Winnipeg Co-operative Land Trust Research

Opportunities and Barriers

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1. Background and Context for Research

The initial concept for this research arose after the first Coop Housing symposium in Winnipeg October, 2012. Discussions that came out of the symposium were the catalyst the resolution from CEDNET below and consequently for this research project. Important factors supporting the desire to complete the research include the fact that some land leases on which Co-ops are located are coming up for renewal. As well, several coops have access to land for growth and want to build +55 housing to allow aging in place and free up housing appropriate for families.

The policy resolution adopted by CCEDNet-MB, which identified a land trust mechanism as a potential means to leverage additional financing from land assets that are owned or utilized by housing cooperatives, for the purpose of developing new housing is included below.

Whereas: *There are more than 45 housing cooperatives in Manitoba providing more than 2,700 families with safe, affordable homes.*

Whereas: *Housing co-operatives offer housing that is much more affordable than average private sector rental costs, offer security through democratic decision making by the members, and build capacity in members through their participation in the governance structure.*

Whereas: *Housing co-operatives create stability for people, ease the economic strain market rentals create for low and moderate income people, structure the ownership of housing in a way that puts people before profit and creates a permanent community asset.*

Whereas: *The Province of Manitoba has committed to increasing the number of safe affordable housing units available to Manitobans and has already developed a Co-op Visioning Strategy and committed to the co-construction and co-production of this strategy with the co-op community;*

Whereas: *The Government of Canada announced a renewal of the Affordable Housing Initiative to 2014 which provides an opportunity to construct a significant number of additional cooperative homes to address the needs of Manitobans for safe affordable housing.*

Whereas: *The Province of Manitoba has a core policy interest in preserving housing affordability for Manitobans in perpetuity.*

Whereas: *In 2009 The Province of Manitoba signed a Memorandum of Understanding with Cooperative Housing Federation of Canada to support and advance the operations of housing cooperatives in Manitoba and promote a long term, healthy, soundly managed cooperative housing sector.*

Whereas: *Land acquisition and land ownership are critical components of financing the development of new affordable housing cooperative units.*

Whereas: *The current approaches to land leases or land purchase to finance expansion results in insufficient leveraging of a major asset, and lacks the required flexibility.*

Be it Resolved That: *CCEDNet Manitoba urge the Province of Manitoba to work with the co-op housing community to ascertain the feasibility of a co-operative-based central land trust as a mechanism to finance the growth of sustainable mixed income housing in Manitoba.*

This resolution arose in response to a realization by the cooperative housing sector that the current costs of construction, coupled with decreasing federal resources for developing social housing, have created an "equity gap" that constrains the development of new housing co-operatives, particularly those intended for families of modest incomes. This necessitates a search for new innovations in financing, and by implication, the potential for leveraging existing assets for the future development of the sector.

As a result of this adoption of this resolution, Seed Winnipeg, has contracted research with the following objectives:

- i) To inventory and assess the land assets currently held or used by housing cooperatives in Winnipeg.
- ii) To analyze the feasibility of applying a land trust concept to some of those land assets, and design a potential model.

The research is sponsored by SEED Winnipeg with the help of funds made available by the Province of Manitoba through the Cooperative Community Strategy. SEED Winnipeg contracted the author to complete the research project and the following document is the result of that work.

2. Land Trusts

2.1 General Information on land Trusts

A Community Land Trust (CLT) is an innovative approach to providing perpetually affordable housing to low- and moderate-income households. CLTs exist all over the world, taking on a variety of different forms. They have a long-standing tradition in Europe, and in the United States, they have been promoted since the 1960s. In 2005 there were over 115 active CLTs in the U.S. spanning 31 States. In Canada, the tradition is less established, with only a handful of CLTs operating across the country. Community Land Trusts in both countries have met with varying degrees of success. Some have continued to flourish over two decades while others have dissolved within a few years of incorporating.

CLTs have faced (and many continue to face) challenges associated with building broad community understanding and support for their initiatives. CLTs also face a challenge obtaining the necessary funding to cover general operating expenses. The cost of housing continues to increase in many communities, making it increasingly difficult to develop affordable housing without government grants and community partnerships. In Canada, specifically, there is a lack of capacity within the sector, including a lack of technical supports or a network of CLTs who work together on common initiatives.[i]

3.2 Land Trusts for Housing Purposes: Critical Success factors

In a report for the Canada Mortgage and Housing Corporation cited above, critical success factors were identified for Community Land Trusts that are for the purpose of providing affordable housing. These include the following:

a) A Sustainable Business Plan

The elements identified as required for a sustainable business plan include an analysis of the Community Land Trust model, an external analysis of the local housing market (current needs and capacities), an internal analysis (the organizational capacity to address those needs) and developing a financial sustainability model.

To those elements I would add the design of a democratic governance structure that allows for the significant participation of the partners involved, a management and operating plan that provides the land trust with qualified professional expertise in the maintenance and operation of the initiative and a strategic plan that anticipates internal and external factors that need to be addressed for continued success and a means to address them.

b) A champion of the initiative

The development and successful operation of a community land trust requires the committed, long-term leadership of an individual or agency. The complexity of the development process for the land trust requires that there is a consistent application of resources by a person or agency respected by all potential partners.

c) Community Support/Partnerships

Broad community support is essential to the success of a community land trust. The initiative will have to first provide incentive and rationale for the buy in. Once established leadership will be required to secure the continued involvement of relevant government partners, the members of the housing Co-operatives involved, community organizations (such as SEED Winnipeg or non-profit organizations with sympathetic goals) that may provide support, funding/lending entities. CLTs that have been able to build and maintain that network of supporters have been very successful in their initiatives. Conversely, those that have not been able to develop and maintain broad support have either had to reduce their operations or dissolve altogether.

The research reviewed suggests that there is an initial period of education, advocacy and outreach required to solidify the partnerships required for success. Partnerships need to be identified and brought into the initiative based on the resources that may bring to the table.

The research suggests the following as essential partners:

- organizational partnerships to build credibility in the community and assist with administering the CLT. This could likely include CHF Canada, SEED Winnipeg and the CCEDnet Manitoba,
- funding partnerships to pay for both the set up and administration of the CLT. As indicated above, this will have to include the Province of Manitoba through grant programs already established for affordable housing initiatives and will likely require an annual levee or fee to be paid by the housing Co-operatives that will be participating. If the province and the Co-ops involved were to agree to transfer the current leases from the Co-ops individually to the trust collectively, then, the levee or fee paid by the individual Co-ops would be for the annual administrative costs of the trust.
- financing partnerships for new housing development if included in the initiative. As indicated above, this will have to include the Province of Manitoba and may require the involvement of

other private sector lenders such as Assiniboine Credit Union. Preferential interest rates and other terms may be required to assist the Co-operatives in obtaining affordable mortgages

As the initiative was inspired by the recent success of the community land trust developed by the Co-operative Housing Federation of British Columbia, their support in an advisory capacity would be very beneficial throughout the process.

Housing Co-operatives in Canada were especially interested in the community land trust concept. 'In the mid-1980s, the Co-operative Housing Federation of Canada (CHFC) and CMHC sponsored research to explore the feasibility of using Land Trusts as a vehicle for ensuring the land holdings of housing co-operatives across Canada remained within the sector and continued to be used to support affordable, non-profit housing beyond the terms of their operating agreements."[ii]

The Co-operative Housing Federation of Toronto and the Co-operative Housing Federation of British Columbia undertook initiatives to develop land trusts. In the case of CHF BC, there were two incarnations of the land trust concept. The most recent one, a successful collaboration of community and government partners that resulted in new affordable housing being developed inspired the request for this research. However, the creation of the land trust that was used for that development was originally created in 1993.

3.3 The Co-operative Housing Federation of British Columbia (CHFBC) Community Housing Land Trust Foundation (CHLTF)

The first CHF BC sponsored land trust was inspired in part by the withdrawal of support by the Government of Canada for continuing housing co-operative programming in 1992 and also by an opportunity presented by six co-ops whose leases on land owned by the Province of B.C. were up for renewal. The initial goal of CHLTF was to bring the majority of the 200 housing co-ops existing at the time into the Trust.

The intention of the trust was to bring the six housing co-ops into the Trust as well as the establishment of a Community Land Trust on an existing manufactured home park and within an existing resort development. Prior to the new development in 2013, the CHLTF portfolio consisted exclusively of the original six housing co-ops – two in Vancouver, two in Victoria, one in New Westminster, and one in Kelowna – totaling 357 units.

At the time of its incorporation, the CHLTF had the following mission:

<u>Mission</u>
"to acquire, create and preserve affordable housing for future generations, and to foster self-managed housing communities. The Foundation operates as a non-profit, community based, democratic organization."

CHLTF identified the following purposes in order to satisfy the CRA requirement for charitable status. The broader purposes also allowed for more scope in the types activates in which it could be involved and created a broader appeal for potential donations or other financial support:

- To provide and preserve opportunities for persons of low income to acquire and occupy housing and accommodation and facilities which would otherwise be unattainable or unaffordable;
- To develop and make available for development property held by it for housing and related accommodation and facilities that will assist persons of low income, seniors and the specially challenged occupying it to sustain and improve the quality of life;
- To seek and receive donations, contributions, endowments and gifts of all kinds for and to apply its funds and other resources to, the promotion of cooperative and social housing initiatives for persons of low income, seniors and the specially challenged and the ecologically sound use of land resources used for such housing accommodation; and
- To promote and encourage research and education into the concept of land trust use for co-operative and social housing initiatives.

The Trust was envisioned as a vehicle for the Co-operatives to create a collective means to pool their assets while independently managing their own properties. Co-ops were also represented on the board of trustees. The originators of the CHLTF in 1993 had a grand vision for the perpetual growth of Co-operative housing through resources contributed to or leveraged by the trust they created. The outcome in terms of Co-ops that agreed to become participants in the trust fell short of the originators grand vision. The preservation of the 6 members' continued access to the land on which they were situated was a success of the trust initiative.

CHLTF was set up to ensure the long-term affordability of existing housing co-ops by having the titles to their properties transferred to CHLTF and then entering into long-term land leases with the co-op residents. Under the conditions of the land leases, residents would be required to:

- Pay a modest fee for the ongoing operation of CHLTF;
- Maintain a subsidy program to support low-income member households;
- Contribute toward a development fund that would be used to acquire new sites for future affordable housing; and
- Allow CHLTF to leverage unencumbered equity in projects on CHLTF lands (once the mortgages were paid off) to finance new affordable housing projects.

In return, CHLTF would offer the co-ops stability that could not be provided through their current relationships with the Province. CHLTF offered housing co-ops 80 year renewable land leases.

CHLTF was originally incorporated with a Board of up to 15 Trustees. Five Trustees were to come from the Board of CHFBC, up to five Trustees were to be elected by Regional Community Action Panels consisting of co-ops and others who had transferred land into the Trust, and the remaining Trustees were to be elected by the CHLTF membership from the community-at-large and from the provincial government. An administrative shell with dedicated staff was also created to support the Board.

However, with only six co-ops in the Community Land Trust, the lease revenues proved to be insufficient to support the large operating structure that was created with the intent to implement the original grand vision. The grants and donations used to support the administrative and governance structure during the early stages of CHLTF's development had a limited shelf life and eventually dried up.

As a result, both the operational and governance structure has since been significantly reduced. CHLTF was, until the most recent development (the 4 sites project), administered as a "filing cabinet portfolio" by the Assistant to the Executive Director of CHFBC. CHLTF annual income up until the recent development was $11,000.

One of the biggest challenges CHLTF faced was in trying to create a large body of buy-in for its original grand vision. CHLTF was only marginally successful in building that buy-in as evidenced by the fact that only six of approximately 200 housing co-ops in B.C. had joined the Trust. The only co-ops willing to join CHLTF were those whose only other option was to lease their land from another landlord (i.e., the Province).

The key barrier to building that buy-in is the cost of transferring land into the Trust. In B.C., there is a property transfer tax, so each housing co-op had to pay between $30,000 and $50,000 to transfer their Title over to CHLTF. Legal fees to negotiate leases added another $20,000 per co-op to the transaction. In addition, each co-op had to pay CMHC mortgage insurance fees (over $30,000 each) and contribute to the costs of Phase I environmental site assessments. These costs added up to between $80,000 and $100,000 for each co-op seeking to transfer its lands into CHLTF – costs they would not incur by retaining their leases with the Province.

There was also significant political resistance to the idea of transferring public lands over to a non-public entity. Opposition came from within the Province as well as other governments including the City of Vancouver, which leased land to 45 co-ops and was unwilling to transfer those land assets to CHLTF. That six housing co-ops were both willing and able to transfer their lands over to CHLTF was due in large part by the support of the Minister at the time. This particular Minister had previous experience with housing co-ops, understood their challenges, and gave the direction to his staff to proceed with the transfers.

Additional resistance came from housing co-ops themselves. In the end, it proved a significant challenge trying to convince co-ops and government agencies that owned land that it would be in their interest to transfer that ownership.

CMHC posed its own barriers to the initiative. CMHC maintained the original operating agreements and held the first mortgages with each of the housing co-ops. Thus, CMHC approval was required prior to any property transfers being made. CMHC's first concern was that the new lease agreements did not increase CMHC's financial obligations or risks and that the lease agreements would ensure the co-ops remained affordable. This concern was readily addressed since the lease agreements guaranteed the perpetual affordability of the units. However, as CHLTF and the interested co-ops explored second mortgages to pay for the land, two significant issues arose. First, the co-ops determined that they would be in a better financial position if they paid out their existing mortgage with CMHC and took out a new mortgage at a lower interest rate. However, CMHC would not permit the co-ops to pay out their mortgages early without paying a significant penalty (yield maintenance penalty) – thus negating any financial benefits of a lower interest rate. Mortgage industry standard is to charge a penalty when transferring an existing mortgage over to one that offers a lower interest rate. The penalty can be equal to the interest differential (i.e., the difference between the current interest rate and the new interest rate for the duration of the existing mortgage term).

Second, CMHC's mortgage insurance requirements contradicted both the requirements of the original CMHC operating agreement as well as the Provincial Crown's affordability requirements for the property transfer:

“As a condition of providing insurance, CMHC stipulates that if a co-op defaults on the mortgage and the lender requires CMHC to pay the insurance, CMHC is entitled to sell the leasehold interest in the project with no restrictions.”iii

Prior to 2013, the CHLTF remained inactive other than to maintain its continuing existence.

