

Diacu, Raz MNGD:EX

From: Woolley, Paul GCPE:EX
Sent: Thursday, March 9, 2017 2:21 PM
To: Myers, Tobie A MNGD:EX
Cc: Diacu, Raz MNGD:EX; Hirji, Keivan MNGD:EX
Subject: FW: KM_BCH_Wall Financial Housing Project_March_09_2017_DRAFT.docx
Attachments: KM_BCH_Wall Financial Housing Project_March_09_2017_DRAFT.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: Red Category

For review.

From: Harbord, Darren GCPE:EX
Sent: Thursday, March 9, 2017 1:49 PM
To: Woolley, Paul GCPE:EX
Subject: KM_BCH_Wall Financial Housing Project_March_09_2017_DRAFT.docx

WALL FINANCIAL HOUSING PROJECT

Topic: On March 9, the Opposition claimed that BC Housing gave Wall Financial Group an interest-free \$39.5 million construction loan for a housing project under construction in the Downtown Eastside.

- This project did not receive a preferential interest rate. The rate is the same as every other affordable housing development where BC Housing is involved.
- We often partner with developers to create a percentage of non-market housing in new developments. In exchange, developers are provided with low-interest construction financing and the benefit of the financing is used to lower the cost of the non-market units.
- B.C. is the only province in the country that increases the availability of affordable housing by extending this preferred interest rate, resulting in more units than would otherwise be possible.
- The building will provide 104 units of non-market housing, and 68 units of market housing.
- BC Housing receives a share of the profits from the developer on the sale of the market units. So our original contribution of \$19 million was reduced to \$16 million as the market appreciated.

March 9, 2017

Background:

- BC Housing partnered with Wall Financial for direct procurement of an 11-storey building at Hastings & Gore.
- The Downtown East Side local area plan requires 100% rental, 60% non-market and 40% market.
- The project consists of 172 units
 - 34 income assistance
 - 70 core need
 - For a total 104 non-market/social housing units (owned by BC Housing)
 - 68 market (owned by Wall)
- The total project cost is approximately \$40 million. BC Housing is contributing approximately \$16 million to purchase the non-market units.
- The project is under construction; completion is expected in Nov/Dec 2017.
- The existing City-imposed zoning creates a non-economic mix without government assistance, which is why this partnership is considered an asset to the area.
- The local area has voiced some opposition to the project saying the project will change the face of the community, and advocated for a building with rent restrictions that was not mixed use.

Excerpt of QP Transcript – March 9, 2017:

D. Eby: In 2015, the Wall Corp., a massive development company in Vancouver, walked in a proposal to B.C. Housing. They bought some land on Hastings Street in the Downtown Eastside where the zoning required them to build rental housing. Just over half of the units were required to be affordable.

Their proposal? B.C. Housing should provide them with an interest-free construction financing of \$39.5 million. They also proposed that B.C. Housing pay them a 10 percent developer fee worth \$3.3 million for the privilege of giving the Wall Corp. interest-free money to build something they had to anyway under the zoning.

My question for the Minister for Housing is simple. Did he agree to provide interest-free financing and a multimillion dollar fee to a rich developer to build something they would have had to build anyway under the zoning rules in Vancouver?

Diacu, Raz MNGD:EX

From: Woolley, Paul GCPE:EX
Sent: Wednesday, March 15, 2017 11:02 AM
To: Myers, Tobie A MNGD:EX
Cc: Diacu, Raz MNGD:EX; Hirji, Keivan MNGD:EX
Subject: FW: Updated KMs - Wall Financial / Jubille House
Attachments: KM_BCH_Jubilee House_Brenhill Development_March_15_2017.docx; KM_BCH_Wall Financial Housing Project_March_15_2017.docx

Updates - Keivan has hard copies.

From: Harbord, Darren GCPE:EX
Sent: Wednesday, March 15, 2017 10:59 AM
To: Woolley, Paul GCPE:EX
Cc: Ash, Christine GCPE:EX; Byers, Lindsay GCPE:EX
Subject: Updated KMs - Wall Financial / Jubille House

Updated bullets highlighted.

Darren Harbord
Government Communications and Public Engagement
Ministry of Natural Gas Development and
Responsible for Housing
250 952-0152 / 250 882-8518 (cell)

JUBILEE HOUSE – BRENHILL DEVELOPMENT

Topic: Numerous questions have been asked regarding the role of BC Housing in a land swap deal between the City of Vancouver and Brenhill Development. The transaction included construction of the new Jubilee House, which provides 162 units of affordable housing.

