



CITY OF VANCOUVER

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ADMINISTRATIVE REPORT

Report Date: September 29, 2008
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Meeting Date: October 14, 2008

TO: Vancouver City Council

FROM: Managing Director of Social Development and the Director of Real Estate Services

SUBJECT: Lease Terms and Other Arrangements for City-owned Social and Supportive Housing Site at 525 Abbott Street

RECOMMENDATION

- A. THAT Council authorize the Director of Legal Services to lease lands located at 525 Abbott Street, legally described as PID 016-560-248, Lot 192 PL 23011 DL False Creek (the "Lands") by way of ground lease to Atira Women's Resource Society ("Atira") 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 Atira at a nominal rent and providing for a waiver of property taxes for the term for the residential portion of the project constitutes a grant and requires 8 affirmative votes.

- B. THAT Council authorize the Director of Real Estate Services to enter into a sublease between Atira as landlord and the City as tenant of the retail space, totalling approximately 465 m² (5,005 ft.²), on the main floor of the project to be constructed by Atira on the Lands, which sublease will provide for:
- i) a term which is the term of the ground lease less a day;
 - ii) a nominal prepaid rent; and
 - iii) the right to use 5 parking spaces and the loading bay;
- and otherwise will be subject to such other terms and conditions as determined by the General Managers of Business Planning and Services, Community Services and the Director of Legal Services.
- C. THAT Council approve payment to BC Housing of up to \$4.1 million plus GST equal to the total construction costs of the retail space, disbursed during the construction period in two payments, 50% prior to start of construction and 50% upon completion and subject to the approval of the Director of Real Estate Services; source of funds is the Property Endowment Fund.
- D. THAT Council approve a budget of up to \$740,000 plus GST for required tenant improvements undertaken by the City or negotiated by the Director for Real Estate Services as part of the retail lease negotiations with prospective tenants; source of funds is the Property Endowment Fund.
- E. 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.

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.

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 525 Abbott Street. 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, on any residential floor area or ancillary floor areas.

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.

SUMMARY AND PURPOSE

The purpose of this report is to obtain the authorities required for the non-market housing proposed for the Lands, including for:

- The ground lease to the Atira Women's Resource Society (Atira);
- The sublease by the City of the retail space in the project;
- An expenditure of \$4.1 million plus GST to cover the estimated construction and soft costs for the retail component; and
- An expenditure of up to \$740,000 plus GST to cover tenant improvement and fit-out costs for the retail component as determined by the tender process.

525 Abbott Street is part of the City/Province Social and Supportive Housing Partnership described under Council policy. Council has approved to date lease terms for five of the sites, and Abott Street would be the sixth.

BACKGROUND

Acquisition: The site is within International Village and has been earmarked for social housing since 1990. Under the False Creek North Official Development Plan, 15% of all units are intended for affordable housing.

The present assessed value of the site is \$3,527,000 (2008).

City/Province Partnership: This project is proceeding under the City/Province Social and Supportive Housing Partnership, approved by Council in December 2007. The MOU outlined the following proposed use of the site, as follows:

It is proposed that the site be designed for up to 120 studio units. A third to a half of the units would be made available for persons with mental illness or substance abuse problems who are referred by and connected to health and social services. All units would be tenanted by core-need singles with priority for singles living in the Downtown Eastside's shelters and single room occupancy (SRO) hotels and rooming houses.

Atira was announced as the housing sponsor for the site at 525 Abbott Street at the end of January 2008, following a request for submission of proposals by BC Housing. Respondents were evaluated by staff from BC Housing and the City's Housing Centre. The Society has operated for over 25 years and is an experienced non-profit housing developer, builder and

property manager. The Society currently operates 7 non-profit housing projects that serve the needs of women.

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

Site and Project Description: DE 412115 was approved by the Development Permit Board on July 14, 2008. The site has an area of 1 600 m² (17,223 ft.²), with an irregular shape and is presently occupied with a vacant small showroom building.