Significant lessons from the original CHF BC land trust initiative that are relevant to the Winnipeg land trust initiative include the following:

1. The initial vision may best be scaled to the realistic possibilities of initially preserving the land currently leased. The governance and administrative structure should also be scaled to accommodate a) the size of the undertaking, b) providing the Co-operatives involved with a level of control at least equal to the combined control of the other partners.
2. Don’t start with the target of having all Winnipeg Co-ops involved in the setup of the land trust.
3. Starting the initiative with Co-ops that are on land leased from the provincial government may be the best option. However, with five properties owned by four Co-operatives, the Co-ops on land leased from the City may have to be approached to be partners in the trust. In terms of staging the project, the starting point would be getting the buy in of the four co-ops on land leased from the province and the province.
4. There are significant start-up costs. Manitoba has a land transfer tax. The tax is not charged if the entity to whom the property is transferred has charitable status. It should be noted that the legislation is very clear on this requirement for CRA charitable status. There will be significant legal fees. As will be seen in further sections of this research, the land trust development in Vancouver that inspired this research did not qualify for charitable status as it had commercial and market priced units included in the concept. It will be critical for the province to waive the land transfer tax requirement if a Winnipeg land trust is to succeed.

The following is a summary and table of rates for the Manitoba Land Transfer Tax.

Under the Land Titles system in effect in Manitoba, the Province keeps a registry of land titles. Transferees are required to pay land transfer tax, with some exceptions, and a registration fee upon registration of transfer of title at the nearest land titles office.

Land transfer tax is calculated based on the fair market value of realty on the date of registration of a transfer of title and calculated as follows:

Value of Property	Rate
On the first $30,000	0%
On the next $60,000 (i.e. $30,001 to $90,000)	0.5%
On the next $60,000 (i.e.$90,001 to $150,000)	1.0%
On the next $50,000 (i.e. $150,001 to $200,000)	1.5%
On amounts in excess of $200,000	2.0%

5. If the trust is to be created while CMHC still holds a mortgage or will be required to insure a new mortgage, Phase 1 environmental site assessments will be required. There may also be other conditions applied that would be detrimental to the success of the trust.
6. Some resistance from the province may be anticipated as it relates to the transferring of public lands to a non-public entity unless they are included as a partner in the trust.
7. Some resistance from the Co-ops may be anticipated if their current leases have a remaining life that significantly exceeds the end of their operating agreements or if the costs and conditions of joining a land trust are more onerous than remaining on the land leased from the province. The direct transfer of the provincially owned land into the trust may be a further inducement to the Co-ops in question.

The following table shows the cost of the land transfer tax in Manitoba if applied to the 4 Co-ops with MB Land leases based on their tax assessed values:

Co-op Name	**Tax Appraisal**	**Land transfer tax Total Property**
Pembina Woods	$11,508,000	$227,810
Carpathia 1	$12,835,000	$254,350
Village Canadien 1	$15,056,000	$298,770
Westboine Park	$19,845,000	$394,550
Carpathia 2	$7,346,000	$144,570
Total Land Transfer tax		$1,320,050

If the land trust were established as a registered charity, then the transfer tax could be waived. The transfer tax is calculated on the whole property (FMV – full market value) to be transferred and not on fractional interests. In any case, the waiving of the land transfer tax will be critical.

There were some significant successes achieved by CHLTF that may be transferable to a Winnipeg land trust initiative.

1. The purposes as established by the CHLTF that enabled their status as a charitable organization are a precedent that could be applicable to the Winnipeg land trust if the purposes are duplicated. Charitable status also gave CHLTF exemption from paying Property Purchase Tax on land transferred to CHLTF, and from paying income tax on land transfers made by Federal or Provincial Crown corporations. As will be noted in the next section, the development of new units became an issue and the current trust project did not qualify for charitable status. It will be critical for the success of a Winnipeg Co-op land trust for the province to waive the land transfer tax.
2. CHLTF was also successful in obtaining seed funding for the initiative. This seed funding came from two substantial operating grants; one from the Real Estate Foundation of B.C.; the other from the BC Housing Management Commission (BC Housing) through the Community Housing Initiatives Program. Additional project-specific grants were provided by The Vancouver Foundation, VanCity Community Foundation, Van Dusen Foundation, the Canadian Co-operative Association, and the Co-operators. Some of these organizations or their provincial or municipal equivalents could also be approached to provide the seed money for creating a Winnipeg land trust.

3.4 The 2013 CHLTF Development in Vancouver

The Community Housing Land Trust Foundation (CHLTF) refers to its most recent initiative as the four sites project. The four sites partnership is an agreement between the co-op and non-profit housing sector, the City of Vancouver and Vancity Credit Union. The original proponent for the new development was the previously created land trust, but that idea had to be abandoned when it became clear that the development as contemplated would jeopardize the land trust's charitable status with CRA. The consortium has since incorporated a new land trust, the Vancouver Community Land Trust Foundation, which is a non-profit society but not a charity.

The consortium aims to develop 358 units of housing affordable to a broad range of Vancouver residents.

The City will provide 99-year leases on four City-owned sites to the Community Housing Land Trust Foundation. The Foundation will work with co-op and non-profit housing providers to develop the affordable housing, which will then be operated by the partners.

<u>Legal Structure</u>
The Community Housing Land Trust Foundation will enter into 99-year leases with the City on the four sites. These leases will be at a nominal pre-paid rent – essentially free – and will come with obligations regarding affordability and asset management, and reporting to the City. The Land Trust will then pass those obligations on to the non-profit and co-op partners via a lease of 99-years less a day. The Land Trust will report on the obligations to the City.

<u>Land Trust Partners</u>
The partners assembled under the Land Trust umbrella to work on this project are a qualified and experienced team including the following:

- Co-operative Housing Federation of BC
- Housing Foundation of BC
- Sanford Housing Society
- Fraserview Housing Co-operative
- Social Purpose Development Partners – (a partnership of Co-operative Housing Federation of BC, Terra Housing Consultants and Vancity Community Foundation)
- Terra Housing Consultants
- Tikva Housing Society
- Vancity Credit Union
- New Market Funds

<u>Financing and Affordability</u>
The City's investment of free land is an essential component required to achieve affordability. The proposed design of the project brings equity and cross-subsidies between sites to enhance the effect of the contribution of land. The non-profit partners are providing $3.8M in equity to the project that will assist in leveraging the required financing. The partner equity is new cash contributed by two non-profit housing providers and the new co-op. The return on (and of) the equity will be funded from the Land Trust's share of the portfolio operating surplus beginning roughly in year 10. There is other equity in the deal. BC Housing was prepared to advance up to $4M in project development funding, but instead of requiring that PDF to be repaid, it will stay in the project as equity. Finally, the project will receive up to

$10M in equity invested by New Market Funds.In addition, the plan calls for the sale of the city's transferred leasehold interest in the at-grade Kingsway commercial space and allocate the proceeds between the Kingsway residential space and the two S.E. Marine Drive sites. Again, this reduces debt service and improves affordability.

The plan intends to use the differing attractiveness of the residential sites to improve overall affordability. The East Kent Ave waterside site is scenic waterfront and the plan takes advantage of that by charging rents close to market but still within the City's task force income levels (one of the major objectives for all the units) and generate a considerable annual operating surplus, which is transferred, via the Land Trust, to the other sites to enhance affordability.

City of Vancouver Income Levels:

To be eligible for subsidized housing, the applicant's gross household income must be below certain income limits, as established by the Housing Income Limits (HILs). HILs are determined by BC Housing from time to time, and represent the income required to pay the average market rent for an appropriately sized unit in the private market. Average market rents are derived from Canada Mortgage and Housing Corporation's Annual Rent Market Survey.

The table below compares Vancouver and Winnipeg Housing Income Limits

Region	**Bachelor**	**1 bedroom**	**2 bedroom**	**3 bedroom**	**4 bedroom**
Vancouver	$35,000	$39,500	$48,000	$56,000	$60,000
Winnipeg	$18,000	$26,500	$35,500	$44,000	$53,000

Sources: Vancouver HIL: BC Housing Income Requirements
Winnipeg HIL: Winnipeg Housing Eligibility Guidelines

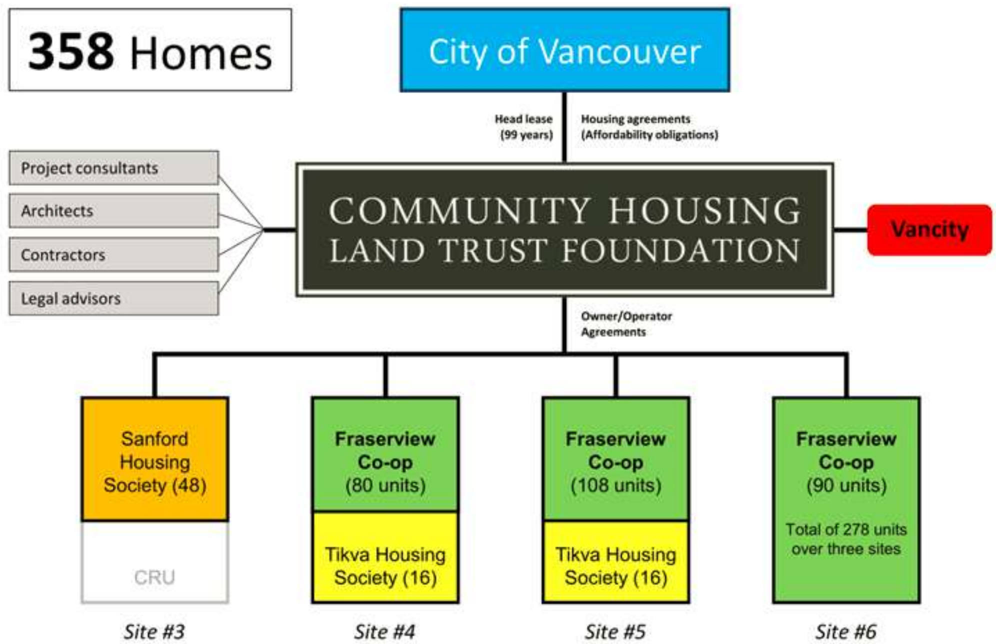
<u>The Four Sites</u>

- 1700 Kingsway (includes commercial space at ground level) – 48 one-bedroom units to be operated by Sanford Housing Society for individuals with a mental illness.
- 2780 SE Marine Drive – will be operated by the Housing Foundation of BC (114 one bedroom units of 50+ housing) and Tikva Housing Society (16 three-bedroom units for low-income families).
- 2800 SE Marine Drive – will be operated by the Fraserview Housing Co-operative (79 one, two, and three-bedroom units for low-income families) and Tikva Housing Society (16 three bedroom units for low-income families).
- 2910 Kent Avenue South (82 three-bedroom units for middle-income families) by the Fraserview Housing Co-op.

<u>The Portfolio Approach</u>

The contribution of the land is vital, and the plan intends to generate the maximum benefit possible in the way that the land is used. The portfolio approach achieves considerable benefit. The simplicity of the single relationship for the City improves administrative efficiency and so affordability. The ability to transfer capital and operating resources between the various partners and sites and to target different demographics and income-levels (but always within the Task Force limits) gives the plan a flexibility that would be difficult to achieve on a site-by-site approach.

The diagram below provides a graphic representation of the project.



A Community Land Trust Development Model

- Fraserview Housing Co-operative will develop 278 units. Two residential towers on SE Marine Drive will be home to moderate-and-low-income families and singles while a 90-unit river-front project on East Kent Avenue will provide three-bedroom townhouses and two- and three-bedroom apartments for families.

- Tikva Housing Society will operate 32 townhouses, also on East Kent Avenue, next door to the co-op towers. These will provide housing for low-income families.

- On Kingsway, Sanford Housing Society will offer 48 one-bedroom units primarily for people living with mental illness. This site allows for commercial space at street-level. This space (commercial rental unit, CRU) will be sold and the proceeds used to reduce costs over the four sites.

- The non-profit partners will invest almost $4M of their own equity to the projects. (There are several references to the equity contribution by the land trust partners but it is not clearly defined in any of the source documents.) Together with the City's land contribution, a customized mortgage arranged by Vancity and the proceeds of the commercial space sale, this equity will ensure that these homes remain affordable over the long-term.[iv]

Capital Funding Breakdown

The following is a breakdown of the capital budget for the 4 sites project. It is taken from a report to the City Council of Vancouver which is provided as Appendix A.

City of Vancouver	
99-Year Nominal Land Leases	$22.0M
(95% of Freehold Value $23.2M)	
Development Cost Levies Exemption	$0.5M
Sub-total	**$22.5M**
Land Trust	
Equity	$3.8M
Proceeds from sale of CRU 99-year leasehold interest	$6.3M
Debt financing	$66.1M
Sub-total	**$76.2M**
Total Project Capital	**$98.7 M**

Summary

The 2013 - 4 sites development project of the CHFLT is a project that was intended to be completed by the original land trust created in 1993. The newly created foundation has been adapted to accommodate the membership of those involved in the four sites project.

The land trust partners identified for the four sites development project include organizations that are non-profits, credit union financial partners, the City of Vancouver, the Housing Foundation of BC and technical partners such as Terra Housing Consultants. These are project specific partners.

There are many considerations from this specific project for the Winnipeg Housing co-operatives.

1. The originator of the initiative to create new affordable housing stock in the case of the four sites project was the City of Vancouver. The four sites under development by CHLTF are four of the six sites originally offered by the City. Currently, in Winnipeg, there is no level of government that is leading any initiative similar to the City of Vancouver's approach.
2. If the purpose of the Winnipeg land trust includes both the preservation of existing affordable housing and the development of additional affordable housing, then the project specific partnership approach is preferential. In addition to the four housing Co-operatives on land leased from the Province of Manitoba, founding members of the trust should also include representatives from the province of Manitoba, financial and technical partners.
3. The initial objects and mission of the land trust should mimic that of the CHLTF to allow for qualification for charitable status. The founding partners will have to agree on this.
4. The objective of affordability is essential for government support and participation. All of the tools used in this project to achieve affordability will probably not be available to a trust in Winnipeg that includes the four Co-ops on land leased from the provincial government. A broadening of the founding membership may be necessary if more property that includes street level commercial space or the option of cross-subsidization is to be achieved.

5. The development of new units can be supported by using the equity that exists in the Co-op properties that would be included in the land trust. It will also require that the Province of Manitoba provide similar preferential lease arrangements or the transfer of fee simple title to the trust in Winnipeg (waiving the land transfer tax requirement), as is being considered in the case of Village Canadien.
6. The CHLTF includes options for the provision of housing for people with disabilities and low income families through the involvement of the non-profit organizations involved. The $3.8 million in equity also comes, in large part, from the non-profits involved.

3. The Winnipeg Housing Co-operatives

Winnipeg has long been a centre for Co-operative leadership in Canada. Socially conscious community leadership, supportive public policy and a culture of self-reliance are all factors in creating this reality. For example, Willow Park Housing Co-operative was the first permanent housing Co-operative for families in Canada in 1966. That development led to the creation of what is now the Co-operative Housing Federation of Canada and the development of specific programs under the Federal Government National Housing Act and funded through the Canadian Mortgage and Housing Corporation.

