

NO: R016

COUNCIL DATE: January 25, 2010

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **January 21, 2010**

FROM: **General Manager, Engineering**

FILE: **0930-30/293**

SUBJECT: **Sunshine Housing Co-operative - 10744 - 133 Street**

RECOMMENDATION

The Engineering Department recommends that Council receive this report as information.

INTENT

The purpose of this report is to provide Council with updated information regarding the Sunshine Housing Co-operative (Co-op), which is situated on City property at 10744 - 133 Street (as illustrated on the map attached as Appendix I) under a long term lease agreement.

BACKGROUND

By way of a memorandum, dated November 20, 2008, (attached as Appendix II) Council was advised of actions taken by staff toward addressing the concerns that had been raised regarding the inability of the tenants of the Sunshine Housing Cooperative to make needed repairs to the buildings in the development. Subsequent to that memorandum, staff contacted Canada Mortgage and Housing Corporation (CMHC) with a request that they consider providing funding for improvements to the Co-op buildings.

DISCUSSION

Initial discussions with representatives of the Co-op and the Co-operative Housing Federation of BC suggested that the required repairs would be in excess of \$2 million. The Co-op advised at that time that to achieve financing for this amount would not be possible without the City extending the term of the lease agreement for the site to provide for a longer amortization period for the loan. In response, the City retained Wasser Consulting to provide advice to the City on the estimated costs of needed repairs to the buildings in the subject development. Wasser indicated that building envelope repairs of approximately \$500,000 would be adequate to extend the life of the structures over the next 10 to 15 years, being the approximate length of the remaining term of the lease for the site.

In December 2009, the Co-op's solicitor forwarded correspondence to the City advising that the Co-op had been successful in obtaining a retrofit grant through CMHC by way of a forgivable leasehold mortgage in the amount of \$445,806 for repairs to the buildings. This program from which this forgivable mortgage is to be provided is part of the federal economic stimulus program. The funding is to be used by the Co-op for roof replacement and replacement of windows and doors in the

buildings on the site, being the repairs that have been identified as being needed. The terms of the CMHC forgivable mortgage are such that a change to the term of the City's lease agreement with the Co-op is not necessary.

SUSTAINABILITY CONSIDERATIONS

The improvements to the Co-op through the forgivable CMHC mortgage achieves the City's socio-cultural and economic goals as articulated within the Surrey Sustainability Charter. This includes:

- The City's supporting the "implementation of solutions to social service issues through actions that are within the City's mandated responsibilities" (SC16).

