



CITY OF VANCOUVER

CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: September 16, 2008
Contact: Rob Whitlock
Phone No.: 604.873.7432
RTS No.: 07584
VanRIMS No.: 08-2000-20
Meeting Date: September 30, 2008

TO: Vancouver City Council

FROM: Managing Director of Social Development

SUBJECT: Lease Terms and Other Arrangements for Development of a Social and Supportive Housing Project and a Social Service Centre on the City-owned site at 1601 West 7th Avenue

RECOMMENDATION

A. THAT Council authorize the Director of Real Estate Services to lease lands located at 1601 West 7th Avenue, legally described as PID:026-644-321, Parcel J, Block 289, D.L. 526, Group 1, Plan BCP23168 (the "Lands") by way of ground lease to the Katherine Sanford Housing Society (KSHS) 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 property taxes for the term of the lease on the residential portion of the project, 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 ground lease to KSHS at a nominal rent and providing for a waiver of property taxes for the term of the residential portion of the project constitutes a grant and requires 8 affirmative votes.

- B. THAT Council approve a sublease of the Social Service Centre on the 1st and 2nd floors of the Non-Market Housing Project, from Katherine Sanford Housing Society to BC Housing, for the term of the ground lease less one day at nominal rent, for the purpose of providing services to individuals with mental illnesses, in accordance with the terms described in this report.
- C. THAT no legal rights or obligations are hereby created and none shall arise hereafter except upon signing of all of the agreements by all parties. All agreements shall be on the terms hereby approved and such other terms as satisfy the Director of Legal Services in consultation with the Managing Director of Social Development and the Directors of Risk Management and Real Estate Services.

GENERAL MANAGER'S COMMENTS

The General Managers of Business Services and Community Services RECOMMEND approval of the foregoing Recommendations.

COUNCIL POLICY

Council's policy is to acquire land for non-market housing development and to lease it to non-profit social housing providers for 60 years at a nominal rent. The value of a 60-year lease is estimated to be 75% of the market value of the site.

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.

Council approved the Supportive Housing Strategy in June 2007.

Council approved a Memorandum of Understanding 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 1601 West 7th Avenue. Included in Council's approval is a specific recommendation that the City provide the sites at no cost, and to relieve all 12 sites of the obligation to pay property taxes for the duration of their leases.

Council approved a request for increased floor space to accommodate a social service centre for this site, on July 8, 2008.

A lease at nominal rent and waiver of property taxes for the residential portion of the project constitute a grant, requiring the approval of 8 members of Council.

PURPOSE

The purpose of this report is to obtain authorities required for the non-market housing proposed for the Lands, including the ground lease to KSHS for the Non-Market Housing Project and the sublease to BC Housing for the Social Service Centre on the 1st and 2nd floors.

BACKGROUND

The City purchased the site at 1601 West 7th Avenue in 2005 for social housing. The current assessed value of the site is \$4,036,000 (2008).

In December 2007, Council approved the City/Province Social and Supportive Housing Partnership which included leasing the site to a non-profit housing sponsor for 60 years at nominal rent. The Partnership agreement included an outline of the proposed project as follows:

- 70 +/- studio units, with a third to a half of the units to be occupied by persons with a mental illness; all units will be tenanted by core-need singles with a priority for those living in Fairview and Kitsilano; and
- The Motivation, Power and Achievement Society's mental health drop-in centre on the first and second floor of up to 10,000 ft.².

Katherine Sanford Housing Society (KSHS) was announced as the housing sponsor for the site at the end of January 2008, following a request for submission of proposals from BC Housing. Respondents were evaluated by staff from BC Housing and the City's Housing Centre. KSHS is a non-profit housing organization, founded in 1989, with a mandate "to provide quality supported housing to persons with mental illness and/or addictions".

Motivation, Power and Achievement Society (MPA) will operate the social service centre or community resource centre (CRC). MPA is a non-profit organization, founded in 1971, with a mission "to inspire hope and recovery for individuals with mental health issues". In addition to housing over 400 people throughout Vancouver, MPA also operates a CRC on West 4th Avenue for the past 21 years, which will be relocated to this project as their lease of their current premises is coming to an end. The Centre offers opportunities for social interaction, a meal program, peer counselling and assistance in accessing community resources. The MPA will manage the CRC, and provide support services to all residents, including those with mental illness, with priority given to those living in Fairview and Kitsilano.