- This is another example of an innovative partnership between BC Housing, the City of Vancouver and the private sector to secure affordable rental housing in downtown Vancouver.
- BC Housing provided interim financing directly to the developer for the construction of the project in the form of a CMHC-insured mortgage. The loan has since been repaid.
- The 127 Society has a pre-paid lease with the City of Vancouver for the land.
- Low-income individuals and families now have access to 162 units of housing at below market rates.
- Now that the new Jubilee House at Richards Street is completed, Brenhill is building a private market condominium project at 508 Helmcken Street.
- Contrary to allegations made in Question Period, BC Housing has never had any involvement in this development.
- In the case of land exchanges, there is nothing to tender. BC Housing partnered with Brenhill because it owned land that was desirable for social housing.

March 15, 2017

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March 15, 2017

Background:

In 2013, the City of Vancouver, Brenhill Development, 127 Housing Society and BC Housing established a partnership to build 162 new units of affordable rental housing to replace 87 units of obsolete housing at the aging Jubilee building located at 508 Helmcken St.

The 162 unit low-income housing units were constructed by Brenhill at 1099 Richards St.

The land and building are owned by the City of Vancouver and leased to 127 Housing Society for 60 years at below market rental rates.

As a result, all of 87 of the households at the old Helmcken site moved across the street into brand new units at 1099 Richards St. Another 20 of the units are allocated to previously homeless individuals from the Quality Inn transitional housing site operated by the City of Vancouver. The remaining 55 units are rented at below market rates.

BC Housing provided a \$40 million loan to construct the 162 new, below-market-rent units at the Richards Street site. The loan was secured by a mortgage on the Helmcken site. The \$36 million mortgage was for six months at government's borrowing rate.

During the construction, Brenhill asked BC Housing to extend the mortgage term on Helmcken for an additional six months and BC Housing agreed, with interest to be paid at market rates.

BC Housing has no further involvement in the project and 162 low-income individuals and families now have access to housing at below market rates.

WALL FINANCIAL HOUSING PROJECT

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- This project did not receive a preferential interest rate. The rate is the same as every other affordable housing development where BC Housing is involved.
- We often partner with developers to create a percentage of non-market housing in new developments. In exchange, developers are provided with low-interest construction financing and the benefit of the financing is used to lower the cost of the non-market units.
- B.C. is the only province in the country that increases the availability of affordable housing by extending this preferred interest rate, resulting in more units than would otherwise be possible.
- BC Housing receives a share of the profits from the developer on the sale of the market units. So our original contribution of \$19 million was reduced to \$16 million as the market appreciated.
- Wall Financial approached BC Housing for this project; therefore there was no RFP process. BC Housing partnered with the group because it owned land that was desirable for social housing.

March 15, 2017

s.13

March 15, 2017

Background:

- In 2015, Wall Financial Corporation approached BC Housing with a proposal to partner on the development of an 172 affordable housing development at 292 East Hasting St. BC Housing subsequently agreed to purchase the land from Wall Financial at cost and enter into a Development Agreement to complete the housing project.
- The project will create 172 rental housing units. BC Housing will retain ownership of 104 units (34 to be rented at income assistance rates and 70 at core need rent-gear-to-income rates) and 6,000 square feet of commercial space. Wall Financial Corporation will purchase 68 units for market rental. A Housing Agreement with the City of Vancouver will stipulate that the rents in the 68 units must not exceed the CMHC average market rents in order to ensure housing affordability.
- The purchase price of the 68 units is set so that BC Housing will retain 50% of the market value above the cost to construct. In essence, BC Housing recovers half of the profit earned on the 68 market rental units in order to lower the cost of the 104 non-market units. A conservative estimate places this value at approximately \$718,000.
- The total project cost is \$39.539 million.

Total Project Cost	\$39,539,000
Less:	
Sale of 68 units	\$21,161,354
City of Vancouver Grant	\$1,040,000
PIAH Contribution	\$13,334,591
Take-Out Financing	\$4,003,055

The development accomplishes 4 main objectives:

1. To increase the supply of quality, non-market housing by building self-contained units (in 104 studio units);
 2. To increase the rental stock in Vancouver (in 68 units including studios, 1-bedroom and 2-bedrooms units) consistent with City of Vancouver housing incentive programs;
 3. To improve the Commercial fronting onto both Hastings and Gore by improving the design and public safety of the Commercial space including an integrated landscaping plan consistent with City requirements; and
 4. To undertake redevelopment consistent with a vision for overall improvements to the Hastings and Gore intersection projects.
- The project satisfies the very restrictive City of Vancouver's Downtown Eastside Local Area Plan requirements.