Vincent Lalonde, P.Eng.
General Manager, Engineering

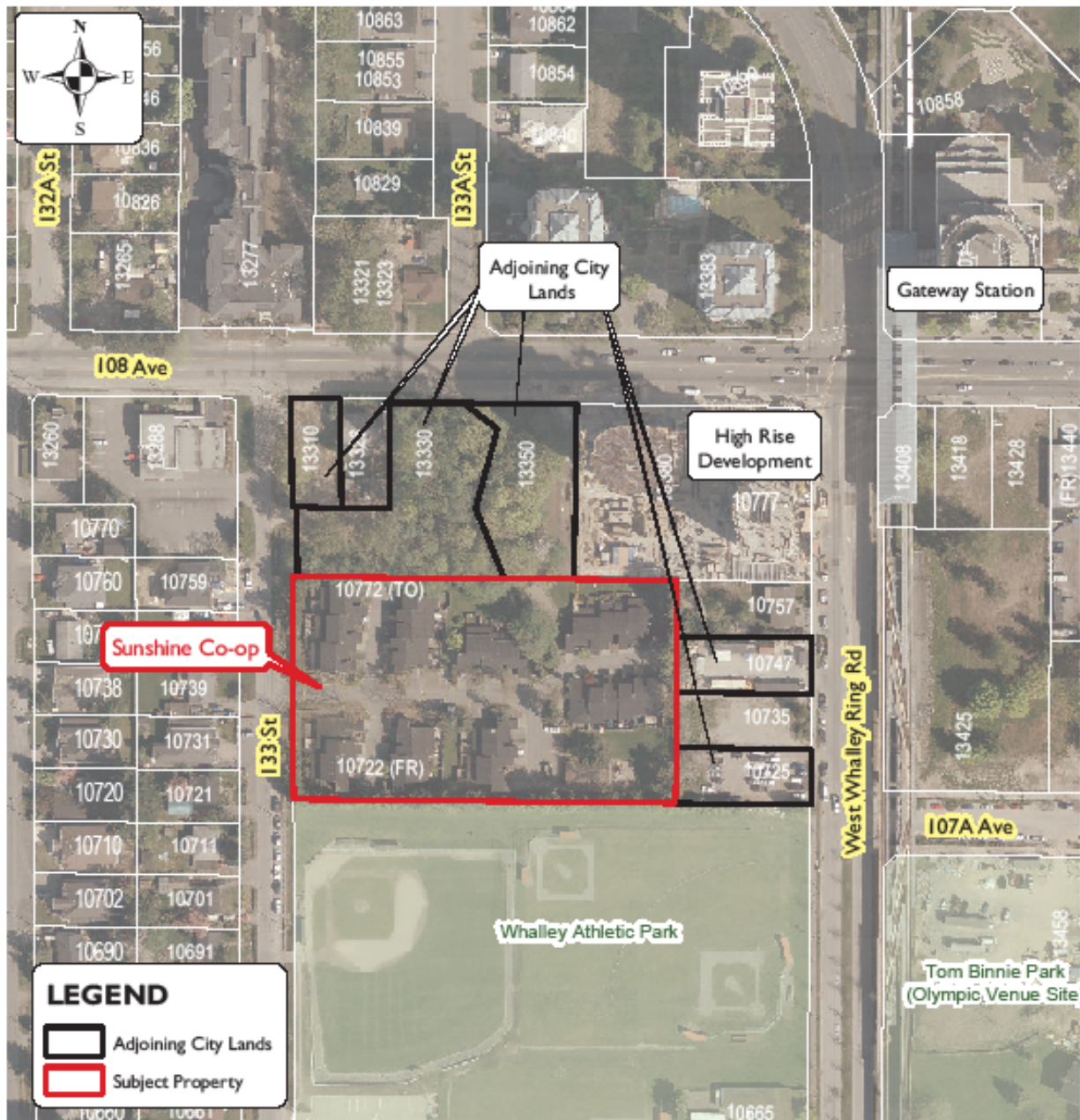
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Appendices

- I. Aerial Photograph of Site
- II. November 20, 2008 Memo to Mayor & Council

APPENDIX I AERIAL PHOTOGRAPH OF SITE



PRODUCED BY GIS SECTION: Jan. 12, 2010; CS/NGS

Date of Aerial Photography: April 2009



SUBJECT PROPERTY
10744 133 ST
FILE: 0910-30/293

**REALTY
SECTION**

The data provided is compiled from various sources and IS NOT warranted as to its accuracy or sufficiency by the City of Surrey.
 This information is provided for information and convenience purposes only.
 Lot sizes, Legal descriptions and encumbrances must be confirmed at the Land Title Office.

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CORPORATE REPORTS \Realty\
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INTER-OFFICE MEMO

TO: Mayor & Council
FROM: General Manager, Engineering
DATE: November 20, 2008 FILE: 0930-30/293

RE: Information Regarding a Lease on City Lands at
10744 - 133 Street - Sunshine Housing Co-operative

INTENT

The intent of this memo is to provide Council with background information pertaining to a letter sent to Mayor & Council by Bruce Ralston, MLA (Surrey-Whalley), requesting the City's assistance in addressing major repairs at the Sunshine Housing Co-op, which is situated on City property at 10744 - 133 Street under a long term lease agreement.

BACKGROUND

In 1982 the City entered into a prepaid, 41 year lease (ending in September 2023) with the Sunshine Housing Co-operative (Co-op) for the 2.91 acre City Centre property at 10744 - 133 Street. The amount of the prepaid lease was \$216,450 or approximately 60% of the then current market value of the property. The ground-oriented, 39-unit residential co-op housing development is situated directly to the north of the Whalley Ball Park. The City also owns a property with an area of ± 1.5 acres to the north of the Co-op and 2 of the 4 residential lots directly to the east (see Appendix I). Under the terms of the lease agreement, the Co-op is responsible for the maintenance of the land and buildings.

The Co-op currently has an outstanding mortgage with Canadian Mortgage and Housing Corporation (CMHC) in the amount of $\pm \$1,375,000$. The amortization remaining on the mortgage is ± 10 years. Based on the mortgage information available to staff, the current average mortgage payment is approximately \$395 per unit per month.

