

# VAHEF – Governance and Operating Models

(to be discussed in WS 3 and 4)

## Key Workshop Objectives:

- **Workshop 3**
  - Gain a common understanding of the current governance and operating models for affordable rental housing on City-owned land
  - Review and discuss leading practices in other jurisdictions and identify opportunities/key considerations for the City
- **Workshop 4**
  - Evaluate and discuss governance and operating model options to optimize the delivery of affordable rental housing within the VAHEF portfolio in line with its goals and priorities

## Key Governance Discussion Items:

- **Mandate:** Input into the breadth and depth of VAHEF’s provisional mandate with respect to affordable rental housing on public land
- **Decision making forums and authority:** Creation and/or use of roles/bodies (internal & external) to make decisions and set strategic direction for VAHEF
- **Responsibilities:** Function(s) carried out by the organization or executed through partnerships with third parties pertaining to the delivery of the organization’s mandate (e.g. development, operations, property management and lease management) as well as the forms of partnerships used
- **Organization:** Organizational structure to carry out the functions of VAHEF , including the degree of centralization/decentralization and/or use of arm’s length structures for staff and assets
- **Financial structure:** Sources of funding and use of funds to deliver the organizations’ mandate, including leveraging financing, maintaining reserves, attracting funding from partners, and tax structures
- **Performance measurement and reporting:** Key metrics used to define success towards the mandate of the organization as well as how information is generated, collected, analyzed, reported, and disseminated for transparency and informed decision making
- Other driving factors and considerations

## Key Operating Model Discussion Items:

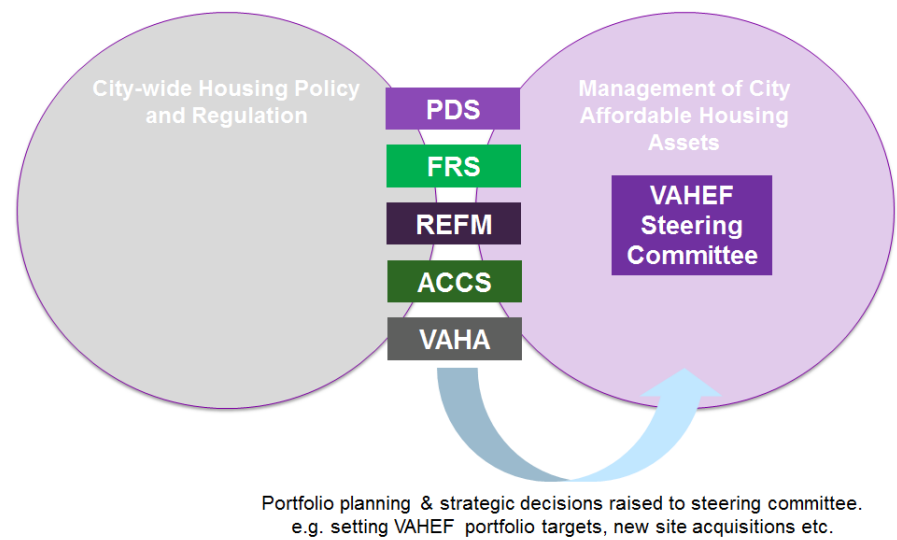
- Optimization of delivery models and opportunities for further partnership/collaboration to progress the goals and priorities of VAHEF, in areas such as:
  - a) New affordable housing developments on city-owned land,
  - b) Turn-key units secured from inclusionary housing programs,
  - c) Lease renewals and redevelopments,
  - d) Development of mixed civic and housing assets,
  - e) City directly managed/operated city-owned assets, and
  - f) Ongoing lease management.
- Organization and functional roles and responsibilities within VAHEF and interfaces with the City and third parties, particularly:
  - Portfolio planning;
  - Fund management;
  - Real estate management
  - Development management
  - Contract management; and
  - Operations and building management.

# Background Information

## Interim Governance

While the VAHEF strategy, governance and operations are being established, staff have defined and operationalized a framework for managing the endowment in the interim. Staff have formed an internal steering committee (VAHEF Steering Committee) to guide portfolio planning and strategic decision making pertaining to City assets managed by VAHEF and streamline existing governing bodies and individual departments that deal with the City's affordable housing assets. The VAHEF Steering Committee consists of the General Managers of City departments (or delegates) currently involved in the delivery of affordable housing with the City Manager as the Chair.

City-wide Housing policy and regulation are governed separately from the portfolio planning and strategic decision making related to VAHEF.



## Key Departments and main roles/responsibilities relating to Affordable Housing

### Planning, Urban Design and Sustainability (PDS)

- Policy: Creates/implements zoning, policies & incentive programs to enable development
- Regulation: prioritize & expedite affordable housing projects; development review
- Engagement: public engagement for individual projects & city-wide policies/land use
- Partnerships: identify housing needs & investment opportunities for senior gov't funding

### Arts, Culture and Community Services (ACCS)

- Projects (Affordable Housing): leads/reviews housing developments and affordable housing programs
- Contract Management (OPPM – Partner Agreements): monitors and renews executed leases and agreements
- Operation (NMH Ops - VPHC): directly operates and manages portfolio of social housing sites
- Outreach (Homelessness): provides and facilitates services for individuals experiencing homelessness

