

ADMINISTRATIVE REPORT

Report Date: February 6, 2012
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VanRIMS No.: 08-2000-20
Meeting Date: March 27, 2012

TO: Vancouver City Council

FROM: Managing Director of Social Development in consultation with the Directors of Real Estate Services, Facilities Design & Management and Finance

SUBJECT: Appointment of Non-Profit Operators, Approval of Lease Terms, and Capital Grant for Capital Assets Associated with Arbutus Centre, Coast Plaza Hotel/Denman Mall, and Boundary and Vanness

RECOMMENDATIONS

Arbutus Centre

- A.1 THAT Council appoint the Association of Neighbourhood Houses (ANH) and Arbutus Shaughnessy Kerrisdale Friendship Society (ASK Friendship Centre) to operate neighbourhood house programs and adult day care programs respectively, in the 16,000 square foot community facility secured as part of the Community Amenity Contribution (CAC) approved in principle at public hearing July 12, 2011, to be located within a City-owned air space parcel at Arbutus Centre, 4255 Arbutus Street.
- A.2 THAT Council authorize the Director of Real Estate Services to enter into five-year lease agreements with ANH and ASK Friendship Centre as operators of the facilities, renewable for two further five-year terms for nominal rates of \$10.00 per five-year term on general terms and conditions as outlined in this report, and other conditions satisfactory to the Managing Director of Social Development and the Directors of Finance, Legal Services, and Facilities Design & Management.
- A.3 THAT Council approve a capital grant of up to \$5,000 to ANH to assist with costs associated with retaining design consultants to undertake functional programming to facilitate appropriate sharing of the new facility at Arbutus Centre, subject to the conditions outlined in this report; source of funds is the 2010 Capital Budget for Neighbourhood House Renewal.

Denman Mall/Coast Plaza Hotel

- B.1 THAT Council appoint the West End Seniors' Network Society (WESN) to operate seniors advocacy, counselling, and related services in the leased space secured as part of the CAC approved as a condition of the rezoning approved in principle at public hearing April 21, 2011, located in the Coast Plaza Hotel/Denman Place Mall development.
- B.2 THAT Council authorize the Director of Real Estate Services to enter into a five-year sub-lease agreement with WESN as operator of the Denman Mall facility, renewable for three further five-year terms for the nominal rate of \$10.00 per five-year term and on general terms and conditions as outlined in this report and other conditions satisfactory to the Managing Director of Social Development and the Directors of Finance, Legal Services, and Facilities Design & Management.

Boundary Road/Vanness/Ormidale

- C.1 THAT Council approve MOSAIC of BC Society (MOSAIC) and Collingwood Neighbourhood House (CNH) to operate a service centre for immigrants of approximately 23,000 square feet and neighbourhood house of approximately 10,250 square feet, respectively, in the community facilities located in two air space parcels secured as part of the CAC approved as a condition of rezoning approved in principle at public hearing on November 1, 2011 at the development site at 5515-5665 Boundary Road, 5448-5666 Ormidale Street and 3690 Vanness Avenue.
- C.2 THAT Council authorize the Director of Real Estate Services to enter into five-year lease agreements with MOSAIC and CNH as operators of the facilities, renewable for two further five-year terms at nominal rates of \$10.00 per five-year term, on general terms and conditions as outlined in this report and other conditions satisfactory to the Managing Director of Social Development and the Directors of Finance, Legal Services, and Facilities Design & Management.

Recommendations A.2, A.3, B.2, and C.2 authorize grants and require 8 affirmative votes, and no legal rights or obligations are created or arise by Council's adoption of Recommendations A.2, B.2 and C.2 unless and until such legal documents are executed and delivered by the Director of Legal Services.

REPORT SUMMARY *

Council recently approved rezonings at Public Hearings where all or part of the negotiated Community Amenity Contributions will be on-site facilities to be owned or held under long-term lease by the City as part of the Capital Asset portfolio of properties. The early appointment of the future non-profit operators/tenants is important to ensure that their input informs design development of the facilities.

This report recommends non-profit operators/tenants for community amenity spaces in upcoming developments at Arbutus Centre, Denman Mall, and Boundary at Vanness, and seeks Council authority to enter into nominal leases on terms discussed in the body of the report.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Pursuant to Section 206(1)(a) of the Vancouver Charter, not less than two-thirds of all members of Council must approve a resolution for a grant to a charitable institution. A lease of City-owned property at less than market rent is considered to be a grant.

