



## CITY OF VANCOUVER

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### ADMINISTRATIVE REPORT

Date: October 9, 2007  
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CC File No.: 03-1200-30  
Meeting Date: October 30, 2007

TO: Vancouver City Council

FROM: Director of Real Estate Services

SUBJECT: 2400 Kingsway - Award of Management Consulting Contract

#### RECOMMENDATION

THAT the Director of Real Estate Services be authorized to hire Integrated Hospitality Management Ltd. (IHM) to manage the 2400 Motel on a contract which will last up to 5 years on the terms detailed in this report. Source of funds to be the revenues from the property which is owned by the Property Endowment Fund.

#### GENERAL MANAGER'S COMMENTS

The General Manager of Corporate Services RECOMMENDS approval of the foregoing.

#### COUNCIL POLICY

In October 1989, Council approved the purchase of the 2400 Motel and on February 19, 1991, Council authorized the purchase of 2441 East 33rd Avenue.

The Renfrew-Collingwood (R-C) Community Vision, approved by City Council in 2004.

The Norquay Village Neighbourhood Centre Program was approved in 2005.

October 2006, Council approved the hiring of a team of consultants to examine the redevelopment options for the City owned property located at 2400 Kingsway taking into

account the Norquay Village planning initiative and the heritage issues and report back to Council.

Contracts are to be awarded on the basis of best value for the City.

## PURPOSE

The purpose of this report is to request Council's approval for the Director of Real Estate Services to hire IHM to manage the 2400 Motel.

## BACKGROUND

The 2400 Motel comprises 65 units and is located on a large site of approximately 1.24 ha (3.07 ac). The site fronts on Kingsway, 33rd Avenue and 30th Avenue. (Refer to Appendix A for a map of the 2400 Motel site). The City of Vancouver purchased the 2400 Motel in October 1989 and an adjacent residential property in 1991 for a total acquisition cost to \$5,554,900. The property was purchased for investment and holding for the medium term. The motel was closed when the City took over the property, however it was reopened in November 1989 under the supervision of Morrison Consulting Services, who have managed the motel business/operation for the City ever since.

Morrison Consulting Services served six months notice that they would cease to manage the motel on November 30, 2006. The special planning and consultation process to examine the potential for change at the 2400 Motel site and the Norquay Village Neighbourhood Centre Program planning process are still underway. The City wishes to continue operating the motel for the immediate future and so needs to hire a new company to manage the motel.

## DISCUSSION

In the Spring of 2007 Morrison Consulting Services served six months notice that they would cease to manage the motel on November 30, 2006 and the City Real Estate staff began a process to find a new management company. A Request for Expressions of Interest (RFEI) was released with a closing date of 23<sup>rd</sup> May 2007. Three firms responded that were considered qualified to bid for the project and a Request for Proposals was released with a closing date of September 4, 2007. Three pre qualified bidders were selected and these three companies responded to the RFP.

A staff team made up of the Director of Financial Planning and Treasury, the Director of Facilities Design and Management and the Senior Property Development Officer of Real Estate Services reviewed the proposals and selected the latter two groups for interviews. Following the interviews, on the basis of best value, it is recommended the contract be awarded to IHM. IHM was established in 1997 and has been involved in providing professional property and operations management and consulting services to the hospitality industry since that time. The founding principals had previously established a similar operation for Coopers and Lybrand in Vancouver and operated it for 10 years. The four principals and associates of IHM have in excess of 125 years experience of operational and consulting experience in the hospitality industry, covering all facets of the business: development, operations, renovation and re-positioning. The City received excellent references for the company.

This team was considered to best meet all the requirements of the RFP documents and will provide the best return to the City. All interested parties have been advised of this recommendation.

The RFP document contained a draft management contract which lasts up to 5 years and must be signed by the successful bidder. The funding for this contract will come from the revenues of the motel.

#### FINANCIAL IMPLICATIONS

The funding for this contract will come from the revenues of the motel. IHM proposed the following fee structure:

Year 1	\$121,200
Year 2	\$122,400
Year 3	\$127,200
Year 4	\$128,400
Year 5	\$129,600

This fee does not include the annual salary of the on site motel manager, IHM estimate that this could be \$66,000 in their first year of their operation. The 2006 audited statements show the gross revenues for the motel were \$1,084,964. The draft contract shown in the RFP provided for potential increases in the fee in the final years 4 and 5 to allow for inflation. Based on the information provided by the three bidders IHM will provide the best return to the City.

#### CONCLUSION

It is recommended that Council authorize the Director of Real Estate Services to appoint IHM as the new manager of the City owned property located at 2400 Kingsway for a period of up to 5 years.

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