3.1 Legal/Contractual Framework for Manitoba Housing Co-operatives

In September 1998, the Province of Manitoba entered into a new Social Housing Agreement with the federal government through the Canada Mortgage and Housing Corporation (CMHC). This Agreement transferred responsibility to the province for approximately 17,500 federal units that are primarily owned by non-profit organizations under several program and funding arrangements. This included Housing Co-operatives that were created under various federal social housing programs.

Each housing Co-operative has an operating agreement that defines the Co-op's responsibilities regarding the maintenance of the social housing stock that was funded by the Government of Canada. These operating agreements vary somewhat by program but generally include contractual obligations related to the following major components:

1. The repayment of the mortgage financing provided
2. The management of rent geared to income subsidy support provided under the agreement
3. Not pledging the assets without the prior approval of CMHC or its agent (now the Government of Manitoba)
4. Not encumbering the property without prior approval
5. Maintaining effective management and governance
6. Maintaining adequate insurance on the property
7. Maintaining a replacement reserve fund
8. Reporting requirements and
9. Remedies available to CMHC in the event of breach of agreement

Housing Co-operatives were also created with mortgages either provided directly by CMHC or insured by CMHC.

With the transfer of these assets and the responsibility to administer them to the Province of Manitoba, the obligations under the operating agreements continued with the Province of Manitoba assuming successor rights in place of CMHC.

The Housing Division of the Province of Manitoba and specifically, the Manitoba Housing and Renewal Corporation has assumed legal responsibility for administering the operating agreements for Co-op housing in Manitoba.

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. *Source: Government of Manitoba Annual Report*

The following is an excerpt from a summary prepared by CHF Canada on the transfer agreements.

Synopsis of Agreement

Under the Social Housing Agreement, Canada Mortgage and Housing Corporation (CMHC) transfers to provincial control the management and administration of all of its social housing programs in the province, both unilateral programs and shared-cost federal/provincial programs. The province assumes all of CMHC's financial and other obligations with respect to these programs, including obligations under agreements with third parties (project operating agreements). In return, CMHC agrees to provide the province with fixed amounts of funding each year until the Funding Expiration Date set out in Schedule "E" to the Agreement. The Funding Expiration Date coincides with the last year of the latest expiring federal/provincial or third-party operating agreement extant on the signing of the Agreement (as long as 40 years from now).

In addition to assuming CMHC's obligations to provide subsidies under project operating agreements and to pay the federal share operating losses on the public housing portfolio, the province agrees to indemnify and reimburse CMHC for all costs and expenses CMHC may incur as the mortgage lender or insurer for the current portfolio of social housing projects in the province. To help offset this risk, CMHC pays the province a one-time allowance on the signing of the Agreement.

The province may carry over unused CMHC funding from year to year, but not beyond the Funding Expiration Date. All funding provided under the Agreement, including carried-over funding and accumulated interest on that funding, must be applied towards the cost of programs for which the province assumes responsibility under the Agreement, or of new low-income housing programs that meet the Agreement terms. The province may also apply CMHC funding against costs it incurs in managing the programs and administering projects.

The province is required to furnish CMHC with an annual audited statement of funding and expenditures and an annual performance report. It is further required to provide CMHC at least once every five years with evaluations of each program to which funding is applied.

The new Social Housing Agreement replaces all existing agreements between the province and CMHC respecting federal/provincial housing programs. The province's rights and obligations under the Agreement continue until they are satisfied or by their nature expire. There is no provision for early termination of the Agreement.

The Manitoba Housing Co-operatives' operating agreements do have expiry dates that are related to the various programs under which they were created. The first Housing Co-op programs were in place between 1973 and 1978 and for the most part had mortgages and operating agreements of 50 years. (There are some exceptions). For the most part these operating agreements will expire between 2023 and 2028. The second program was available between 1979 and 1985 called the Section 95 program. These mortgages and operating agreements had 35 year lifespans. These operating agreements will expire between 2014 and 2020. The third program under which housing Co-operatives were created existed between 1986 and 1991 called variously the ILM (Index Linked Mortgage) or Federal Co-operative Housing Program. These operating agreements and mortgages (not funded directly by CMHC but insured by the CMHC Mortgage Insurance Fund) had lifespans of 35 years as well. These operating agreements will expire between 2021 and 2026.

Once the operating agreements expire, depending on alternate obligations being put in place by the Province of Manitoba, the Co-ops are relieved of their contractual obligations and have full control of the assets that they own. Of particular importance for the present time are those Co-operatives started under the second or Section 95 program whose operating agreements and mortgages will be expiring between 2014 and 2020.

These Co-operatives will continue to be subject to the Manitoba Co-operatives Act. Specifically Section 277 f) of the act.

> *" on its dissolution, and after the payment of its liabilities, its remaining property is to be transferred to or distributed among one or more not for profit housing cooperatives, cooperatives incorporated in the province that have similar objectives and limitations, or charitable organizations with similar purposes."*

The importance of this section of the Co-operatives Act is that it prohibits the members of a Housing Co-operative from selling the assets to themselves or a third party and realizing personal gain from the value of the assets being sold.

The end of the operating agreement and expiry of the first mortgage create a point in time at which the assets have considerable value in the form of equity that can leveraged for furthering the development of new housing Co-operative or social housing units.

3.2 Housing Co-op Data for Winnipeg

The following information was provided by SEED Winnipeg at the start of this research in July, 2014. My thanks to Blair Hamilton for providing this information. The information is incomplete in some respects. The data provided was limited by its availability from government databases. Some information such as expiry dates for some of the existing leases, operating agreements, mortgages and current financial status will need to be acquired before a complete picture of the Winnipeg Housing Co-operatives can be drawn.

Co-op Name	Units	Program	Land Ownership	Assessed Value	Value per Unit
Bluestem	6	na	freehold	$346,000	$57,667
Common Ground	7	na	freehold	$242,000	$34,571
Ascot	10	S95	freehold	$769,000	$76,900

Co-op Name	Units	Program	Land Ownership	Assessed Value	Value per Unit
Oikos	10	na	freehold	$477,000	$47,700
Artemis	11	P85	?	$544,000	$49,455
Charles Cathedral	20	Homestart	freehold	$788,000	$39,400
Greenheart	24	AHP	freehold	$1,435,000	$59,792
Tranquility Place	25	P85	freehold	$1,930,000	$77,200
D.A.L.A.C.P.T.	27	P85	?	$2,123,000	$78,630
Filcasa	29	P85	land trust	$1,464,000	$50,483
Westminster	35	P85	freehold	$3,794,000	$108,400
Weston Residents	39	P85	freehold	$5,499,000	$141,000
Payuk Inter-Tribal	42	P85	freehold	$2,952,000	$70,286
Solidarity Place	42	ILM	freehold	$4,516,000	$107,524
M.A.P.S	43	P85	freehold	$5,316,000	$123,628
Central Park	44	S95	freehold	$2,917,000	$66,295
Shalom Gardens	49	ILM	leasehold	$5,041,000	$102,878
Prairie	47	S95	freehold	$3,869,000	$82,319
Harambee 1	36	ILM	freehold	$7,833,000	$99,152
Harambee 2	43	P85	"		$0
United	60	S95	freehold	$5,272,000	$87,867
Rosh Pina	62	ILM	leasehold	$1,799,000	$29,016
Columbus Centennial	70	ILM	freehold	$3,936,000	$56,229
South Osborne	71	ILM	freehold	$6,301,000	$88,746
Seven Oaks Village	73	S95	freehold	$6,334,000	$86,767
Betelstadur	74	ILM	freehold	$6,298,000	$85,108
Kingsfordhaus	75	ILM	freehold	$4,893,000	$65,240
Seven Oaks Gardens	136	S95	freehold	$12,163,000	$89,434
Pembina Woods	159	S95	leasehold	$11,508,000	$72,377
Willow Park East	174	S95	leasehold	$9,391,000	$53,971
Westboine Park	188	S95	leasehold	$19,845,000	$105,559
Willow Park	200	na	leasehold	$6,647,000	$33,235
Carpathia 1	152	S95	leasehold	$12,835,000	$84,441
Carpathia 2	63	ILM	leasehold	$7,346,000	$116,603
Village Canadien 1	150	S61	leasehold	$15,056,000	$100,373
Village Canadien 2	73	ILM	freehold	$8,279,000	$113,411
Village Canadien 3	8	ILM	freehold	$1,266,000	$158,250
31 Co-ops	**2,377**			$191,024,000	

Average per unit value 80,363.48

The following table shows the colour coding as it relates to Co-op size as defined by the number of units:

0 - 20	6
21 - 50	10
51 - 80	8
>80	7
	31

3.3 The Value of Co-op Assets on leased land

The following table provides detail of those Co-ops that are currently on leased land. The exact expiry dates of the leases is unknown. The Co-ops on land leased from the Government of Manitoba have 65 year leases according to the information provided at the start of this research. The following table shows the data available on Co-ops on leased land. As no specific detail has been provided on mortgage, operating agreement or lease expiry, estimates have been used based on the last date for each program under which each Co-ops was created.

Co-op Name	# Units	Program	Land ownership	Last date for End of Mortgage	Est. Lease expiry	comments
Shalom Gardens	49	ILM	leasehold	2026	2031	congregational lease
Rosh Pina	62	ILM	leasehold	2026	2031	congregational lease
Pembina Woods	159	S95	leasehold	2020	2050	MB Housing lease
Willow Park East	174	S95	leasehold	Repaid in full	2025	mortgage retired, city of Wpg lease
Westboine Park	188	S95	leasehold	2020	2050	MB Housing lease
Willow Park	200	na	leasehold	Unknown	Unknown	city of Wpg lease
Carpathia 1	152	S95	leasehold	2020	2050	MB Housing lease
Carpathia 2	63	ILM	leasehold	2026	2076	“
Village Canadien 1	150	S61	leasehold	2020	2025	MB Housing lease

Based on the data available, Co-ops that have leases that are held by Manitoba Housing would be the best target for creating a land trust. This is true for the following reasons:

1. The Province holds the title to the land on which the Co-ops are located. The trust would have one landowner participant with which to negotiate.
2. The province also has responsibility for providing social housing and it would be in their interest to explore options that would enhance the availability of affordable housing.
3. The Province can provide financing for development of new units.
4. The Co-ops on the leased land have a better opportunity for leveraging their position by acting jointly in the process of renewing or purchasing their leases by way of transfer to the proposed land trust.
5. The original land trust developed by the Co-op Housing Federation of British Columbia was made up of Co-ops on land leased from the Province of British Columbia. It was only Co-ops on land leased from the provincial government that chose to become part of the land trust.
6. Lands owned by Co-ops in fee simple don’t contain the same impermanence of tenure. Co-ops on leased land are already in a lessee position as a result there is no changes in landholding status.
7. If the negotiations with the province are successful, then the City of Winnipeg may be approached to become partners. However, negotiating with one entity at the beginning is a preferred option for reasons of simplicity.

Follow up action required:

1. ***Get the data on the end of operating agreement, final payment date on first mortgages and end of lease agreement for Co-ops on provincial land leases.***

2. ***Acquire copies of the most recent audited financial statements for those Co-ops on lands leased from the Province of Manitoba.***
3. ***Get copies of existing land leases held by the Province. In particular the provisions of the leases that relate to the annual lease cost and lease purchase arrangements at the end of the lease period.***
4. ***The option of the trust obtaining fee simple title to the leased lands or acquiring the leases from the province for a nominal amount should also be explored. However, experience in other jurisdictions indicates that government entities are reluctant to give up complete control of lands that they own. The preference is to keep the lands for uses that are in the public interest. The Province's participation in the governance of the trust would accomplish that objective.***

4. Potential for the Success of a Winnipeg Housing Land Trust

4.1 Province of Manitoba

The following press release was issued by the Province of Manitoba on July 29 of this year.

Winnipeg, July 29, 2014 – The governments of Canada and Manitoba today announced the joint investment of an additional $104 million over five years to help create more affordable housing for individuals and families across the province. The funding will be delivered through an extension to the Investment in Affordable Housing (IAH) agreement.

"Our Government is proud to partner with the Province of Manitoba to ensure quality, affordable housing is available. This bilateral agreement provides flexibility for the province to decide how to allocate this substantial investment according to their local needs and priorities," said the Honourable Candice Bergen, Minister of State for Social Development. "As a result, we are also creating needed jobs and opportunities for apprentices."

"We know that affordable, good-quality housing provides the stability people need to upgrade their education, get jobs, raise their families and actively participate in their communities," said the Honourable Peter Bjornson, Minister of Housing and Community Development. "This partnership with the federal government helps us work toward the goal of providing good homes to meet the needs of all Manitobans and build stronger communities across the province."

The federal portion of this funding comes from Economic Action Plan 2013, which announced the Government of Canada's commitment to investing more than $1.25 billion nationally over five years to extend the Investment in Affordable Housing and to creating opportunities for apprentices, which will support the training of skilled labour in residential housing. Governments will report annually to the public regarding the investments and progress toward achieving the intended outcomes of the IAH.

Under the IAH, the Province of Manitoba has the flexibility to design and deliver a range of affordable housing programs to address local housing needs and priorities.

The Manitoba government will be investing in increasing the supply of affordable housing and providing citizens good places to live by:

- *increasing the quality of rental accommodation in the private market,*
- *assisting homeowners in making adaptations and emergency repairs to their homes through renovation programming, and*

- *increasing access to affordable housing for households in need through rent supplements.*

On July 4, 2011, the Governments of Canada and Manitoba announced an IAH agreement with a combined investment of some $62 million for the 2011-2014 period. This new agreement extends the original agreement for the 2014-2019 period with an additional combined investment of some $104 million. From April 2011 to March 2014, the IAH has already helped more than 183,600 households nationally, including more than 2,150 in Manitoba.

The Manitoba government recently reached its five-year goal to provide funding commitments to create 1,500 new units of affordable housing throughout the province. The province is now working toward its new commitment to create another 500 affordable and 500 social housing units in the next three years. Manitoba Housing and Community Development's overall strategy complements Budget 2014, a plan to create good jobs, grow the economy and protect front-line services for families by focusing on what matters most to Manitoba families.

The creation of a land trust by the Co-ops that are located on land leased from the Province of Manitoba present a unique opportunity for the Government of Manitoba to leverage existing government resources (leases) combined with financial resources from the new IAH agreement to achieve its goal of 500 new affordable and 500 new social housing units.

The Government of Manitoba maintains a policy framework that is supportive of both Co-operatives and affordable housing. The Manitoba Government Co-operative Development Services Division comes under the Housing and Community Development ministry.

The province also maintains responsibility for the administration of existing continuing housing Co-operatives that were transferred to the province by the federal government in 1998. There are three main asks of the provincial government related to the creation of a Winnipeg Co-operative land trust. They are:

1. Waiving the land transfer tax for leased land transferred into the land trust whether or not the trust was granted charitable status
2. The provision of fee simple title or 99 year leases to the lands committed to the land trust for nominal costs similar to the CHLTF arrangement with the City of Vancouver.
3. To provide whatever release from terms in existing operating agreements may be required for the success of creating the trust.