Community Amenity Contribution policies are part of the Financing Growth policy approved in January 1999 and amended in February 2004.

Council approved the acceptance of on-site facilities as Community Amenity Contributions through rezonings at Public Hearings for:

- Arbutus Centre on July 12, 2011;
- Coast Plaza Hotel including Denman Mall on April 21, 2011; and
- Boundary Road and Vanness Avenue on November 1, 2011.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Community Services recommends approval of Recommendations A.1 through C.2 above.

REPORT:

Background/Context

Discussions between the owners/developers, the community, and the City through these rezoning processes clearly identified the non-profit groups identified in this report as the anticipated operators of the on-site community amenity spaces. In the case of Coast Plaza Hotel/Denman Mall, the non-profit group, West End Seniors' Network (WESN) is already located on site and has been providing services to the community from that location for approximately 20 years.

Recommendations to Council on specific uses and/or operating groups to be accepted as Community Amenity Contributions are based on input from the public and the following criteria as part of the Financing Growth policy. Groups and/or uses must be:

1. Located in the community in which the rezoning takes place and/or serve the site;
2. Growth-related, or meet past deficiencies or other community priorities;
3. Operationally viable;
4. Within City servicing standards - i.e. a type of service normally provided or supported by the City and at a service level supported by City policy;
5. Identified through an assessment of:
 - (a) the full range of City services and of the adequacy of existing City amenities in the area;
 - (b) opportunities to meet needs;
 - (c) City plans and policies;
 - (d) the cost to provide the amenities;
 - (e) community input obtained during the rezoning and through community plans or Visions, and/or city-wide plans and policies; and,
 - (f) the development economics of the donor project.

All of the uses and associated operators recommended in this report meet the above criteria.

Strategic Analysis

Arbutus Centre

Council approved in principle, subject to various conditions of enactment, the rezoning of Arbutus Centre 4255 Arbutus Street, at Public Hearing on July 12, 2011. Part of the Community Amenity Contribution approved in the Conditions of Enactment was the obligation by the owner to provide the City with an Air Space Parcel of not less than 16,000 square feet to be designed and equipped to accommodate a neighbourhood house and an adult day care facility, and to include a \$4.0 million facility operating reserve fund. The facility operating reserve fund will enable the City to cover facility occupancy costs such as direct maintenance costs, common area maintenance, and property insurance and related costs. The amount of the reserve will provide sufficient funding of the above expenses for a period in excess of 20 years. The non-profit tenants will be responsible for "consumables" such as electricity and other utilities, and maintenance of interior finishes and furniture. These are typical terms for our leases with childcare and other non-profit social facilities developed in high-density, mixed-use developments.

As a City-owned Air Space Parcel, the facilities will be exempt from Property Taxes.

Additional public benefits achieved through the rezoning include 100 units of rental housing and upgrades to the Arbutus Village Park. These will be reported on separately where Council authority is required to proceed.

Support for a neighbourhood house as part of the CAC package was strongly expressed through the rezoning public consultation processes. Moreover, the demographics of the immediate Arbutus Centre area show a population that is higher-than-City average in percentages of residents who are recent immigrants, living in single-parent households, providing more than 20 hours of unpaid care per week to an elderly family member, and includes children that fall within the highest and second-highest quintiles on the child development vulnerability scale. All of these indicators reflect a population that would be well supported by the specialized programming offered by that neighbourhood houses.

The recommendation to include an adult day centre, specifically ASK Friendship Society, also stems from strong support shown through the public consultation processes associated with the rezoning, as well as demographics of the area. ASK has been a strong provider of supports to seniors and their caregivers in the Arbutus, Shaughnessy and Kerrisdale neighbourhoods for over 35 years. They were forced to move from their premises in a church hall on West 41st Avenue in 2006. At that time they identified the Arbutus Centre site as the geographic centre of their catchment area and sought to lease space there. Unfortunately, the owner was already contemplating the recently approved rezoning, and was unable to accommodate ASK's requirements. They are currently in temporary premises at George Pearson site on Cambie Street, well outside of their catchment area.