This is a partnership with BC Housing, the City of Vancouver, Vancouver Coastal Health (VCH), KSHS and the MPA Society. VCH will contribute support services to the MPA, for the CRC and the supportive housing.

DISCUSSION

The Site: The site has a frontage on West 7th Avenue of 30.5m (100 ft.) and a depth of 34.7 m (114 ft.), for a total site area of 1 060 m² (11,400 ft²). The zoning is C-3A Commercial with a maximum FSR of 3.0. The zoning allows increased density for any public, social or recreational facility. On July 8, 2008, Council supported an increase in FSR of up to 929 m² (10,000 ft.²) for the CRC.

The Building: The building is comprised of 62 units of social and supportive housing and the CRC.

The CRC to be operated by MPA as a drop-in centre for mental health clients, will contain up to 929 m² (10,000 ft.²) on the main and second floors of the building. The Centre consists of a kitchen and dining room, lounge, multi-purpose room, library, computer room, games room, arts room and office space.

The building includes one-level of shared underground parking which contains 8 parking stalls. A loading bay is located off the lane. The entrance to the parking garage is also off the lane.

Lease Terms: The site will be leased to KSHS in accordance with the terms and conditions agreed to between the City and BC Housing for social housing developments on City-owned land.

Ground Lease to KSHS: General terms for the City's ground lease to KSHS are:

1. A term of 60 years
2. Rent will be a prepaid nominal rent;
3. The value of the foregone rent, based on a calculation of 75% of the 2008 assessed value of the site, is \$3,027,000;
4. The ground lease will be signed within 180 days from the date of Council approval of the lease terms, or such later date as may be approved by the City Manager;
5. KSHS will sublease the CRC on the 1st and 2nd floor to BC Housing for a nominal rent, in accordance with the sublease terms described below; and
6. Such further other terms as are acceptable to the Managing Director of Social Development and the Director of Legal Services. No legal rights and obligations shall arise or be created until execution of the lease to the satisfaction of the Director of Legal Services.

A Memorandum of Understanding (MOU) was negotiated between the City and BC Housing and approved by Council on December 19, 2007. Pursuant to the MOU, KSHS will not pay property taxes on the residential portion of the site.

CRC Sublease: KSHS's sublease of the CRC to BC Housing will be on terms and conditions acceptable to the City, including the following additional or modified terms as may be accepted by the Director of Legal Services.

1. BC Housing has committed to lease the CRC. That sublease will commence as soon as the CRC is ready for occupancy;
2. The term of the sublease will be equal to the term of the ground lease less a day;
3. The sublease will be at a nominal rent to BC Housing;
4. BC Housing will pay KSHS the Centre's share of common building expenses, including general building maintenance and property taxes (for the CRC area which is not exempt from property taxes); and
5. BC Housing may assign or sublease all or part of the Centre to another non-profit society or government agency on the same terms and conditions as its sublease from KSHS, provided that all uses in the Centre are consistent with the social service development permit for the Centre and are compatible with the Non-Market Housing Project above,

with approval of the Managing Director of Social Development, such approval not to be unreasonably withheld.

BC Housing and the Managing Director of Social Development have approved MPA as the service provider to occupy the social service centre.

FINANCIAL IMPLICATIONS

Purchase of the site in 2005 was funded through City-wide DCLs allocated to replacement housing, and the PEF. A 60 year prepaid lease is valued at \$3,027,000 which represents 75% of the assessed value of the site and the foregone rent. The lease to KSHS at a nominal rent represents a grant that does not require further City funding. Council approved the property tax exemption for the 12 City/Province Partnership Sites on December 19, 2007.

The cost of construction and maintenance of the social service centre will be assumed by BC Housing.

CONCLUSION

This non-market housing project will serve 62 low-income singles who suffer from mental illnesses, who may be homeless or at risk of homeless, with priority given to those living in the Fairview and Kitsilano areas. In addition, the project includes a 929 m² (10,000 ft.²) community resource centre which will provide a wide range of social and recreational services to people with mental health problems living in Fairview and Kitsilano.

* * * * *

APPENDIX A

Site Location Plan