It is not known from the data provided regarding the existing housing Co-operatives in Winnipeg whether those Co-ops existing on land leased from the Government of Manitoba have lands that could be developed for additional units of social/affordable housing. Further investigation is required to determine the extent of additional land available for development that exists on those leased lands. If there is land available for further development on those leases, then an additional request could be made for financial support for further development of those lands. If that were not to be made available, then the equity contained in the assets on the leased land coupled with the transfer of tile to those land to the trust would open up the possibility of mortgage financing for the new development. This would be similar to the financing role played by Vancity Credit Union in the case of the CHLTF four sites project.

Funds could also be requested from the provincial government for the start-up costs for setting up the land trust through the Co-operative Development Services division.

Finally, as the agent responsible for the administration of the former CMHC continuing housing Co-operatives, the province may be requested to waive any conditions contained in the operating agreements for those Co-ops that would inhibit the transfer of those co-op's assets into the land trust.

4.2 Potential Barriers

As identified in the section detailing the creation of the CHLTF in British Columbia, the issues related to the mortgages held by CMHC on the leasehold assets of the Co-ops, need to be resolved. In the case of the BC co-ops, CMHC insurance requirements form a significant set of potential barriers to the creation of the trust.

These include:

1. The requirement for Phase 1 Environmental Assessments on the properties in question,
2. The requirement for a yield maintenance penalty for early prepayment of any CMHC direct lending financing that may exist on the Co-ops property
3. CMHC's right to assume ownership of the assets in the event of default on loans that they have insured.

Recently CMHC has provided consent for housing Co-operatives where CMHC is the holder of the first mortgage to prepay those mortgages at term renewal. Generally for Section 95 Co-operatives these mortgages have 5 year terms. At term renewal the mortgage can be prepaid without penalty. Of the 5 properties owned by the 4 Co-operatives on land leased from the Manitoba government 3 are Section 95 Co-ops. One is an ILM (index linked mortgage that is renewed annually) Co-op. That property would not be eligible for the prepayment option. The other Village Canadien (Section 61 Co-op with a 50 year term on its mortgage) is engaged with CHF Canada in a process with CMHC that may allow the Co-op to repay its first mortgage without a significant prepayment penalty.

Co-op Name	# Units	Program
Pembina Woods	159	S95
Carpathia 1	152	S95
Village Canadien 1	150	S61
Westboine Park	188	S95
Carpathia 2	63	ILM

The Co-operative Housing Federation of Canada is offering a refinancing program that supports the prepayment of CMHC first mortgages combined with adding additional funds for capital expenditures. The program is sometimes referred to as the blend and extend program. It blends the cost of prepayment of the existing first mortgage with the costs of new capital expenditures into a new mortgage with an extended amortization period. This program may be applicable in this case. A significant feature of the program is that in most cases CMHC insurance is not required. This alleviates the issues related to CMHC insurance identified above. In the case of Village Canadien, the mortgage is a 50 year term and amortization without renewals. The yield maintenance penalty or prepayment penalty on that mortgage is too expensive to be financially affordable. If the issue with Village Canadien is resolved, then that may make it possible for that co-operative to participate.

The largest potential barrier may exist within the individual Co-operatives themselves. Each Co-operative is a separately incorporated legal entity with its own operating, management and governance arrangement. Some Co-operatives will likely be operating more successfully than other co-ops. The perceived loss of independence and the mingling of high performing with lower performing assets will be difficult to address without there being some real advantage for each Co-operative involved. The fact that the MB Government leases are already for 65 years may not create a sense of urgency in dealing with the lease renewal issue.

One other issue that may impact the creation of a land trust in Winnipeg is past experience with the West Broadway Land Trust. The basic concept and form of the West Broadway initiative is very different from the CHLTF in Vancouver. The West Broadway land trust was based on a rent to own concept for very low income people. It involved the purchase and renovation of existing housing stock with the intention of making it available to local residents. There were a number of issues with this development identified in a number of research papers reviewed.

1. The cost of renovations exceeded the market value of the renovated homes creating difficulty with payback for funds used for renovations
2. The income for qualifying for a mortgage to purchase a renovated home exceeded the average income of neighbourhood residents.[v]

If the Winnipeg Housing co-operatives decide to pursue a land trust option, it will have to be made clear that the proposed Co-op land trust would be significantly different from the West Broadway model.

4.3 Potential Benefits

The potential benefits to the government of Manitoba have been outlined above in some detail. The province has control through land ownership and administrative responsibility as a result of the transfer of social housing from the federal government for very valuable housing assets. There is a unique opportunity through the creation of a land trust for the province to meet its public policy objectives.

The creation of a land trust by the Co-ops that are located on land leased from the Province of Manitoba present a unique opportunity for the Government of Manitoba to leverage existing government resources (leases) combined with financial resources from the new IAH agreement to achieve its goal of 500 new affordable and 500 new social housing units.

Fundamentally for limited cost, the Manitoba government can preserve and potentially create new social and or affordable housing in Winnipeg using existing assets and available programmes. In the land trust model, the province would also participate in the governance structure and thus would have a continuing relationship with the development.

Based on the available data on households in core need in the City of Winnipeg, the province would also be addressing a fundamental need that exists in its major urban centre.
The Co-operative model has distinct advantages over publicly owned or privately owned residential rental property.

	Public Housing	Co-op Housing	Private Housing
Purpose	To provide affordable Housing	To provide housing to its members	To maximize return on investment
Occupant Income Levels	Low Income	Mixed Income	Not a concern
Setting Housing Charges	Based on income levels	Set by members to meet ongoing costs	Set by market conditions
Cost to public	Ongoing subsidy and capital replacement and operating costs	Some RGI subsidy to meet RGI requirements	N/A
Affordability	Established for this purpose	Occupancy charges to meet operating costs only, not-for-profit basis	Occupancy charges pegged to market to return shareholders value

4.4 Current Lack of Affordable Housing

The following is an excerpt from a paper by Josh Brandon, a Housing and Community Development Researcher with Canadian Centre for Policy Alternatives.

Winnipeg was once known for its housing affordability. Compared to markets like Toronto and Vancouver, it still is. But for too many citizens, the cost of shelter is prohibitively high. Rental rates have increased 60 to 65 per cent since 2000. According to the 2011 National Household Survey, 37 per cent of rental households in Winnipeg paid more than 30 per cent of their income for rent. More than half of all renters lived in housing that was unaffordable, overcrowded or in need of major repairs, meeting at least one the criteria of what is called core housing need. The outcome of these high rent costs is a housing crisis that leaves far too many in need of shelter, hundreds of whom end up in absolute homelessness.

For Manitobans at the low end of the pay scale, it is a struggle to keep up with rent increases. Even though the minimum wage has increased annually over the past several years, rents have gone up just as fast. In 2013, a minimum wage earner needed to work 54.2 hours per week to afford a one-bedroom apartment in Winnipeg based on Canadian affordability criteria. This is up slightly from 2007 when a minimum wage worker would need only 52.9 hours per week

The following table taken from a Canadian Centre for Policy Alternatives document “Winnipeg and Manitoba Housing Data” shows that a two bedroom apartment is currently unaffordable for about 30% of Winnipeg citizens. A land trust development with the proper setup and partnership arrangements could help provide more affordable housing in the Winnipeg market. The Co-operative approach is based on a non-marginal operating basis. There is no speculative motive for creating housing stock and operating revenue is required only to meet operating and capital replacement costs.

Household Income ($)	Monthly Affordability Range	Affordability of Average Rents (2013)				Proportion of Winnipeg households[13] (2010)	Proportion spending more than 30% on shelter
		Bachelor ($554)	1 Bedroom ($727)	2 Bedroom ($939)	3 + Bedroom ($1162)		
Under 10,000	250	Not affordable	Not affordable	Not affordable	Not affordable	5.2%	91.9%
10,000-19,999	250-500	Not affordable	Not affordable	Not affordable	Not affordable	7.9%	69.7%
20,000-29,999	500-750	Not affordable < $22,160	Not affordable < $29,080	Not affordable	Not affordable	8.9%	49.8%
30,000-39,999	750-1000	Affordable	Affordable	Not affordable < $37,560	Not affordable	9.9%	28.0%
40,000-59,999	1000-1250	Affordable	Affordable	Affordable	Not affordable < $46,480	18.1%	14.0%
60,000 and up	1250-1500	Affordable	Affordable	Affordable	Affordable	50.0%	2.3%

4.5 Pros and cons for individual Co-ops

Without specific financial information for the Co-ops in question, it is difficult to provide specific revenue and expense based pros and cons of creating a land trust. However, the following chart summarizes the general factors.

Factor	Continuing on a Separate Basis	Forming the Land Trust
Adding Aging in Place Accommodations	Some co-ops may be able to do this using their own resources on a limited basis.	Leveraging the assets in a land trust will allow for more funds to be available for that purpose and may provide more space for more new units
Preserving existing affordable units	End of operating agreements for Section 95 Co-ops mean the end of Income Tested Assistance Rent Geared to Income subsidies	With the Province of Manitoba involved as a partner in a land trust arrangement and the possibility for cross-subsidization, there is a better chance of preserving affordable units
Financing Required Capital Repairs to Existing Property	Individual Co-ops may be in a position to access new financing for capital improvements but would eventually run up against the termination of their existing leases	The land trust would provide an opportunity for a group of Co-ops to negotiate collectively for lease extensions at affordable costs

Factor	Continuing on a Separate Basis	Forming the Land Trust
Property Management	The status quo can be maintained	Economies of scale will provide an opportunity to acquire higher quality shared professional service (accounting, legal, etc.) while maintaining individual property management.
Market Volatility	Individual Co-operatives are on their own to deal with changes in the rental housing market that may impact their viability	The umbrella of a land trust with engaged partners can provide temporary support for a group covered by the land trust and help them weather the storm

5. Action Plan for Development of a Winnipeg Land Trust

<u>Step 1</u> Further research is required to answer the following questions:

- What is the value of the equity held by the 4 Co-ops (difference between mortgage debt and property value)?
- Should there be other NGO's and levels of government included in the membership?
- Should the Co-ops on land leased from other entities be included?
- Will the Land Trust be required to purchase the leasehold improvements located on the leases it would acquire?
- Will the CMHC direct or insured financing secured on the assets to be transferred into the land trust be allowed to remain in place (all existing debts and assets transferred into the trust) or will the change in lease ownership require the repayment of existing secured financing triggering additional costs such as Phase 1 ESA requirement and yield maintenance penalty?
- Can the Trust achieve charitable status? Significant issue as it relates to the land transfer costs. If not, is the province willing to waive the land transfer tax requirement?
- Will the Province of MB agree to partner in the trust?
- Will a third party commercial lender be required for the trust?
- Who will pay for start-up costs?
- How can the ILM mortgage on Carpathia Co-op be dealt with?
- Will Village Canadien want to participate?
- Is there really a critical mass for the creation of a land trust?

<u>Step 2</u> SEED Winnipeg will have to identify the champion for this project. The success of the Vancouver four sites project came as a result of the leadership of CHFBC. That organization had developed a strong relationship with Vancity Credit Union through the financing of second mortgages for housing co-operatives undertaking capital repairs. It had arranged the Social Purpose Development Partnership to undertake a number of initiatives prior to the four sites project. It had taken the lead in the creation of the original land trust in 1993. It had developed a strong working relationship with the City of Vancouver over a number of years and had demonstrated leadership in the conversion of the Olympic Athletes Village into a housing Co-operative.

The potential leader for a Winnipeg land trust should be recognized as a credible proponent by potential partners including the housing Co-operatives to be involved, the Province of Manitoba, potential commercial lenders and the City of Winnipeg.

The champion must also have access to resources (people, time and professional services) that will be needed to complete the long process required.

The champion will also have to compile the complete financial picture for the Co-ops that would be potential participants in a land trust to be developed.

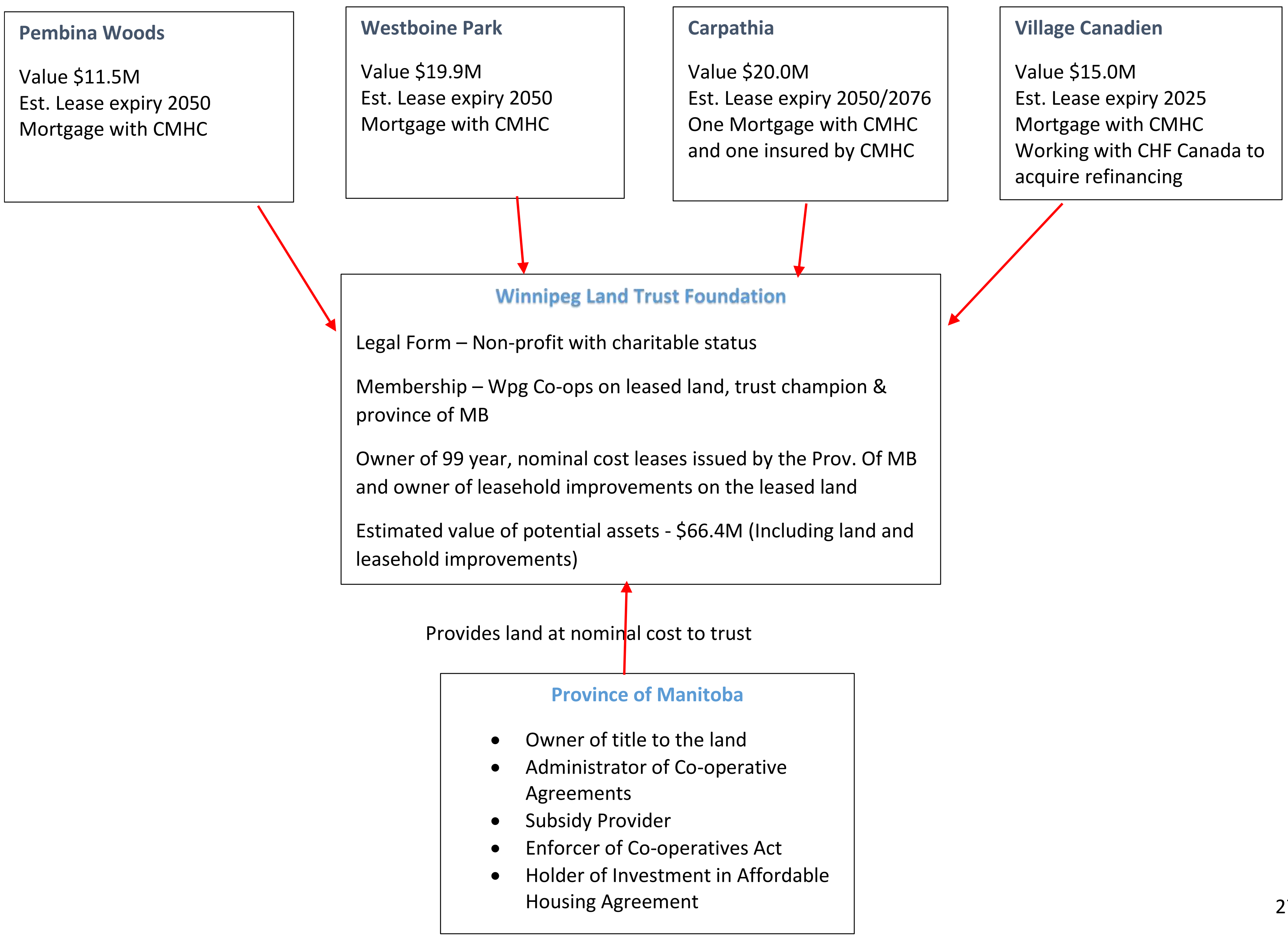
<u>Step 3</u> An education and community outreach component has to be initiated. Potential partners and other community advocates who may be supportive have to be brought into the development process. Information sessions will have to be held and promotional materials developed. The first critical

audience to be brought into the development would be the housing Co-ops on land leased from the provincial government. If that buy-in is achieved, then the persuasion of the Government of Manitoba would have to take place. Depending on the level of buy-in achieved, funding and commercial lending partnerships would need to be developed.

