City funding.

Rent-in-lieu of Taxes - Based on the 2010 assessed value of \$1.2 million (land component) and BC Housing's estimated capital cost for the building (\$31.2 million):

- during construction and until the property receives its Class 3 - Supportive Housing designation, the amount of forgone rent-in-lieu of taxes for the entire property is

estimated at \$11,800 during the construction phase, and \$136,400 after completion of the building, per year (2010\$); and

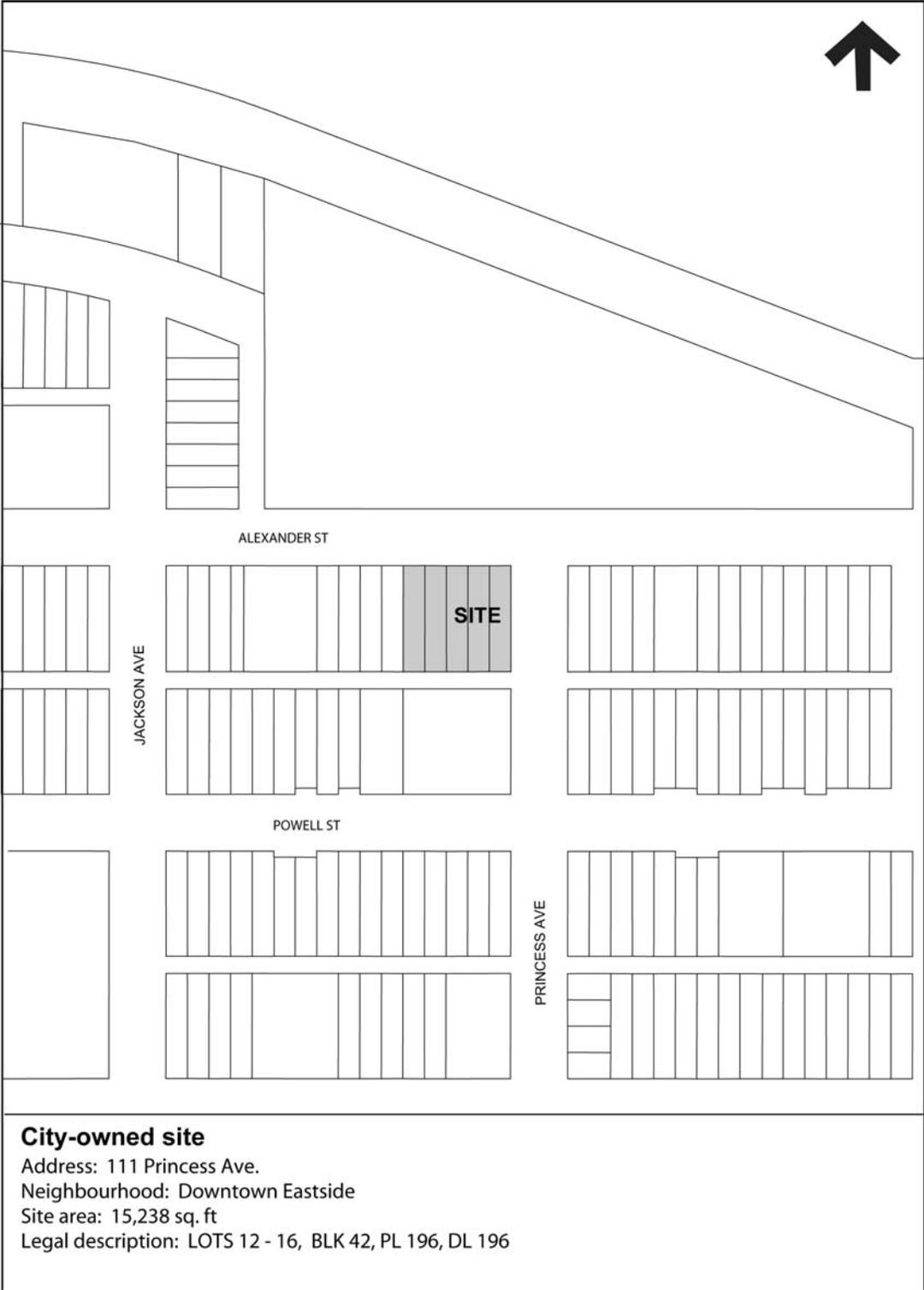
- once the property is designated as Class 3 - Supportive Housing, the amount of forgone municipal general purpose tax levy for the entire property is estimated at \$69,600 per year (2010\$).

CONCLUSION

The project at 111 Princess Avenue is a partnership between BC Housing, the City of Vancouver and Portland Hotel Community Services Society. These new supportive housing units will further the goal of 1-for-1 replacement of SROs with better quality social housing as outlined in the Housing Plan for the Downtown Eastside. The lease terms and waiver of rent-in-lieu of taxes is consistent with the partnership objectives as set out in the Memorandum of Understanding between BC Housing and the City of Vancouver.

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Site Location Plan for 111 Princess Avenue



City of Vancouver and BC Housing New Supportive/Social Housing Projects

14 Sites Status Report (as of December 15, 2010)

Projects Under Construction:

	Address	Service Provider	# Units	Construction Start	Estimated Occupancy Date
1	1005 Station	PHS	80	Construction started November 09	January 11, 2011
2	1338 Seymour	More Than a Roof	106	Construction started November 09	2 nd Quarter 2011
3	188 East 1 st	Lookout Emergency Aid Society	129	Construction started December 09	3 rd Quarter 2011
4	337 West Pender	Coast	96	Construction started December 09	2 nd Quarter 2011
5	525 Abbott	Atira	108	Construction started December 09	3 rd Quarter 2011
6	3595 West 17 th	Coast	51	Construction started May 2010	3 rd Quarter 2011

Total Number of Units: Buildings 1-6: 570

Projects under Development:

	Address	Service Provider	# Units	Construction Start	Estimated Occupancy Date
7	1227 Howe	McLaren House	110	Construction starts January 2011	2 nd Quarter 2012
8	1601 West 7th St at Fir	Katherine Sanford/MPA	62	Construction starts December 2010	2 nd Quarter 2012
9	215 West 2nd	RainCity	147	Construction start February 2011	2 nd Quarter 2012
10	1050 Expo Blvd	127/St James Society	89	TBD - discussions ongoing	unknown
11	111 Princess	Portland Hotel Society	139	3 rd Quarter 2011	1 st Quarter 2013
12	1134 Burrard	Kettle Friendship Society	141	2 nd Quarter 2011	2 nd Quarter 2013
13	675-691 East Broadway	Van Native Housing Society	103	1 st Quarter 2012	2 nd Quarter 2013
14	606 Powell	RainCity	146	1 st Quarter 2012	3 rd Quarter 2013

Total Number of Units Buildings 7-14: 937

Complete Total (buildings 1-14): Approximately 1,500