

June 27, 2018

Attn: Nancy Keough
Executive Director
The Kettle Society
1725 Venables Street
Vancouver, BC V5L 2H3

Email: nkeough@thekettle.ca

Dear Ms. Keough:

**RE: KETTLE BOFFO PROJECT - 1705, 1725, 1739 VENABLES STREET AND 800
COMMERCIAL DRIVE, VANCOUVER, BC**

I am writing in response to your June 19, 2018 letter to Vancouver City Council regarding the Kettle Boffo Project not proceeding.

That is truly disappointing as City staff and your organization have devoted significant time and resources in working with your development partner – Mr. Daniel Boffo to help enable this project to proceed because of the benefits that we believe this project would achieve for the Kettle Society. Based on our last review of the pro forma for this project (undertaken by Coriolis Consulting), it is our assessment that this project remains viable and we encourage you to reconsider.

The City has been clear regarding the process that the developer would need to follow, as outlined in Mr. Gil Kelley's letter to Mr. Boffo dated November 29, 2016 (you were copied). Since then, my last letters to Mr. Boffo dated December 18, 2017 (you were copied) and March 19, 2018, we highlighted our commitment to this project and all the progress that had been achieved during the preliminary inquiry stage for this project, including:

1. the resolution on the height and form of development for this project;
2. the City's acceptance of Mr. Boffo's counter offer for the direct sale of the neighbouring City-owned property and lane;
3. the confirmation regarding Kettle's ownership of the new Welcome Centre and Affordable Housing airspace parcels in the new development, on the condition that the affordable housing could be secured for the public benefit in perpetuity;
4. the confirmation of the Kettle's moving and interim leasing costs, while the new project was under construction, as part of the developer's pro forma if the Kettle did not want to otherwise apply to the City for a grant to cover these costs; and

5. identifying the total public benefits expected from the developer – Boffo Properties, and providing options for involving third party expert consultants to help the City and the developer come to a resolution of this matter.

In these letters, we also specifically asked Mr. Boffo to make a formal rezoning submission, as is expected from every other party looking to rezone lands within the City of Vancouver.

To date, we have not made a final determination of the appropriate community amenity contributions (CACs) as that would only happen once we have received a formal rezoning application. However, in the March 19th letter to Mr. Boffo, we wrote (based on third party consultants' advice and with Mr. Boffo's feedback) that staff was willing to "recommend acceptance of a cash CAC offering of \$6.1M, based on the development of the Kettle Society's Space [Welcome Centre] and the 30 non-market housing units. Should your formal application submission clarify additional costs, beyond those which are already credited in the pro forma (i.e. offsite Engineering Infrastructure costs, a formal offer to lease document stating additional costs for the Kettle, etc.), the City is willing to consider same in our final analysis."

Based on the City's estimates from then for the total of the above noted public benefits (which we were willing to reduce for the developer if Mr. Boffo identified additional costs as part of his formal application), the summary amounted to:

- Kettle Space (Welcome Centre) and 30 Units of Affordable Housing = \$12M; plus
- Cash CAC estimate = ~\$6.1M (~75% of the land value appreciation through rezoning),

for a total of ~\$18.1M towards public benefits. Therefore, we cannot reconcile these numbers with the statement in your letter that "the value of these benefits was well over \$39M". We would certainly appreciate it if you can clarify what elements constitute this \$39M figure.

For rezoning applications, the City must treat each applicant consistently and fairly; therefore, a formal submission is required in order for the City to make its final determination on infrastructure requirements and anticipated public benefits offerings. It is the City's expectation that 75% of the land value appreciation gained through rezonings be contributed back to the community rather than kept by the developer. This expectation remains consistent whether or not the developer is partnering with a worthy non-profit organization. In this case, based on the Coriolis Consulting review, they estimated that the developer should be able to achieve a 15% profit on the total costs (including land) and also get the benefit of 25% of the land value appreciation through the rezoning.

We want you to know that City Council and staff want to support the Kettle Society and the important work you do supporting some of our most vulnerable residents. The services you have planned are important to the City and we hope that we can work with you directly to achieve your objectives in renewing your Welcome Centre and developing much needed supportive housing.

If you and your development partner chose to abandon your current development, we would be happy to explore other opportunities to support Kettle's aspirations, including:

- looking at how the City's adjacent site can be developed in a financially feasible way to achieve renewal of your centre and generate social housing within that site;
- working with the Vancouver Affordable Housing Agency (VAHA) to determine if non-profit space within one of VAHA's projects could be allocated for the Kettle Society;
- reviewing other developments in the area which might generate appropriate public benefits which could be allocated for the Kettle Society's services; and
- working together to seek Provincial and Federal Funds for expanding the Kettle Society's services and renewing your facilities.

We want to work with you and the Kettle Society to support your ability to offer homes and services for people living with mental illness and would appreciate the opportunity to discuss this matter further. I have asked Sandra Singh, my new General Manager of Arts, Culture and Community Services, to reach out to you to continue this dialogue.

Should you have any questions, please do not hesitate to call me.

Yours truly,



Sadhu A. Johnston
City Manager

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cc: Mayor and Council, City of Vancouver
Sandra Singh, GM of Arts, Culture & Community Services
Gil Kelley, GM Planning, Urban Design & Sustainability
Bill Aujla, GM Real Estate & Facilities Management