Step 4 A financial plan will need to be established that includes the costs for setup and for continuing operations. The operating financial or business plan will depend on the partners brought into the land trust and the types of housing to be included in the trust arrangement. Acquiring charitable status for the trust is essential to success.

The diagram on the following page shows a graphic illustration of the potential Winnipeg Co-operative Land Trust.

Figure 1 **Diagram of Potential Winnipeg Land Trust Foundation**



The start-up costs may be as follows. Final costing will depend on local cost factors and the ability to reach agreement with some partners on waiving some costs.

Legal @ $20,000 per Co-op X 4 Co-ops	$ 80,000
Land Transfer Tax	$ 1,320,000
CMHC Mortgage Insurance Fees $30,000 X 4	$ 120,000
Phase 1 Environmental Assessment $3,000 x 4	$ 12,000
Total costs	**$1,532,000**

If CMHC Mortgage Insurance fees and the land transfer tax were eliminated, the probable start-up costs would be in the range of $100,000. Of course if the development of new units is envisioned, soft costs (non-construction set up costs: legal, consulting, architectural and other professional and technical services) would be in the range of 25% of the proposed new construction cists.

6. Applicability for Other Manitoba Communities

There is not enough information or evidence to support a conclusion concerning the applicability of the land trust model to other Manitoba communities. The process and associated tasks with establishing a land trust in Winnipeg need to be fully experienced before looking to other locations.

7. Conclusion and Summary

The success of the CHLTF in Vancouver is an inspirational development. The need for more affordable housing units, especially for aging members of existing housing co-operatives is evident. The assets owned by the potential co-operative participants are substantial. The provincial government's philosophical leanings and support for Co-operatives and affordable housing is a positive factor. The Co-operatives' location in the life cycle of their operating agreements and mortgages is a motivating factor. The CHF Canada Refinancing program could provide support to the development on an individual Co-op basis. In short, there are a number of factors that exists that could lead to success.

What became apparent as the research into the CHLTF development progressed was the amount of time and effort that was sunk into creating the original land trust and developing the trust that led to the partnership arrangements by CHF BC. The other critical factor that causes some trepidation in recommending that SEED Winnipeg proceed is the original reaction of the BC Co-ops in 1993 to the land trust concept. Given that the majority Co-ops in question held fee simple title to their property and the Co-ops on leased land were at a different stage in their mortgage and operating agreement life cycles, expecting co-ops to voluntarily give up their autonomous state to participate in a land trust is problematic. Finally the cost of setting up the land trust model is prohibitive. It is significantly less and in the range of $100,000 to $200,000 if some of the costs identified can be waived.

I would only recommend moving forward with a land trust initiative for Winnipeg Co-ops if a champion for the project can be found that is prepared to spend the time and resources required to set up the entity. Dedicated and persistent leadership, throughout the development and operation of a land trust is required. The initiative can only succeed if a champion with sufficient resources and credibility is found and is willing to take on the role.

[i] CMHC Research Report: COMMUNITY LAND TRUSTS IN CANADA – Final Report, January, 2005
[ii] Ibid, page 27
[iii] Ibid page 39
[iv] http://chf.bc.ca/partner/land-trust
[v] CASE IN POINT (April 2006): Preserving Community – Examining the West Broadway Community land Trust

Appendix A

City of Vancouver

Administrative Report

Agreements with the Community Housing Land Trust Foundation to Deliver Affordable Rental Housing on City-Owned Land.

May 1, 2013

RR-1

ADMINISTRATIVE REPORT

Report Date:	May 1, 2013
Contact:	Jim de Hoop
Contact No.:	604.873.7479
RTS No.:	10101
VanRIMS No.:	08-2000-20
Meeting Date:	May 15, 2013

TO: Vancouver City Council

FROM: General Manager of Community Services in consultation with the General Manager of Real Estate and Facilities Management, the Director of Finance and the Director of Legal Services

SUBJECT: Agreements with the Community Housing Land Trust Foundation to Deliver Affordable Rental Housing on City-Owned Land.

RECOMMENDATION

A. THAT Council authorize the execution of a Development Agreement, Lease Agreement, and Operating Agreement and other required legal agreements on the terms set out in the Memorandum of Understanding ("MOU") attached as Appendix “A” recently executed by the City Manager and the Community Housing Land Trust Foundation ("Land Trust") granting a lease of the four sites (as defined and legally described in Appendix “B”) to the Land Trust for 99 years at nominal rent (representing a grant of approximately $22 million), and otherwise on terms satisfactory to the City’s General Manager of Community Services, Director of Legal Services, Director of Finance, and General Manager of Real Estate and Facilities Management.

Recommendation A represents a grant and requires eight affirmative votes.

B. THAT the Development Agreement be executed (and the form of Lease Agreement and Operating Agreement be agreed upon) within 180 days of the date of this report, or such later date as may be approved by the City Manager.

C. THAT the City's Director of Legal Services be authorized to sign the Development Agreement, Lease Agreement, Operating Agreement, and any other required legal agreements approved pursuant to Recommendation A on behalf of the City.

D. THAT no legal rights or obligations shall arise or be created by Council's approval of Recommendations A or C, unless and until and then only to the extent that each applicable legal agreement is executed and delivered by both the City and Land Trust.

E. THAT Council approve an expenditure of up to $100,000 for costs associated with the removal of hazardous materials from the buildings on the Sites, source of funding to be a reallocation from the 2013 Capital Budget for Environmental Assessment/Soil Remediation no longer required for the 12 Affordable Housing Sites.

F. THAT Council approve an expenditure of up to $500,000 for costs associated with soil remediation of the Sites, source of funds to be the Property Endowment Fund ("PEF").

G. THAT, Council authorize the transfer of $19,771,000 to the PEF as compensation for its proportionate share of the freehold fair market value of the 4 Sites to be granted to the Land Trust pursuant to Recommendation A, sources of funding to be: 2012-14 Capital Plan for New Non-Market Rental Housing: Land Acquisition - $13,000,000 City-wide DCL and $6,771,000 Area Specific DCLs to be added to the 2013 Capital Budget.

REPORT SUMMARY

The creation of secure, affordable rental housing is a priority of Council in meeting the needs of Vancouver residents. This report recommends leasing City land at a below market value to the non-profit sector as an innovative method to create new affordable rental housing stock. In August 2012, the City implemented this approach by offering six pieces of City-owned land through a Request for Expressions of Interest (RFEOI - PS20120780) process. The procurement process utilized by the City allowed for direct negotiation with a proponent following the evaluation of all proposals.

A consortium of non-profit partners led by the Land Trust made, by a significant margin, the most comprehensive and outcome based submission. The submission involved utilizing four of the six offered sites to create a target of 355 (but not less than 350) net new social housing units. The Land Trust's submission brought equity, longstanding experience and had exceptional merit in relation to the other submissions in meeting the targets of sustained and protected affordable housing. Staff brought an overview of the results of the RFEOI process to Council in camera on November 28, 2012 and received permission to proceed with direct negotiations with the Land Trust.

Staff completed the negotiations, as well as further financial and legal assessment of the submission. Following Council's approval of same (in camera) on April 9, 2013, the City executed the MOU which outlines the high level principles on which the City and the Land Trust could proceed with the negotiation of the terms of a Development Agreement, Lease Agreement and Operating Agreement (the "Agreements"). The purpose of this report is to recommend that Council authorize execution of the Agreements if, within 180 days of the date of this report, the conditions of approval set out in the above Recommendations can be satisfied.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Affordable Rental Housing

It is Council policy to provide City-owned sites for non-market housing projects and lease them to non-profit societies or co-operative associations. The intent of this policy is to maintain and expand housing opportunities for low and modest-income households with priority for families with children, seniors on fixed incomes or in need of support, SRO residents, the mentally ill, physically disabled, and others at-risk of homelessness.

In January 2010, Council identified ending street homelessness in Vancouver by 2015 as a key priority and directed staff to develop pragmatic options to achieve this goal. In February 2011, Council reconfirmed its priority to end street homelessness in Vancouver through the *Housing and Homelessness Strategy,* which intends to provide more affordable housing choices for all Vancouverites. This includes housing that is accessible, affordable and suitable for all income levels along the housing continuum including affordable rental.

In December 2011, Council established the *Mayor's Task Force on Housing Affordability*, which was to provide recommendations to Mayor and Council for priority actions that may be taken by the City to create low-income housing, affordable rental housing, and affordable home ownership. One of the recommendations from this report is the use of City land for affordable rental housing.

In August, 2012, Council authorized the issuance of the *More Homes, More Affordability* RFEOI PS20120780. On November 28, 2012, Council authorized staff to negotiate an MOU with the Land Trust based on the Land Trust's submission to the *More Homes, More Affordability* RFEOI and on April 9, 2013 Council authorized the execution of the MOU.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

Council's *Housing and Homelessness Strategy* is an ambitious plan to address a critical policy goal for the City. The plan is multi-pronged and requires staff to develop innovative approaches to leverage City assets and partnerships to increase the number of social, supportive and affordable housing units across the city. The first annual progress report (2012) presented recently to Council demonstrated the progress which has been made through a variety of initiatives across the housing continuum.

This report outlines an innovative opportunity and partnership which will leverage City land to attain a target of 355 of sustained, protected affordable rental housing across several neighbourhoods in Vancouver. A number of strategies have been used to leverage these planned outcomes:

- The use of best practice procurement methodology to stimulate competitive and diverse proposals;
- The bundling of the offered City lands to achieve economies of scale by the Land Trust through development, construction and operation to increase affordability;
- The encouragement of consortia to bring proposals which leverage equity, experience, innovative financing, and long term commitment to affordability;
- The use of the MOU and proposed legal agreements to establish clear expectations of the distribution of affordability and the format of units to respond to the needs of Vancouver residents requiring affordable housing.

A cross-disciplinary team of staff from Housing, Real Estate, Planning, Facilities, Law and Finance have worked to support the negotiation of this innovative housing partnership.

In summary, the absence of a national housing strategy, the lack of government funded housing programs and the constrained resources at the provincial level require the City to find new and creative ways to continue to meet our housing targets. The partnership with the Land Trust will significantly raise the bar for the City in terms of best business practices and strategy in leveraging City land, and for the housing and development sector in terms of innovation in their partnerships and their commitment to optimize value for money in the provision of sustained, protected affordable housing.

REPORT

Background/Context

The creation of secure, affordable rental housing is a priority to meet the needs of Vancouver residents. In the absence of senior government support, the City has found opportunities to realize this priority through creative means. The Mayor's Task Force on Housing Affordability recommended leasing City land at a below market value to the non-profit sector for new affordable housing stock. In August 2012, the City implemented this approach by offering six pieces of City owned land through a Request for Expressions of Interest (RFEOI - PS20120780) process.

In response to the RFEOI, 19 submissions were received. Five submissions did not meet the minimum requirement for demonstrating adequate affordability, building and project management experience, an eligible not-for-profit lessee, or the ability to build to the expected scale and timeline. The remaining 14 were evaluated with weighted criteria that included:

- affordability: depth and number of units, ability to protect and increase affordability over time, 3rd party equity investment;
- timing and delivery schedule;
- innovation in creating affordability;
- sound building and construction experience; and
- overall completeness.

The Land Trust delivered a submission utilizing four of the six RFEOI sites (as indicated in Figure 1: The Land Trust Proposal Site Context Map and defined and legally described in Appendix "B" as the "Four Sites") in an innovative portfolio approach which creates a target of 355 units of housing. The sites proposed by the Land Trust are: Sites 3, 4, 5, & 6 (each defined in this report as a "Site", and collectively as the "Four Sites" or "Sites"). The remaining two sites included in the RFEOI (Sites 1 & 2) are located in the East Fraserlands (EFL) Official Development Plan (ODP) and will be the subject of a similar innovative public process in the near future.