### Real Estate and Facilities Management (REFM)

- Real Estate: Land acquisition for housing assets
- Planning and Development: Long-term facilities planning, life-cycle asset management, capital maintenance, interiors planning and design, review of tenant improvements, oversight of facility projects delivered by third parties
- Maintenance and operations: maintenance planning, building control systems optimization, contract management; demand maintenance, mechanical operations, inspections and regulatory compliance, and janitorial (for VPHC only). Maintenance compliance to lease terms for third party operated sites.
- Energy and Utilities: Performance management; project delivery; utility management and payment (for VPHC only).
- Environmental Services: Hazardous building materials management, zero-waste programs, environmental protection, and contaminated sites management

### Vancouver Affordable Housing Agency (VAHA)

- VAHA is an agent of the City of Vancouver that leverages City-owned land and partnerships to offer more:
- Diversity of home options
- Affordability than what is currently offered by the private market

### Finance, Risk and Supply Chain (FRS)

- Housing Financial Strategy: development of Housing Vancouver Delivery, Land Acquisition, Housing Asset optimization, VAHA development, senior government funding and partnership strategies
- Research and analysis: due diligence, business model review, development finance, ad hoc project analytics, monthly and quarterly variance analysis and budget adjustments as required
- Operating and Capital Planning: support creation and implementation of capital plan and operating budgets

## Financial Resources

### Available to the City of Vancouver

- External partner funding
- Development contributions
- Surplus sharing
- Prepaid lease revenues
- Empty home taxes

### Not available to the City of Vancouver

- Loans

## Legal Constructs

### City of Vancouver

- The City is a municipal corporation incorporated under the Vancouver Charter
- The City must act in accordance with the authority and limitations set out in the Charter:
  - It can own, acquire, dispose of and develop real property;
  - It is prohibited from mortgaging its fee simple interest in real property and from lending

### Vancouver Public Housing Corporation

- VPHC is a corporation incorporated under the Business Corporations Act (British Columbia) with the City as sole shareholder
- Managed by a board composed of senior City managers
- Originally incorporated to receive housing operating subsidies from senior levels of government for which the City proper was ineligible, it now operates housing facilities on property owned directly by VPHC and leased to VPHC from the City

### Vancouver Affordable Housing Agency Ltd.

- VAHA is a corporation incorporated under the Business Corporations Act (British Columbia) with the City as sole shareholder
- Acts as an agent of the City for the purposes of facilitating development of housing (essentially acts as an internal department of the City)
- Board of directors has a single member, but is effectively managed directly by its shareholder through the VAHA Oversight Committee

## Current delivery models

The non-market housing assets currently identified for transfer to VAHEF include units enabled under more recent policy and delivery models as well as legacy projects on city-owned land, many of which were enabled through former senior government financing and incentive programs. The broad categories of assets to be included in the VAHEF portfolio are outlined below.

### Inclusionary Housing secured from developers

- *Turn-key assets and dirt sites secured through inclusionary housing programs*

The City secures new social housing units through inclusionary housing policies which require a percentage of a new development to be social housing in exchange for additional density. These units are delivered turn-key to the City to own upon completion of construction. The units are then leased to a third party partner (non-profit or co-op, procured from a pre-qualified shortlist) to operate and maintain the asset over the long term (60-99 years). The partner pays a prepaid lease amount for the units and maintains an affordability target as well as other requirements based on an established operating agreement. Prepaid funds are reinvested into affordable housing.

The inclusionary housing requirements for large developments in the City prioritize securing land sufficient to accommodate the required affordable housing floor area. The City, through the Vancouver Affordable Housing Agency, then procures a development partner and long-term operator for the site through a request for proposals process as outlined for new developments below.

### Affordable Housing Development on City of Vancouver land

- *New developments*

New developments are delivered by the Vancouver Affordable Housing Agency (VAHA) or by the City in the cases of mixed civic and housing assets.

VAHA identifies City-owned land suitable for affordable housing and procures, through a request for proposals, a non-profit or co-operative housing partner for development, financing, operations and maintenance of the asset under a long term ground lease (60-99 years). City land is provided at a nominal value and the partner secures funding and financing from other government agencies and third parties as required while VAHA manages the relationship between the partner and the City. The partner maintains an affordability target as well as other requirements based on an established operating agreement, housing agreement and/or lease terms. Operating surpluses are shared between the partner(s) and the City with the City's share reinvested into VAHEF.

- *Mixed civic and housing assets*

In most cases, buildings with both civic and housing components are developed by the City then leased to a third party partner to operate under a prepaid lease agreement once the development is complete. The partner maintains an affordability target as well as other requirements based on an established operating agreement.

### Management of existing affordable housing on City of Vancouver land

- *Leases with 3rd parties*

Legacy developments were created through federal or provincial funding programs (e.g. Section 95, Homes BC) and utilizing City-owned land. Legacy buildings are primarily owned and operated by non-profit and co-op partners on a long term ground lease provided by the City (40-60 years), most with prepaid leases. The partner maintains an affordability target as well as other requirements based on an established operating agreement.

- *City of Vancouver Housing Operations*

In limited cases, the City owns and directly operates affordable housing buildings. This includes ten buildings (approximately 800 units) that are both owned and operated with an additional two buildings (approximately 220 units) only operated. Housing Operations include City Staff providing tenancing and in some cases support services. City Staff also provide property management services to maintain the building and conduct any required repairs.