The preliminary amenity design at Arbutus Centre provides for both of the two organizations to have some dedicated space as well as spaces that will be shared, in order to make the most efficient use of the facility. Recommendation A.3 seeks authorization to provide a grant to ANH of up to \$5,000 to assist with costs associated with retaining design consultants to undertake functional programming to facilitate appropriate sharing of the new facility at Arbutus Centre.

Coast Plaza Hotel/Denman Place Mall

Council approved in principle subject to various conditions of enactment, a rezoning of the Coast Plaza Hotel including Denman Mall on April 21, 2011 to permit conversion of the hotel rooms and facilities to residential (rental) use and office uses. One of the Council-approved conditions of enactment included a requirement for the applicant to "make arrangements to secure, by way of a lease, approximately 92.9 m² (1,000 sq. ft.) of community amenity for a period of 20 (twenty) years at an amount no greater than the sum of Common Area Maintenance and proportionate property tax and on such other terms and conditions consistent with sustainable operation by a non-profit, community service organization".

The intent of the CAC for the Coast Plaza/Denman Mall rezoning was to ensure that the WESN can remain on-site and that the facility is affordable to the group. WESN has been providing a range of support services and programs to vulnerable seniors living in the West End for over 30 years. They have been at this location, paying full market rent, since the 1990s. Recent changes to the provincial gaming grants, general economic conditions and an aging population have threatened the capacity of WESN to continue to meet the demand for their services. While the City provides an annual Community Services Grant to WESN (\$47,756 in 2011) to support their advocacy, referral and counselling services, the relief of rent arising from this CAC will allow the group to maintain service levels and set aside some funds for future facility costs when the subsidized lease terms expire.

As part of the CAC required through the rezoning of the mall, the owner offered to provide to the City the two retail units within the Denman Place Mall occupied by the West End Seniors Network (WESN), totaling approximately 92.9 m² (1,000 sq. ft.) for a period of 20 years at a nominal lease rate. Included are two storage lockers and one parking stall. The head lease with the City is to be structured so that the City (lessee) does not pay any rent for the 20 years, and the tenant (WESN) will pay the operation costs, common area maintenance and taxes directly to the owner. Real Estate Services estimates that this would result in a "savings" to WESN of about \$19,000 annually.

WESN will continue to be responsible for their own utilities and interior maintenance of their spaces.

Should Council approve recommendation B.1 and B.2, WESN will have increased security of tenure at a reduced cost. The combination of security and lowered occupancy costs will enable the organization to devote more of their resources to programming, and to set aside funds for the future when the City's head lease runs out.

Boundary & Vanness

Council approved in principle, subject to various conditions, of enactment, the rezoning of addresses at Boundary Road/Kingsway/Ormidale Street on November 1, 2011 including a requirement to provide an Air Space Parcel to include a total of 33,250 sq.ft. of on-site amenity spaces "suitable for education, training and otherwise supporting adult learners" and "a variety of large and small events and community celebrations" as well as a \$1.5 million cash contribution to a Facility Reserve Fund.

Facilities Design & Management estimates the facility reserve of \$1.5 million to be sufficient to cover the direct maintenance, and common area maintenance for approximately 10 years. Under the proposed lease terms, the non-profit tenants would be responsible for their own utilities, insurance, and maintenance of interior spaces. As Air Space Parcels owned by the City, they will be exempt from Property Taxes. Staff are recommending a five-year lease with two five-year renewal options. Renewals after that will be subject to analysis of the facility, the remaining reserve and necessary recommendations to Council. These are typical terms for our leases with childcare and other non-profit social facilities developed in high-density, mixed-use developments.

Staff recommend that Council approve leases with Collingwood Neighbourhood House for expanded neighbourhood house programming in 10,250 sq ft., and with MOSAIC for space to serve immigrants in approximately 23,000 sq.ft. Both organizations provide programs that are high on the City's list of priorities and receive Community Services Grants. In 2011 MOSAIC received a total of \$146,968 and Collingwood Neighbourhood House received \$92,740.

The facilities will be located in two separate Air Space Parcels at the base of two towers connected by a plaza atop a parkade. The developer's intention is to apply for one Development Permit covering both towers in February 2012. Council's approval of the operator tenants is required to enable their involvement in design development through the Development Permit process.