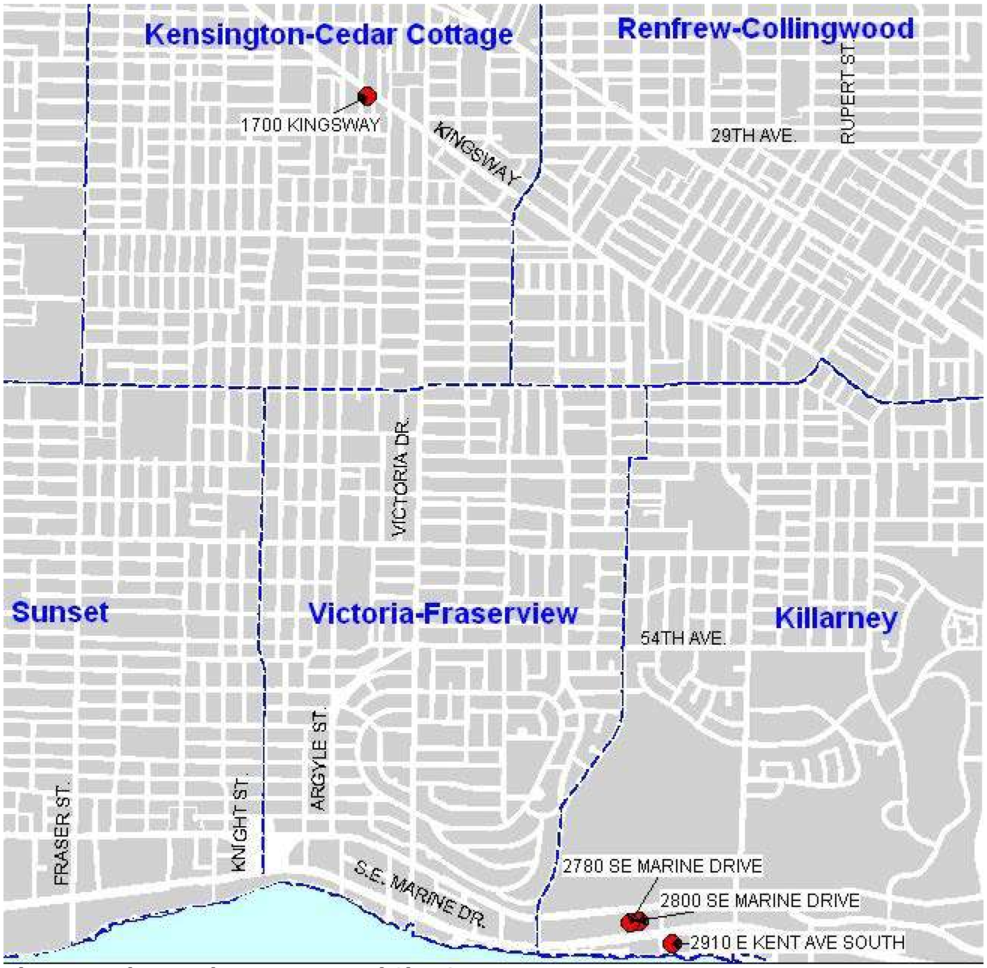


Figure 1: The Land Trust Proposal Site Context Map

The Land Trust is a non-profit charity qualifying as a grant recipient under the *Vancouver Charter*. The Land Trust was established by the Co-operative Housing Federation of BC to acquire, create and preserve affordable housing for future generations and to foster self-managed housing communities in BC. The Land Trust was incorporated in 1993 and has two decades of experience managing leases for properties located in Vancouver and across the province. It has significant experience negotiating complex land transactions and managing long term leases.

The Land Trust submission presented compelling merit in relation to other submissions. Particular strengths from the Land Trust proposal include:

- A portfolio approach that creates efficiencies in administration, design, construction and operation;
- The ability of the City to have a legal relationship with one party that simplifies the negotiation and creation of lease, development agreement terms and ongoing oversight and accountability;
- Savings in capital costs as a result of economies of scale in construction;
- A $3.8M equity contribution from the not-for-profit partners; and,
- Their commitment to an internal subsidy model which redistributes rents across the portfolio to maximize and sustain affordability over the long-term.

Legal Agreements

The MOU states that the City will, pursuant to the Agreements, lease each of the Four Sites to the Land Trust for 99 years for a nominal prepaid rent. The Land Trust will then sub-lease the Sites to its experienced not-for profit operators for 99 years less a day. The operators are the Fraserview Housing Co-operative, Housing Foundation of BC (HFBC), Katherine Sanford Housing Society and Tikva Housing Society (collectively, the "Land Trust Partners").

The key preliminary component of the Agreements is the Development Agreement. This agreement will set out the pre-conditions to the Project proceeding, such as the Land Trust obtaining the development and building approvals, the financing, the equity, and the fixed price construction contracts which ensure that the Land Trust is able to deliver that which it has targeted in its RFEOI submission. The Development Agreement will also confirm that the City is proceeding to remediate the Four Sites at its own cost and risk while the Land Trust is proceeding to prepare construction plans, apply for development permits, and secure financing at its own cost and risk. The intent of the Development Agreement is that neither party is liable for the other party's costs in the event that all of the pre-conditions are not satisfied prior to (i) the 180 day deadline referenced in Recommendation B above as well as (ii) the commencement of construction.

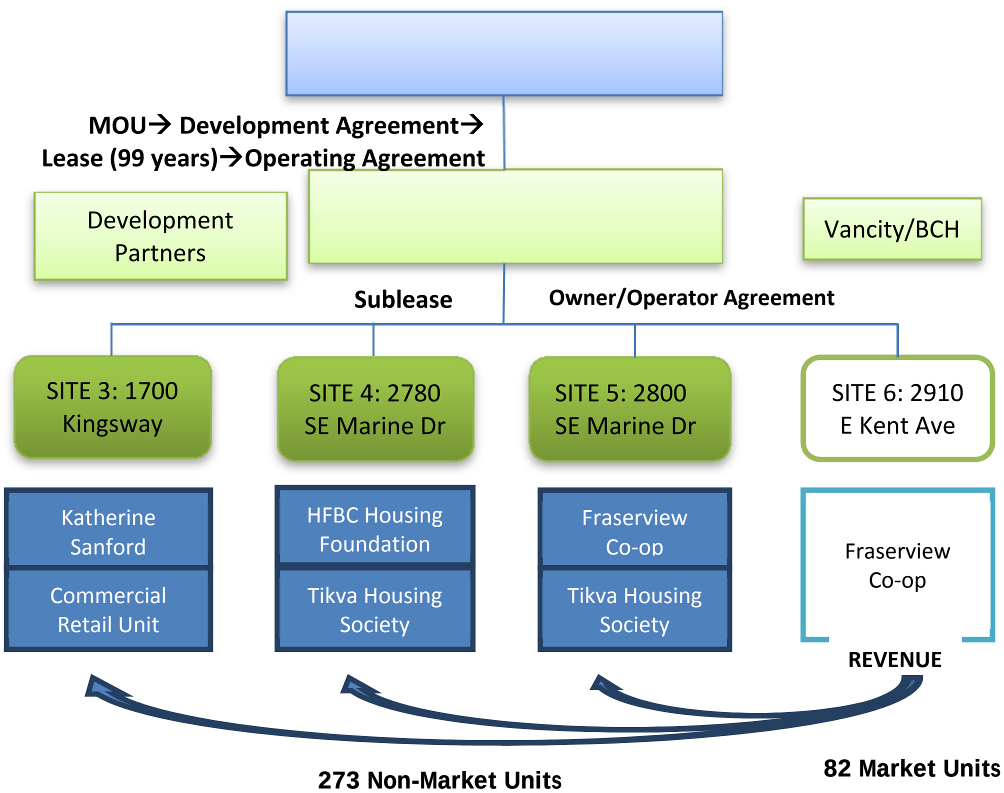
The Development Agreement will attach as schedules the agreed upon form of Lease Agreement and Operating Agreement which the parties will be bound to sign as soon as the Project pre-conditions are satisfied.

The Development Agreement will also require the Land Trust to provide a capital budget, indicative terms for construction and takeout financing and 20 year cash flow analysis to City staff for review at three key milestones: Development Permit application, Building Permit application and just prior to start of construction. If at any of these review points either party's assessment of the costs and risks and the resulting affordability is unacceptable to them they will have the right to withdraw from the Project and the Lease and Operating Agreements would not be signed.

If and when the Project pre-conditions of the Development Agreement are satisfied, the parties will be bound to enter into the Lease and Operating Agreements. The Operating Agreement will set out the financial, affordability and reporting requirements for the affordable housing developed on the Sites. The Operating Agreement will legally confirm that the City will not provide any operating subsidies, property tax exemptions, and/or financial guarantees to the Land Trust and will allocate full responsibility for all costs and risks to the Land Trust. This reporting obligations will include the requirement to submit to the City, at start of each year, The Land Trust's annual rent roll for the affordable rental housing developed on each of the Sites, the annual audited financial statements for the affordable rental housing projects developed on the Sites, and the operating budget for the upcoming year so that the City can monitor and ensure compliance with the required affordability levels. Reporting requirements will also include information to address the City's Housing and Homelessness targets (i.e. number of households at social assistance levels and number of tenants who currently live [first priority] and/or work [second priority] in Vancouver). The Sub-Leases will require the Land Trust Partners to maintain and make available for inspection the information necessary for the Land Trust to fulfill its obligations to the City under the Operating Agreement.

The Land Trust and the Land Trust Partners are working with professional partners experienced in real estate appraisal, design, development, financing and construction of housing projects. Those identified include Vancity, Social Purpose Development Partners Inc., Terra Housing, DYS Architecture, COHO Management Services, Performance Construction (pre-construction consultants) and Colliers. Selection of the construction contractor(s) for the Four Sites will be part of a future procurement process undertaken by the Land Trust and Land Trust Partners.

Figure 2 illustrates the governance relationship proposed by the Land Trust and Figure 3 outlines the number of units and the unit mix for each Site.



Note: Vancity confirmed as equity partner, BCH to be confirmed

Figure 2: Governance Model

There is a target of 355 net new units for those who currently live (first priority) and/or work (second priority) in Vancouver proposed by the Land Trust and their partners. Tenants will be identified through the Land Trust Partners in collaboration with other housing service providers and levels of government (BC Housing) to ensure that the needs of Vancouver residents are met.

Katherine Sanford Housing Society will operate approximately 48 one bedroom units of rental housing on Site Three primarily serving persons with a mental illness. Support services will be community-based support programs as tenants will be living independently. Site Three at 1700 Kingsway includes a Commercial Retail Unit (CRU). The CRU will be sub-leased for 99 years and the pre-paid rent for the CRU will provide additional capital funding for the housing portfolio and reduce the requirement for debt financing to increase housing affordability.

HFBC will operate approximately 114 one-bedroom apartment units on Site Four. The project will primarily serve singles and older couples in core need living in the south-east quadrant of the city.

Tikva will operate a non-profit rental housing townhouse project which will utilize the southern portion of both Sites Four and Five. Approximately 16 three-bedroom townhomes units will be developed on Site Four and about 16 three-bedroom townhomes on Site Five for a total of 32 units serving low-income family households.

The Fraserview Housing Co-operative will operate a non-profit housing co-operative on Site Five. It will consist of approximately 79 one, two and three bedroom apartment units primarily serving residents in core need.

Site Six, a waterfront site will also be operated by the Fraserview Housing Co-operative. The rents will be at market levels on the approximately 82, three bedroom units in order to generate revenue to increase affordability on the other sites in the portfolio.

	Site Three	**Site Four**	**Site Five**	**Site Four & Five**	**Site Six**
Operator	Katherine Sanford	HFBC	Fraserview	Tikva	Fraserview
Number of Units	48	114	79	32	82
Unit Mix	1 BDRM	1 BDRM	1,2,3 BDRM	3BDRM	3 BDRM

Figure 3: Housing Summary Chart

Strategic Analysis

Affordable rental housing is an important part of Vancouver's housing stock; low vacancy rates and relatively high rents have been characteristics of the City's rental market with an estimate of 39% of renters paying more than 30% of their income on housing. The City has been working with a variety of government and non-government partners to optimize and expedite the creation of both permanent and immediate housing options to alleviate this problem.

The *Housing and Homelessness Strategy 2012-2021*, is the guiding document for addressing housing solutions in Vancouver. Of particular relevance for this program is the direction to increase the supply of affordable housing through the City's use of land, capital grants, incentives and other resources to lever as well as to demonstrate leadership in supporting partnerships. The *More Homes, More Affordability* RFEOI targets the non-market rental housing point on the continuum by serving those who need below-market rental housing affordability.

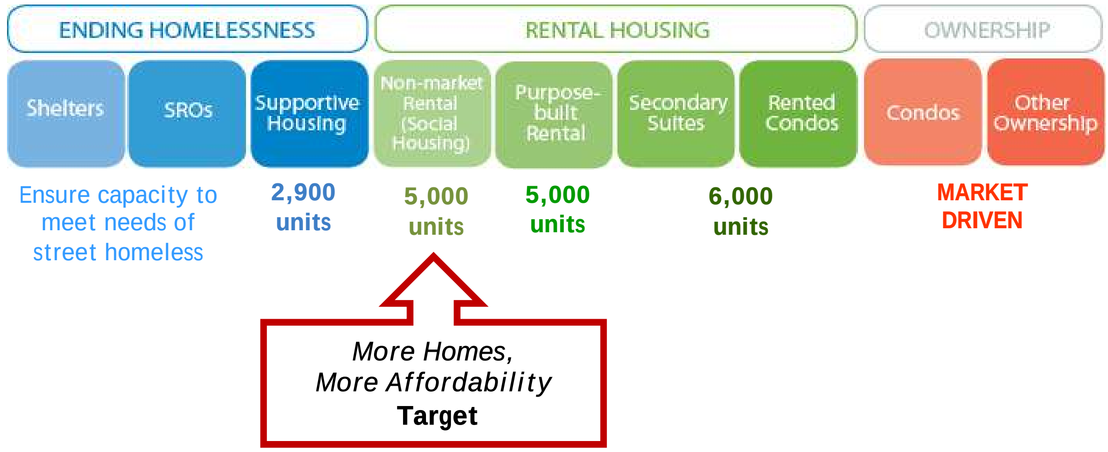


Figure 4: The Housing Continuum

A strong policy framework supports the use of City-owned land for affordable rental housing. The Mayor's Task Force on Housing Affordability examined conditions that could act as barriers to housing affordability for low to moderate income earners. The Task Force's Final Report recommends leveraging City-owned land with non-profit and private partners to create new rental stock at deeper levels of affordability.

A number of individuals and organizations have approached the City with proposals to pilot cost effective rental housing solutions on City owned lands while permanent stock is being constructed. Recognizing the uptake and success of the STIR/Rental 100 programs for secured market rental housing, it was realized that affordable rental options could likely be achieved with the contribution of City land at a below market lease rate enabling applicants to achieve lower than market rental rates with no additional capital cost to the City.

As such, key objectives of the Land Trust submission have been used on each of the Four Sites to create:

- five new housing projects adding a target of 355 units to serve Vancouver residents with a protected level of affordability;
- expedited delivery of units that recognizes the urgent need for new rental housing stock; and
- well-designed projects to enhance livability for tenants.

Affordability

The Land Trust is using several strategies to deliver on the affordability across the portfolio over the long term. An internal subsidy redistributes the operating income from the 82 units of market rental at Site Six (2910 E. Kent Avenue South) to the other three non-market rental properties. Together with the sale by sub-lease of the CRU unit, the equity contributed by the Land Trust Partners, as well as the nominal rent Lease from the City, the Land Trust is able to achieve significant affordability.

The affordability test for these projects employs the *BC Housing* Housing Income Limits (HILs) as a metric. Housing Income Limits are the income required to pay the average rent for an appropriately sized unit in the private market. Households earning below these limits are considered to be in core need. A commonly used measure suggests that a household should spend 30% of their gross household income on rent. Thirty percent of the Housing Income Limit is then used to calculate a monthly rent that is affordable and accessible to those in core need. For example, the Housing Income Limit for a one-bedroom unit is $38,000. To calculate an affordable rent based on this Housing Income Limit, we use 30% of income, and divide this by 12 to determine a monthly rent ($38,000 *30% = $11,400/12 = $950). A one-bedroom unit in the Land Trust portfolio should be less than $950 per month to be considered affordable.