The development proposal consists of the following components:

- 108 dwelling units, including studio and one-bedroom apartments;
- Total floor area of 6 261.0 m² (67,393 ft.²), including 179.3 m² (1,930 ft.²) of amenity space;
- Retail space with a total floor area of 465 m² (5,005 ft.²);
- A building height of 10 storeys, at 33 m (108 ft);
- One level of parking for 18 cars;
- One loading bay; and
- Storage for 81 bicycles.

It is expected that the building will be ready for occupancy in 2010. The total capital cost of the project, including land, is approximately \$37 million.

Appendix A shows the location of the site.

DISCUSSION

Lease Terms: There are two leases involved in this project. The first is a ground lease from the City to Atira for 60 years at a nominal value, as established by the MOU endorsed by Council on December 19, 2008. The second is a sublease of the ground floor retail space from Atira to the City (Property Endowment Fund) for the term of the ground lease less a day at a nominal rent.

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

1. 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 \$2,645,250;
4. Lease to be signed within 180 days after Council approval, or such later date as may be approved by the City Manager;
5. Atira will sublease the retail space on the ground floor to the City for a term equal to the ground lease less a day for a nominal rent, in accordance with the sublease terms described below;
6. Atira will not pay property taxes on the residential portion of the property, in accordance with the MOU approved by Council on December 19, 2007;

7. Such further and other terms as are acceptable to the Managing Director of Social Development, the Director of Real Estate Services and the Director of Legal Services. No legal obligation shall arise or be created until execution of the lease to the satisfaction of the Director of Legal Services.

Retail Sublease to the City: The retail component of the building is 465 m² (5,005 ft.²) of floor area on the ground level, one loading bay and 5 parking stalls. It is proposed that Atira sublease the ground floor retail component to the City for a term equal to the ground lease less a day at a nominal rent. Details of the retail sublease and the agreement with BC Housing related to the construction of this space are as follows:

1. Term will be equal to the term of the ground lease less a day;
2. The rent paid by the City will be nominal;
3. The City will have the right to sub-sublease the retail area on commercial terms as it chooses;
4. The total construction costs of the retail space is estimated at \$4.1 million, including hard and soft construction costs plus contingency costs;
5. The project architects, GBL Architects Group, will submit complete drawings for review and approval by the Director of Real Estate Services prior to application for building permit and prior to issuance of construction contract drawings and detailed specifications, as may relate to the retail space and related common areas;
6. The City will make disbursements for construction costs of the retail space during the construction period in two staged payments. The first payment, equivalent to 50% of the construction costs, will be paid in advance at the date of construction commencement as advised by BC Housing following Building Permit issuance; the second payment to be paid on final completion of construction and issuance of occupancy permit, all to the satisfaction of the Director of Real Estate Services;
7. Any subsequent changes or amendments to the working construction drawings as they relate to the retail space or common areas will require the prior approval of the Director of Real Estate Services; and
8. Arrangements will be made with Atira for the sub-sublessee of the retail space to pay, over the term of the retail sublease, common building expenses attributable to the retail component.

The provision of retail space, available for lease at market rates to businesses and agencies, will provide for commercial activity along this section of Pender and Abbott Streets.

FINANCIAL IMPLICATIONS

The site at 525 Abbott Street is part of the social housing commitment for the north shore of False Creek. A 60 year prepaid lease is valued at \$2,645,250, which represents 75% of the assessed value of the site and the foregone rent. The lease to Atira at a nominal rent represents a grant and does not involve further City funding.

The estimated cost of the retail space will be \$4.1 million plus GST for construction and soft costs and up to \$740,000 plus GST for tenant improvements and fit-up costs. The source of funds is the Property Endowment Fund.

Real Estate Services will sub-lease the retail space to commercial tenants on a net basis whereby the tenants would be required to pay additional rent in lieu of property taxes and operating costs plus utilities and maintenance.

CONCLUSION

The project at 525 Abbott Street is a partnership between BC Housing, the City of Vancouver, and Atira. It is an important component of the implementation of the City's Homeless Action Plan and the Supportive Housing Initiative, as well as meeting the social housing objectives for North False Creek.

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Site Location Plan for 525 Abbott Street