The four census tracts around the Joyce SkyTrain station, including this site, are in the quintile with the highest percentage of recent immigrants and second highest quintile for families with children and youth. Both CNH and MOSAIC offer services and programs that support residents of the Collingwood neighbourhood.

MOSAIC's programs for recent immigrants and refugees will occupy approximately 23,000 sq.ft. located on the two bottom floors of a tower on the southerly portion of the site. They will retain some of their other program locations and work toward relocating those programs and services that are complementary to the programs that CNH provides at the nearby neighbourhood house.

CNH will occupy approximately 10,250 sq.ft. of ground floor space in a tower at the northerly end of the site. That facility will include a large multi-purpose gathering space with an adjoining commercial-grade kitchen. CNH has a history of using art and cultural activities including festivals and community celebrations to build social capital. Having a large gathering space with the adjoining kitchen will increase their ability to support these activities that build cohesive, healthy communities.

Implications/Related Issues/Risk (if applicable)

Financial

Real Estate Services estimated the value of the spaces identified in this report, and approved at Public Hearings for the respective developments, to be as follows:

- \$776,000 for the lease of two retail units for a period of 20 (twenty) years at Denman Mall/Coast Plaza Hotel,
- \$5,442,000 for a 15 (fifteen) year lease of the air space parcel at Arbutus Centre to accommodate the neighbourhood house/adult day centre,
- \$3,519,218 for the air space parcel at Boundary and Vanness, assigned to neighbourhood house functions, and
- \$7,896,782 for the air space parcel at Boundary and Vanness to accommodate an immigrant service centre.

The City's financial obligations with the Air Space Parcels at Arbutus Centre and Boundary/Vanness primarily revolve around capital maintenance and the City's proportionate share of Common Area Maintenance fees. In both cases cash contributions to facility operating reserves are part of the Community Amenity Contribution approved as conditions of the rezoning. These cash contributions become part of a site-specific account for the particular capital asset(s) controlled by the City's Facility Design & Management department. FDM estimates that the reserve at Boundary/Vanness is sufficient to cover the City's obligations for 10 years, and at Arbutus Centre for a period in excess of 20 years. Capital maintenance and equipment lifecycle replacement costs beyond these timeframes will be addressed through the City's normal capital planning and budgeting process.

In the case of Denman Mall, the Council-approved CAC did not include a cash reserve, so the lease terms between the City and the non-profit tenant, West End Seniors Network, will reflect those circumstances. However, even without a cash contribution to a facility reserve, the lease with the City will reduce occupancy costs for the group for the life of the 20 year agreement.

Subject to Council's approval of the recommendations in this report, leases with the non-profit societies will be negotiated within the parameters of the Council-approved CAC's for each development. As such, the financial risk to the City will be minimized. In the unlikely event that the operators are unable to sustain their operations or the facility sustainability contributions prove to be inadequate, the City would assume the liability for future capital maintenance costs, both within the air space parcel and a proportionate share of common systems replacement costs at the Arbutus Centre and Boundary & Vanness facilities. These future capital maintenance and equipment lifecycle replacement costs would be addressed through the City's normal capital planning and budgeting process.

The financial risks to the City arising from these leases should Council approve the recommendations, are minimal. In the past, leases with non-profit tenants were typically for periods of up to 40 years, did not involve cash facility reserves, and transferred all responsibility for maintenance to the non-profit tenants.

Current City practice is to enter into 5-year leases with renewal options, such that if non-profit tenants undergo changes that affect their ability to support their responsibilities, this is known at a relatively early stage. Moreover, the leases recommended here are either for new facilities where the City has secured a cash facility reserve, or in the case of Denman Mall, results in a reduction in facility costs for a sitting tenant.

All of the organizations proposed as tenant/operators are financially stable at this time and are able to assume the responsibilities described.

CONCLUSION

Council recently approved in principle rezonings at Public Hearings where all or part of the negotiated Community Amenity Contributions are to be on-site facilities to be owned, or held under long-term lease, by the City as part of the Capital Asset portfolio of properties. The early appointment of the future non-profit operators/tenants is important to ensure that their input informs design development of the facilities.

This report recommends non-profit operators/tenants for upcoming developments at Arbutus Centre, Denman Mall, and Boundary at Vanness and seeks Council authority to enter into nominal leases on terms discussed in the body of the report.

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