The chart below illustrates the Housing Income Limits and their associated affordable rent as well as the Land Trust's average rent for each unit type.

Unit Size	**Housing Income Limit**	**Maximum Affordable Rent**	**Land Trust Average Rent**	**% Below HILs***
One Bedroom	$38,000	$950	$769	20%
Two Bedroom	$46,500	$1162	$945	19%
Three Bedroom	$55,000	$1387	$1038	26%

Figure 5: Rental Affordability

**Note: Based on the Land Trust's preliminary assumptions, this level of affordability can be achieved in year one. If other cost or market risks materialize, achievement of affordability may be delayed. Please refer to the financial implications section for further details.*

The Land Trust's rental mix objective is to have as many units as affordable as possible without compromising the long-term financial sustainability of the portfolio. At this stage, rents are averages. Once the design work is done and project financials are established, the rental mix will be refined and will reflect rent variation within each type of unit and building.

Approvals

Pursuant to the MOU, the City has consented to the Land Trust preparing and submitting, at its sole cost and risk, Development Permit Applications (DPA's). The DPA's will show the massing proposed for each Site, the location of the proposed building on each Site, parking access and layout, unit layouts, and elevations.

Once the City (in its regulatory capacity, not as a party to the MOU) has reviewed and conditionally approved the DPA's, the Land Trust has indicated its intent to submit full design specifications for each Site, again at its sole cost and risk, the approval of which would allow the Land Trust to then apply for Building Permits.

It is not expected that a rezoning will be required for any of the Sites. However, in the event that one is, the rezoning applications will be made as soon as it is known that a rezoning is required.

The Land Trust acknowledges that all rezoning applications must be considered by City Council at a Public Hearing and that Council is free to approve or reject a rezoning application regardless of the executed MOU nor any executed Development Agreement. Should Council reject a rezoning application for any or all of the Sites, the Land Trust has indicated its intent to submit an amended DPA to develop such Site(s) under the current zoning.

The City and the Land Trust share the objective of creating new affordable housing units expeditiously, with construction targeted to start in March 2014. The projects will be occupied by approximately November 2015.

Implications/Related Issues/Risk (if applicable)

Financial

Capital Funding

City of Vancouver		
99-Year Nominal Land Leases (95% of Freehold Value $23.2M)		$22.0M
Development Cost Levies Exemption		$0.5M
	Sub-total	*$22.5M*
Land Trust		
Equity		$3.8M
Proceeds from sale of CRU 99-year leasehold interest		$6.3M
Debt financing		$66.1M
	Sub-total	*$76.2M*
Total Project Capital		**$98.7 M**

In the opinion of the Director of Real Estate Services, a 99-year lease is equivalent to 95% of the freehold value. The City's overall contribution, the grant of nominal land leases ($22M) and DCL exemptions ($0.5M), equates to approximately 23% of the overall project capital cost or $63,000 per unit.

The Sites were originally acquired through a combination of PEF and Housing Capital funding. As such, the reimbursement to the PEF for its proportionate share in the freehold market value of the Sites is $19.8M, to be funded from City Wide DCLs ($13M) and Area Specific DCLs ($6.8M) included in the 2012-2014 Capital Plan for new non-market rental housing: land acquisition, which will be added to the 2013 Capital Budget.

Expenditures for environmental clean-up of approximately $600,000 are not included in the above land lease value. The City carries the obligation to provide a clean site. About $100,000 of the cost related to hazardous building materials removal (expected to be spent in 2013) is to be funded through a reallocation from the unused 2013 Capital Budget for Environmental Assessment/Soil Remediation no longer required for the 12 Affordable Housing Sites. The balance of about $500,000 for soils investigation and remediation will be funded from the PEF.

Operating Funding

The Land Trust will utilize an internal-subsidy model within the portfolio where the surplus generated from the market rental units will be used to subsidize the non-market rental units to achieve maximum and sustainable affordability over the long term. As noted above, the City will not provide any operating subsidies, property tax exemptions, and/or financial guarantees to any of the housing sites and one of the pre-conditions in the Development Agreement will be that the Land Trust obtains financing and equity that supports, verifies and funds its cross-subsidy model.

The Land Trust's ability to achieve its affordability targets could be impacted by a number of key variables in both construction and operational phases.

- During construction – any increase in construction costs and reduction in CRU leasehold sales proceeds will increase the debt financing requirement. Coupled with higher than anticipated interest rates (upfront or upon refinancing), the debt servicing charges could increase which will have a negative impact on overall affordability. To mitigate this risk, the Land Trust intends to obtain a fixed price construction contract and professional appraisal of CRU leasehold as part of the Project pre-conditions in the Development Agreement.

- During operation – lower than anticipated market rental revenues (key source of subsidy for non-market rental units) coupled with higher than anticipated operating costs will have a negative impact on overall affordability. To mitigate this risk, the Land Trust intends to obtain a professional market assessment to validate rent levels and operating costs as part of the Project pre-conditions in the Development Agreement.

The City's sensitivity analysis, factoring in the known risks to the Land Trust's model, indicates that the Land Trust's portfolio will be financially sustainable in the first year of operation, and the affordability target for non-market units can still be achieved within the first ten years with actual timing dependent on future market economics. Over time, as the mortgage is repaid, the portfolio will likely generate an increasing operating surplus which, after appropriate reserves are set aside, will be shared equally between the Land Trust and the City for further investments in affordable housing in Vancouver. This innovative approach leverages the initial investment from the City and the Land Trust Partners to be a self-sustaining affordable housing legacy.

Environmental

The City as owner of the Sites will be responsible for undertaking hazardous material assessments of the existing improvements to determine whether there are hazardous materials (e.g. asbestos), and for the costs of removal of hazardous materials. The City will also be responsible for the cost of remediating any contamination on the Sites as required by the approving authorities for the development of the Sites, as per the MOU.

The source of funds are identified as:

- the Property Endowment Fund to be responsible for costs of soil remediation as it holds the freehold title to the sites on behalf of the City; and,
- the 2013 Capital Budget - Housing to be responsible for removal of hazardous materials from the buildings.

Legal

As noted in the Recommendations and this report, all legal risks, rights, and obligations are to be settled with the Land Trust and then recorded in the Development Agreement, Lease Agreement, Operating Agreement, and any other legal agreements considered necessary by the City representatives referred to in Recommendations A and C.

CONCLUSION

The Land Trust submission is fully aligned with the objectives of the Housing and Homelessness Strategy and the Task Force's Final Report in leveraging City land to deliver a target of at least 355 (but not less than 350) net new units of rental housing. Of these new units, 273 are targeted significantly below market rates and are accessible to those in core need. The submission includes partners from the non-profit, co-operative and private sector to create secure, sustained, affordable rental housing legacy for those who currently live and work in Vancouver.

* * * *

Memorandum of Understanding (MOU)
between
the Community Housing Land Trust Foundation (the Land Trust)
and
the City of Vancouver (the City)
Regarding the Development of Affordable Rental Housing
and dated for reference April 11, 2013

Intent

The parties wish to develop City-owned land to create net new affordable, rental housing to serve people who live (first priority) or work (second priority) in Vancouver. The City's intent is to grant long term ground leases for each Site at a nominal rate to stimulate the development process and create more affordable housing stock. The City issued a Request for Expressions of Interest (RFEOI) proposing ways to develop the Sites for affordable housing. The Land Trust has put forward a promising proposal to maximize the level of affordability across the Sites by using a mix of units and rents.

This MOU was included as an appendix to a report to City Council presenting the Land Trust's proposal for Council consideration. The parties acknowledge that City Council approval of the MOU is required for the City and the Land Trust to proceed to setting out the detailed legal terms and conditions of this arrangement necessary for the Land Trust to secure the funding required to develop the Sites.

Neither the discussions leading up to this MOU nor the approval of this MOU by City Council will create any legal rights or obligations, all of which will arise or be created only when City Council has approved the MOU and the subsequent legal documents have been fully executed on terms and conditions to the satisfaction of the City, the Land Trust and the Land Trust Partners.

The Land Trust acknowledges that Council has final approval of this MOU.

The Land Trust is solely responsible for any and all costs incurred by it in responding to the RFEOI and pursuing this MOU as well as negotiating the legal agreements following Council approval.

More Homes, More Affordability

In August 2012, the City issued a Request for Expressions of Interest (RFEOI) PS20120780, titled "More Homes, More Affordability" for the development of affordable rental housing on six sites owned by the City. On September 18, 2012, the Land Trust submitted a proposal (the Proposal) for the development of the four sites (each defined as a "Site", and collectively the "Sites") as follows:

RFEOI Site Number	Address	Property Identification
3	1700 Kingsway	PID: 028-252-462
4	2780 S.E. Marine Drive	PID: 015-237-206
5	2800 S.E. Marine Drive	PID: 015-237-257
6	2910 E. Kent Avenue South	PID: 023-668-270

On November 28, 2012, the City advised the Land Trust that the City wanted to pursue further due diligence with the Land Trust with the intent of negotiating the Development Agreement referred to below for the development of affordable rental housing on the Sites.

Land Trust and Land Trust Partners

The Land Trust is a non-profit charity qualifying as a grant recipient under the *Vancouver Charter*. The Land Trust was established by the Co-operative Housing Federation of BC to acquire, create and preserve affordable housing for future generations and to foster self-managed housing communities in BC. The Land Trust was incorporated in 1993 and has two decades of experience managing leases for six properties located in Vancouver and across the province. It has significant experience negotiating complex land transactions and managing long term leases.

The City will lease the Sites to the Land Trust who will sub-lease them to its partners for the development of a target of at least 355 units (but not less than 350 units) of affordable rental housing. The Land Trust will develop and construct the affordable rental housing which its partners will then operate on completion of construction. The Land Trust will oversee the operation of the affordable rental housing, ensure that it is being operated as required, and report to the City annually on the affordability being achieved.

The Land Trust has four partners (the “Land Trust Partners”). They are:

- Fraserview Housing Co-operative;
- HFBC Housing Foundation;
- Katherine Sanford Housing Society; and
- Tikva Housing Society.

The Land Trust and the Land Trust Partners are working with service providers experienced in the design, development, financing and construction of housing projects. Those identified include Vancity, Social Purpose Development Partners Inc., Terra Housing, DYS Architecture, COHO Management Services, Performance Construction and Colliers.

The Land Trust will place tenants who currently live (first priority) or work (second priority) in Vancouver in the new units. Any vacancies in the existing stock of the Land Trust and the Land Trust Partners that are created by tenants moving to the new units will also be filled by those in need who live or work in Vancouver.

Leases

The City, as owner of the Sites, will lease each Site to the Land Trust for 99 years for a nominal prepaid rent (the "Leases"). Subject to the detailed terms of the Development Agreement, the Leases will commence concurrently with the start of construction or such other time as may be specified in the Development Agreement of each affordable rental housing project (the "Project") on each Site.

The Lease for each Site will require the Land Trust to be responsible for all costs of developing the Sites, building the housing, servicing the Sites, and operating the affordable rental housing on completion. The Leases will be fully net, requiring the Land Trust to be responsible for all maintenance and repair (including capital replacement funds), utilities, insurance, property taxes and applicable fees.

Operating Agreement

The Land Trust will enter an Operating Agreement with the City that will set out the details of the agreed day-to-day and long term operational requirements applicable for the Sites. This will include the affordability and reporting requirements for the affordable housing developed on the Sites, and the Land Trust's financial and operational responsibility for the management and administration of the Sites.

Sub-Leases

The Land Trust will sub-lease the Sites to the Land Trust Partners for 99 years less a day (the "Sub-Leases"). The rent for the Sub-Leases will be prepaid and nominal. The Sub-Lease term will commence the date immediately following the commencement of the Lease.

The Sub-Leases will be fully net with the Land Trust Partners responsible for all costs for managing and operating the affordable rental housing developed on the Sites, and for all maintenance and repair (including capital replacement funds), utilities, insurance, property taxes and applicable fees. However, the Land Trust will remain fully liable to the City under each Lease for all of these obligations regardless of any delay, default or dispute between the Land Trust and one of the Land Trust Partners.

Financial Transparency

The Land Trust's development and construction of the Sites as well as the Land Trust's and Land Trust Partners' management and operation of the housing will be fully transparent. Under the Development Agreement, the Land Trust will provide the City with budget updates at development permit application, excavation and building permit application, contract procurement stages and at other times reasonably requested by the City and similar reporting requirements will be incorporated into the Leases, the Operating Agreement, Sub-Leases and other agreements as applicable.

The City may have a Quantity Surveyor or other professional review budgets and cost estimates. Any costs incurred by the City for such third party consultants will be paid for by the City and will not be project costs.

Demolition

The Land Trust will be responsible for demolishing and removing any existing improvements or structures including any hazardous materials in the buildings and any foundations located on the Sites. Costs for demolition of any improvements on the Sites and the removal of all debris will be the responsibility of the Land Trust, with the exception of any incremental costs for the removal of hazardous materials (which incremental costs will be the responsibility of the City).

Hazardous Materials

The City will undertake hazardous material assessments of any buildings on the Sites prior to demolition to determine if there are any hazardous materials (e.g. asbestos) that need to be removed. The City will pay the costs to remove any hazardous materials.

The hazardous material assessment reports will be provided to the Land Trust and the recommendations incorporated into the competitively procured demolition contracts. All procurement and contract documentation for hazardous materials removal and demolition will be subject to the review and written approval of the City prior to issuance or execution. In the event that additional hazardous materials are discovered during demolition, the Land Trust will immediately notify the City of the nature and extent of the hazardous materials and work diligently with the City to agree on the scope of work and reasonable costs to remove the additional hazardous materials. In no event will the City be held liable for any delay claims or costs incurred of any nature whatsoever during the demolition of the buildings on a Site, including any delays resulting from the removal of hazardous materials.

Contaminated Sites Remediation

The City as owner of the Sites will be responsible for the costs of remediating any contamination on the Sites as required by the approving authorities for the development of the Sites.

Upon the approval of this MOU by City Council, the City will retain consultants to undertake any required environmental assessments of the Sites. The City will be responsible for any contamination in existence prior to the commencement date of the Lease for each Site, and will pay the cost of any remediation required by the BC Ministry of Environment to obtain a Certificate of Compliance (noting that Certificates of Compliance have already been issued for the Sites at 2910 E. Kent Ave. S, 2780 S.E. Marine Drive, and 2800 S.E. Marine Drive) permitting residential land use.