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 - For a total 104 non-market/social housing units (owned by BC Housing)
 - 68 market (owned by Wall)
- The total project cost is approximately \$40 million. BC Housing is contributing approximately \$16 million to purchase the non-market units.
- The project is under construction; completion is expected in Nov/Dec 2017.
- The existing City-imposed zoning creates a non-economic mix without government assistance, which is why this partnership is considered an asset to the area.
- The local area has voiced some opposition to the project saying the project will change the face of the community, and advocated for a building with rent restrictions that was not mixed use.

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D. Eby: In 2015, the Wall Corp., a massive development company in Vancouver, walked in a proposal to B.C. Housing. They bought some land on Hastings Street in the Downtown Eastside where the zoning required them to build rental housing. Just over half of the units were required to be affordable.

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My question for the Minister for Housing is simple. Did he agree to provide interest-free financing and a multimillion dollar fee to a rich developer to build something they would have had to build anyway under the zoning rules in Vancouver?

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Withheld pursuant to/removed as

DUPLICATE

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ISSUES NOTE

Ministry of Natural Gas Development & Housing

Date: March 10, 2017

Minister: Hon. Rich Coleman

292 East Hastings Street and Wall Financial Corporation

ISSUE SUMMARY:

Concerns have been raised regarding the housing development project at 292 East Hasting Street, Vancouver with Wall Financial Corporation. During question period on March 9th, the minister was asked:

- why is BC Housing providing interest free financing to Wall Financial Corporation; and
- why was the project not included on a list released under a FOI request.

RECOMMENDED RESPONSES:

- The project at 292 East Hasting Street is not receiving interest free financing. The project is being charged the same interest rate as is charged to every other affordable housing development where BC housing is involved. At present, this rate is 0.9745% and over the past year the rate has ranged from 0.78% to 1.02%.
- A low interest rate on construction saves money and lowers the project's debt service costs. This results in projects which are more affordable and that can charge lower rents to tenant.

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KEY FACTS:

- In 2015, Wall Financial Corporation approached BC Housing with a proposal to partner on the development of an 172 affordable housing development at 292 East Hasting Street. BC Housing subsequently agreed to purchase the land from Wall Financial Corporation at cost and enter into a Development Agreement to complete the housing project.
- The project will create 172 rental housing units. BC Housing will retain ownership of 104 units (34 to be rented at income assistance rates and 70 at core need rent-geared-to-income rates) and 6,000 square feet of commercial space. Wall Financial Corporation will purchase 68 units for market rental. A Housing Agreement with the City of Vancouver will stipulate that the rents in the 68 units must not exceed the CMHC

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average market rents in order to ensure housing affordability.

- The purchase price of the 68 units is set such that BC Housing will retain 50% of the market value above the cost to construct. In essence, BC Housing recovers half of the profit earned on the 68 market rental units in order to lower the cost of the 104 non-market units. A conservative estimate places this value at approximately \$718,000.
- The total project cost is \$39.539 million.

Total Project Cost	\$39,539,000
Less:	
Sale of 68 units	\$21,161,354
City of Vancouver Grant	\$1,040,000
PIAH Contribution	\$13,334,591
Take-Out Financing	\$4,003,055

- The development accomplishes 4 main objectives:
 1. To increase the supply of quality, non-market housing by building self contained units (in 104 units including studios, 1-bedroom and 2-bedroom units);
 2. To increase the rental stock in Vancouver (in 68 units including studios, 1-bedroom and 2-bedrooms units) consistent with City of Vancouver housing incentive programs;
 3. To improve the Commercial fronting onto both Hastings and Gore by improving the design and public safety of the Commercial space including an integrated landscaping plan consistent with City requirements; and
 4. To undertake redevelopment consistent with a vision for overall improvements to the Hastings and Gore intersection projects.
- The project represents an innovative partnership to develop much needed affordable rental housing for homeless at risk, working poor and low to moderate income individuals. The project satisfies the very restrictive City of Vancouver's Downtown Eastside Local Area Plan requirements. As well, the site is of significant value in the larger context of redeveloping the intersection of Gore Avenue and East Hastings Streets and can play an integral role in improving the local community and serving homeless and those at risk of homelessness.

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