DISCUSSION

Bruce Ralston, MLA (Surrey-Whalley), has forwarded a letter requesting that the City provide assistance to the Sunshine Housing Co-op so that the tenants can address major repairs that are needed on the housing units in the Co-op. A copy of the request is attached as Appendix III. The request is that the City extend the term of the lease agreement with the Co-op without the Co-op having to make any additional payment for the extension.

Discussions with the President of the Sunshine Housing Co-op and representatives from the Co-operative Housing Federation of BC (CHF BC) indicate that the complex is in need of repairs that will cost over \$2 million to complete. These repairs are due mainly to lack of maintenance over the past 26 years and possibly poor construction that has allowed water infiltration into the buildings. CMHC has been working with Co-ops, the BC Housing Management Commission, and the CHF BC to address these types of issues on a BC-wide basis; however, the required repairs at the Sunshine Housing Co-op are in excess of available funding. This is the main reason the Co-op is seeking the City's assistance

through the lengthening of the lease term to accommodate a substantially increased mortgage that will be necessary if the needed repairs are undertaken by the Co-op.

Earlier this year the City contracted Ernest Roth of Wasser Consulting to review the existing structural condition of one of the Co-op's buildings. This contract was unrelated to the current issue and was part of an agreement with the adjacent high-rise contractor to monitor any settlement damage that may result from the construction of underground parking on a nearby lot. Mr. Roth, an experienced engineering and architectural consultant who has extensive construction background with BC Housing Management and private sector projects, suggests that the estimates provided by the Co-op and CHF BC may be overstated. Although his review was based on visual inspection only, he is of the opinion that a budget of \$10,000 per unit (roofing and siding replacement) and a further \$100,000 in total for the entire development for possible water infiltration damage would be adequate. This would suggest that the repairs could be completed for approximately \$500,000 as opposed to the over \$2 million estimate provided by the CHF BC. Mr. Roth is also of the opinion that the remaining life expectancy of the subject Co-op buildings is 15 - 20 years without major renovations, which is in keeping with the remaining term of the lease agreement with the City.

Area Context

The existing Sunshine Housing Co-op development is a low-density townhouse project (13 units per acre), which is not in keeping with the high-density land use that is envisaged over the longer term for this area in the City Centre. The subject property is located within walking distance of both the Gateway and the Surrey Central SkyTrain Stations and is directly adjacent to the Citipoint high-rise development consisting of two towers of 21 and 25 storeys. If the City decided to extend the subject lease beyond 2023, it would defer the opportunity to explore a more attractive higher density development on these City-owned lands, which is consistent with the vision for City Centre. The current market value of the leased property is estimated at between \$7.6 and \$9.5 million.

Staff are intending to continue discussions with representatives from the Sunshine Housing Co-op, the CHF BC, the B.C. Housing Management Commission, and the Surrey City Development Corporation to build a better understanding of the current situation and identify possible solutions for the Co-op. Staff will provide a further report to Council in due course.

Vincent Lalonde, P. Eng.
General Manager, Engineering

KSW/mpr

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- c.c. - General Manager, Planning & Development
- Manager, Long Range Planning & Policy Development

Appendices

- I. Aerial Photograph of Site
- II. Photographs of the Sunshine Housing Co-op
- III. Letter from Bruce Ralston, MLA (Surrey-Whalley), dated September 10, 2008

Legislative Office:
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Victoria, B.C. V8V 1X4
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Province of
British Columbia
Legislative Assembly



Bruce Ralston, MLA
(Surrey-Whalley)

September 10, 2008

Mayor Watts and Council
14245 - 56th Avenue
Surrey, British Columbia
V3X 3A2, Canada

*needs f/u
- Jan ✓*

Dear Mayor Watts and Council,

Re: Sunshine Housing Cooperative (10744 133rd St)

I recently visited Sunshine Housing Co-op as part of the coop's 25th anniversary celebration along with Councillor Bob Bose, acting Mayor and MP Penny Priddy. The co-op was established with a long term land lease on city owned land.

The co-op faces some major repair issues and will require the assistance of the city to help resolve them. A solution may require an extension, without additional lease payments, of the co-op's lease with the city.

Such an extension is not without precedent in the region. The City of Vancouver extended the lease of two co-ops without additional lease payments: Paloma and Grace MacIntyre. Doubtlessly officials in Vancouver would share the supporting documents.

I have agreed to assist the housing co-op to seek solutions and look forward to future discussions with you and your officials.

Sincerely,

Bruce Ralston
MLA, Surrey-Whalley

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Council
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- GK Planning