For the Site at 1700 Kingsway (currently without a Certificate of Compliance), the City will be responsible for undertaking environmental investigations and any further investigations required by the approving authorities for the development of this Site (noting that a Stage 1 Environmental Site Assessment, Stage 2 Preliminary Site Investigation and Supplemental Stage 2 Environmental Site Investigations have been completed to date for this Site). The cost of remediating any pre-existing contamination found on the Site during excavation will be the responsibility of the City. The Land Trust and the City will work together to minimize the cost of remediating any contamination, including allowing on-site stockpiling, testing and sorting of excavated soils before removal, and also allowing on-site remediation if such on-site remediation does not materially extend the development schedule. Where remediation is required, the environmental investigation reports will be incorporated into the excavation contracts. Where the approving authorities require the installation of engineered protection systems to obtain a Certificate of Compliance, the City will be responsible for the cost of these protection systems. The City will not be responsible for building design costs or other development costs, including delay claims and related costs, which any Site development project may incur as a result of the approving authorities requiring such remediation systems to be installed.

The Land Trust will be responsible for the cost of excavation and removal of soils and fill for the Sites. The City will only be responsible for the incremental costs of removing any contamination and disposing same at an authorized facility, as required by the BC Ministry of Environment. Prior to tendering of excavation contracts for the Sites requiring remediation, the tenders will be subject to the review and prior approval of the City, and the award of the excavation contract will also be subject to the review and prior approval of the City prior to issuance.

For the Sites with Certificate of Compliance already issued at this time, the Land Trust will be responsible for retaining environmental consultants to monitor the excavation required for these projects and to manage any contamination that may be found during excavation, as required by the conditions of the Certificates of Compliance. The cost of remediating any pre-existing contamination found on these Sites during excavation will be the responsibility of the City. The Land Trust and the City will work together to minimize the cost of remediating any soil contamination, including allowing on-site stockpiling, testing and sorting of excavated soils before removal, and also allowing on-site remediation if such on-site remediation does not materially extend the development schedule.

In no event will the City be responsible for any delay claims or unanticipated costs of any nature whatsoever during the development of a project on any of the Sites, including any delays or unanticipated costs which may occur during the remediation and removal of contaminants.

<u>Environmental Reports</u>

The City will provide copies of all Certificates of Compliance to the Land Trust. For the Site (1700 Kingsway) currently without a Certificate of Compliance, the City will, if required by the Land Trust, provide copies of all remediation and environmental assessment reports. Furthermore, the City will arrange for either the environmental consultants to provide reliance letters to be provided in the name of the Land Trust and the City, or to arrange for any future reports to be undertaken on behalf of the City and the Land Trust. Any costs associated with the consultants providing reliance letters will be the responsibility of the City.

However, in the event that the Land Trust requires an updated or additional environmental assessment report for some other purpose (e.g. financing), other than as required by the BC Ministry of Environment as approving authority for the development of the Sites, then that cost will be the responsibility of the Land Trust.

Development and Operating Costs

The Land Trust and the Land Trust Partners will be responsible for all development costs, including increases as a result of regulatory approval, design and construction. The Land Trust and the Land Trust Partners will manage the development of the Projects so as to achieve the maximum level of affordability consistent with ongoing financial sustainability. There is no obligation for the City to provide any operating subsidy at any time under any circumstances.

Reporting Requirements

The Operating Agreement will set out the affordability and reporting requirements for the affordable housing developed on the Sites. The Operating Agreement will require the Land Trust to make available for inspection by the City the annual rent roll for the affordable rental housing developed on each of the Sites, the annual audited financial statements for the affordable rental housing projects developed on the Sites, and the operating budget for the upcoming year. Reporting requirements will also include information to address the City's Housing and Homelessness targets (i.e. number of households at deep core need and number of citizens housed from Vancouver). The Sub-Leases will require the Land Trust Partners to maintain and make available for inspection the information necessary for the Land Trust to fulfill its obligations to the City under the Leases and the Operating Agreement.

Affordability

Each Lease of a Site by the City will be at a nominal prepaid rent to allow the development of the Site for rental housing to be financially viable at the proposed gross rent. Going forward, the Land Trust will not increase the gross rents of the rental housing more quickly than comparable market rents are increasing, without the City's prior written consent.

The portfolio approach redistributes the operating income from the market rental property at Site Six (2910 E. Kent Avenue South) to the other three non-market rental properties to achieve an overall affordability target of 76% across the portfolio. Upon approval of this MOU by City Council, the Land Trust will retain consultants to undertake a market rent analysis for the entire portfolio (including a retail analysis for the Commercial Retail Unit on the Kingsway Site (Site 3), with the results to be provided to the City as part of the Development Permit Applications for each of the development projects on the Sites. Following occupancy annual audits will report on the target of 76% affordability across the portfolio.

The range of rents, from social assistance levels to market, will vary to address financial viability as well as specific needs in Vancouver. Currently, the proposal includes 82 units to be rented at market rates to create affordability.

Equity of approximately $3.8 million will be invested by the Land Trust Partners as part of the equity portion of the total financing package. It is not a requirement that additional equity or grants will be made available to the Land Trust Partners from the Federal or the Provincial Governments or from the Land Trust or from any other source, including the City. However, if such grants are received, they must be used to increase project quality and affordability and will not be used to replace the equity investment from the Land Trust Partners.

With nominal land leases and DCL exemptions, it is anticipated that a positive cash flow will be generated in the first year of operations across the portfolio while achieving the stated affordability target, using the positive cash flow from the market rental property at Site Six (2910 E. Kent Avenue South) to cover the shortfalls on the other non-market rental projects. The ten year cash flow projection with key assumptions is attached as Appendix I.

Over time, the positive cash flow will increase, and all the projects will generate positive cash flows after the requisite cross-project transfers and contributions to capital replacement, operating contingency and other appropriate reserves. The net positive cash flow from the projects developed on the Sites will then be shared equally between the Land Trust and the City. The Land Trust will invest its share of the surplus in the development of affordable rental housing in the City of Vancouver, the purchase of market rental housing in the City of Vancouver and its conversion to non-profit operated affordable rental housing.

<u>The Projects</u>

Each of the Sites will be developed with an affordable rental housing project (the "Projects") and each of the Land Trust Partners will operate one or more Projects totalling a target of at least 355 units (but not less than 350 units).

Katherine Sanford Housing Society will operate approximately 48 one bedroom units of rental housing on Site Three primarily serving persons with a mental illness. Support services will be community-based as tenants will be living independently. Site Three also includes the zoning requirement for a commercial retail unit (CRU). The 99 year leasehold interest in the CRU will be monetized to provide capital funding for the housing portfolio and reduce the requirement for debt financing and increasing housing affordability.

HFBC will operate approximately 114 one-bedroom apartment units on Site Four. The project will primarily serve singles and older couples in core need living in the south-east quadrant of the city.

Tikva will operate a non-profit rental housing townhouse project on Sites Four and Five. Approximately 16 three-bedroom townhomes units will be developed on Site Four and about 16 three-bedroom townhomes on Site Five for a total of 32 units serving low-income family households.

The Fraserview Housing Co-operative will operate a non-profit housing co-operative on Site Five. It will consist of approximately 79 one, two and three bedroom apartment units primarily serving families in core need.
Site Six, a waterfront site will also be operated by the Fraserview Housing Co-operative. The rents will be at full market levels on the approximately 82, three bedroom units in order to generate revenue to increase affordability on the other sites in the portfolio.

The draft Capital budgets for the development of the Projects are attached as Appendix II.

Figure 1 provides a summary of the projects.

	Site Three	Site Four	Site Five	Site Four & Five	Site Six
Operator	Katherine Sanford	HFBC	Fraserview Co-op	Tikva	Fraserview Co-op
Number Units	48	114	79	32	82
Unit Mix	1 BDRM	1 BDRM/	1,2,3 BDRM	3BDRM	3 BDRM

Figure 1: Project Summary Chart

Commercial Components

Only the Project developed on Site 3 will include a commercial component. The zoning for Site 3 allows and encourages retail on the ground floor of the Kingsway frontage. The Land Trust will develop the commercial component on Site 3, and upon completion of the Project, the commercial component will be sub-leased to an owner/operator of commercial space (the "Commercial Sub-Lease"). The proceeds from the Commercial Sub Lease will be invested in the affordable rental housing on the Sites.

Parking

Parking is a major capital expense and the parking demand from the Projects, because they will be affordable rental housing, may be lower than what would normally be required by the Parking By-law. Upon approval of this MOU by City Council, the Land Trust will retain consultants to undertake an analysis of the parking needed for each of the Projects, with the results to be provided to the City as part of the Development Permit Applications for the Projects.

Development Permit Applications

The Development Permit Applications (DPAs) will be submitted as soon after Council approval of this MOU as possible, the approval of which would allow Building Permits to be applied for and issued. The DPAs will show the finalized detailed design for each Project so that Development Permits can be issued.

Rezoning

It is not expected that rezonings will be required for any of the Projects. However, in the event that one is, the rezoning applications will be made as soon as possible after Council has approved this MOU and as soon as it is known that a rezoning is required or desired to achieve this MOU's objectives.

The Land Trust acknowledges that all rezoning applications must be considered by City Council at a Public Hearing and that Council is free to approve or reject a rezoning application regardless of Council having approved this MOU. Should Council reject a rezoning application for any or all of the Sites, the Land Trust will apply for a Development Permit to develop those Sites under the current zoning.

Fast Track Approval Process

The City and the Land Trust share the objective of meeting the milestones set out in the Development Schedule below. To this end, the City will "fast-track" the review and approval process for the DPAs, rezoning applications (if any), Building Permits or any other approvals for the Projects. The City will assign the staff and resources to fast-track the Projects, and the Land Trust will respond as quickly as possible to any requests from City staff for additional information.

Development Cost Charges/Levies

The Land Trust will pay Metro Vancouver's portion of all applicable development cost charges. As per the DCL bylaw, all of the Sites qualify for an exemption.
Construction of the Projects

The Land Trust and the Land Trust Partners are responsible for undertaking an open and competitive procurement methodology for selecting the contractor or contractors for the Projects.

In regard to the removal of contaminated soils and or hazardous materials, the City is paying the incremental costs; all contracts for hazardous materials removal and site remediation, including demolition and excavation contracts, will be openly and competitively procured and must be approved by the City prior to tendering, and prior to execution of contracts.

Access and Existing Tenancies

Subject to existing tenancies, the City will grant licences as reasonably required in advance of execution of the Lease for each Site to allow surveys, inspections and demolition. Excavation or construction mobilization is expressly prohibited prior to execution of the Lease.

Three of the sites are vacant development sites. The fourth site (Site 3) located at 1700 Kingsway is an improved property with an existing commercial tenancy with a lease expiring at the end of 2014. The landlord may terminate the lease on twelve months prior notice. Following approval by City Council of this MOU, the City will give notice of termination of lease.

Crane Overswing and Underpinning Agreements

The Projects will require agreements with neighbouring property owners to allow construction cranes to swing across property lines and to allow underpinning of shoring required for excavation. The Land Trust will be responsible for negotiating the agreements with neighbouring property owners and will have the required agreements in place by the time that the Building Permit is issued for each Project. The Land Trust will pay all costs associated with securing the agreements. The legal agreements for this will require the prior written approval of the City.

LEED Compliance

If the Project requires the services of an environmental consultant for the purposes of LEED compliance, this will be a cost borne by the Land Trust.

Legal Representation

All parties confirm that they will have legal representation throughout the implementation of this MOU. The Land Trust will represent the Land Trust Partners in developing the legal agreements required to implement this MOU. For certainty, the Land Trust will ensure that the Land Trust Partners will each have their own legal representation and the Land Trust will be responsible for coordinating the review and approvals of the legal documentation required by the Land Trust Partners.

Exclusive Commitment

The Land Trust will have the exclusive right to work with the City on the development of the Sites for 6 months following Council approval of this MOU so as to allow the parties time to satisfy the conditions of execution of the Development Agreement, the Operating Agreement, Leases, Sub-Leases and other legal documents that will permit the Projects to proceed.

Project Development Funding

The Land Trust and the Land Trust Partners are required to commit and expend project development funding to undertake the consultant studies, develop the designs for the Projects, and prepare the legal documentation required to implement this MOU and develop the Projects. The development program leading up to construction start is estimated to cost $5,000,000. The Land Trust and the Land Trust Partners will implement the development program upon approval of this MOU by City Council but are aware that such funds are at the sole cost and risk of the Land Trust as set out in this MOU.

Development Agreement

Within six months of Council Approval of this MOU, the City and the Land Trust will enter into a Development Agreement that will set out the finalized arrangements for the development, construction, and operation of the Projects. It will set out in detail the terms of the Operating Agreement, Leases and Sub-Leases, the Capital and Operating Budgets and any other issues that are identified during the six months of the exclusive commitment. All legal agreements that need to be registered against the Sites between the Land Trust and Land Trust Partners (such as for example the Sub-Leases) as well as between the Land Trust and other third parties (such as the crane and underpinning agreements and all contracts for hazardous materials removal and site remediation), require the prior written approval of the City. Where the Land Trust has lenders who require any form of priority and subordination agreement, these agreements will need to be approved by the City and included or referred to in the Development Agreement as well.

<u>Development Schedule</u>

Report to Council	April 9, 2013
Execution of MOU	April 11, 2013
Finalization of Capital Budgets	May 2013
Submission of Development Permit Applications (DPAs)	June 2013
Execution of Development Agreement	July 2013
Application of DPAs	August 2013
Report to Council for Final Approvals	September 2013
Approval of Building Permit Applications (BPAs)	November 2013
Start of Construction	March 2014
Project Completion	November 2015

The City, the Land Trust and the Land Trust Partners all understand that this MOU confers no legal rights or obligations. Legal rights or obligations will arise or be created only when City Council has given final approval for the aforementioned Development Agreement and other related legal documents and all such documents have been fully executed on terms and conditions to the satisfaction of the City's, the Land Trust's and the Land Trust Partners' solicitors.

For the Land Trust:

____
Thom Armstrong
Executive Director

____
Date

For the City:

____
Dr. Penny Ballem
City Manager

____
Date

SITE INFORMATION

SITE THREE:

Civic Address:	1700 Kingsway, Vancouver, BC
Legal:	Parcel Identifier: 028-252-462
	Lot E Blocks 7, 9 and 11 District Lot 352 Group 1 New Westminster District Plan BCP45184

SITE FOUR:

Civic Address:	2780 SE Marine Drive, Vancouver, BC
Legal:	Parcel Identifier: 015-237-206
	That part of the west ½ of Block 66 lying north of the Kent Street as shown on Explanatory Plan 3729 District lots 258 and 329 Plan 670A

SITE FIVE:

Civic Address:	2800 SE Marine Drive, Vancouver, BC
Legal:	Parcel Identifier: 015-237-257
	Lot A (Explanatory Plan 14490) east ½ of Block 66 District Lots 258 and 329 Plan 670A

SITE SIX:

Civic Address:	2910 East Kent Avenue South, Vancouver, BC
Legal:	Parcel Identifier: 023-668-270
	Lot 5 District Lots 258, 2100 and 6320 Group 1 New Westminster District Plan LMP31809