



CITY OF VANCOUVER

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### ADMINISTRATIVE REPORT

Report Date: February 26, 2008  
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Meeting Date: March 13, 2008

TO: Standing Committee on Planning and Environment

FROM: General Managers of Community and Corporate Services in consultation with the Directors of Planning, Real Estate Services, Risk Management, Legal Services and Facilities Design and Management

SUBJECT: Future of 390 Main Street

### CONSIDERATION

#### LEASE TO ACCESS

- A. THAT the Director of Real Estate Services negotiate a head lease with the Aboriginal Community Career Employment Society (ACCESS) for 390 Main Street legally described as: Parcel Identifier 015-684-016, Amended Lot 10 (see 135890 L), Block 10, District Lot 196, Plan 184 for five years commencing April 1, 2008, for a nominal rent of \$1.00 per year, subject to the following terms:
- Leases to be full net leases to the City of Vancouver, subject to Building Services funding set out in this report;
  - Tenant to obtain and maintain Tenant's insurance satisfactory to the City of Vancouver;
  - Tenant to be solely responsible for all non-structural repairs and maintenance identified in the Tenant/Landlord Service Level Agreement to be appended to the Lease;
  - Tenant agrees to contract with a single property management company for their maintenance, janitorial and security responsibilities;
  - No right to sublease, assign or change use without prior written approval from the City of Vancouver;

- Tradeworks Training Society to be permitted to sublease space for Pathways to Employment under the same or similar conditions as the space it currently occupies in the building;
  - Tenant shall be wholly responsible for the consumption of any and all utilities;
  - Any and all work, renovations or alterations to the premises are the sole responsibility of the Tenant, including appropriate permits and licenses; and
  - Other terms and conditions acceptable to the Directors of Legal Services, Risk Management, Facilities Design and Management, and Planning.
- B. AND THAT Council authorize \$32,000 to be added to Building Services' operating budget without offset starting in 2009, subject to annual budget review, to provide for base building maintenance and property insurance in accordance with the terms of the Tenant/Landlord Service Level Agreement outlined in Appendix A. The 2008 operating costs will be absorbed within Building Services' operating budget.
- C. AND THAT no legal relations are hereby created and none shall arise until the indenture of lease, drawn to the satisfaction of the Director of Legal Services is executed by her on behalf of the City.
- OR
- SELL
- D. THAT the Director of Real Estate Services pursue selling the lands and premises at 390 Main Street, legally described as Amended Lot 10, Block 10, District Lot 196, Plan 184 at market value.
- OR
- MARKET LEASE
- E. THAT the Director of Real Estate Services, in consultation with the Director of Planning and Director of Facility Design and Management, pursue leasing the lands and premises at 390 Main Street at market value.
- OR
- DIFFERENT NON-PROFIT TENANTS
- F. THAT the Director of Planning, in consultation with the Directors of Real Estate Services, Social Planning and Facility Design and Management, carry out the process outlined in this report to identify an appropriate tenant engaged in Inner city economic revitalization or related services and report back on a lease for the lands and premises at 390 Main Street.

Should Council approve D, E or F, staff put forward the following so the existing tenants can remain in the building on an interim basis until they secure alternative locations.

#### RECOMMENDATION

- G. THAT the City enter into a month to month agreement to use the lands and main floor of the premises at 390 Main Street, legally described as Amended

Lot 10, Block 10, District Lot 196, Plan 184, with the existing tenants - Tradeworks Training Society (Tradeworks) and the Aboriginal Community Career Employment Society (ACCESS) - based on the lease terms outlined in Appendix B.

- H. AND THAT Council authorize \$32,000 to be added to Building Services' operating budget without offset starting in 2009, subject to annual budget review, to provide for base building maintenance and property insurance in accordance with the terms of the Tenant/Landlord Service Level Agreement outlined in Appendix A. The 2008 operating costs will be absorbed within Building Services' operating budget.
- I. AND THAT Council further authorizes up to \$52,000 to be added to Building Services' operating budget without offset starting in 2009, subject to annual budget review, to cover operational costs for the vacant space relating to that lease in addition to those listed in Recommendation H. The 2008 operating costs will be absorbed within Building Services' operating budget.

A, B, G and H are grants; approval requires eight affirmative votes of Council.

#### CITY MANAGER'S COMMENTS

When this issue was last at Council there was a desire to consider other options for this property. A broader range of options are presented for Council consideration in this report. Each of the options has advantages and disadvantages. The City Manager continues to recommend approval of A, B, and C, a lease to ACCESS for the following reasons:

The building at 390 Main Street was purchased in cooperation with the senior governments to help support the economic revitalization and employment objectives of the Vancouver Agreement. Leasing the building to ACCESS at a nominal rent is consistent with City policy and will also support programs that are important to the realization of the Inner City Inclusive Olympic employment-related commitments.

Given other City holdings along Main Street, this is a strategic longer term City asset. Selling it would preclude future opportunities; selling it now would also realize significantly less revenue than it would in several years as the area revitalizes. Given the building's high operating costs and basement office space, it will likely be challenging to find appropriate market or non-profit tenants to lease the space.

#### COUNCIL POLICY

In June 1993, Council directed that City-owned properties occupied by non-profit organizations be held as assets in the Capital Fund and be charged a nominal rental rate. The lease/sublease/license of City assets below market value constitutes a grant and requires eight affirmative votes.

In July 1998, Council confirmed principles to provide general guidance for Downtown Eastside actions and planning, which include encouraging legitimate commercial activity. On March 9,

2000, the City entered into the Vancouver Agreement to work with the senior governments to achieve these objectives.

In July 2003, Council approved the inclusion of all City-owned buildings occupied by social service, community or cultural tenants as Capital Assets in the City's structural and Physical Plant Upgrading Program in future Capital Plans.

In September 2003, Council approved a framework for approving all future leases, subleases, and/or licenses to non-profit organizations occupying capital assets.

In November 2004, Council authorized the allocation of funds for property insurance and annual inspections for 390 Main Street and added the property to the City's Structural and Physical Plant Upgrading Programs so that it can be considered for repairs as funds are available.

## **SUMMARY and PURPOSE**

This report seeks Council's direction for the City-owned property at 390 Main Street. The building was purchased by the City of Vancouver and renovated and furnished in co-operation with the senior governments as a Vancouver Agreement initiative. In addition to the City's \$930,000 investment, the senior governments contributed \$1,100,000 to accommodate a Centre for Business and Community Economic Development as well as significant funding for the operation of its non-profit tenants.

On July 17 and November 15, 2007 Council deferred decision on a staff recommendation to lease this building at a nominal rent to the Aboriginal Community Career Employment Society (ACCESS). It requested further information on the processes that have been used to tenant this and other City-owned capital assets.

This report addresses questions Council raised in November and looks at the advantages and disadvantages of four options - selling or leasing the building at market values or leasing it to ACCESS or another non-profit society at nominal or below market rents.

## **BACKGROUND**

The building at 390 Main Street is a significant physical landmark located on the northeast corner of Main and Hastings in what the community considers to be the heart of the Downtown Eastside. The building was purchased in February, 2003 by the City and renovated pursuant to a Vancouver Agreement initiative, with the assistance of Provincial and Federal funding, to help stabilize the Four Corners Community Savings Bank and to provide a facility to help implement the Vancouver Agreement Economic Revitalization Plan and Employment Strategy. A chronology of key events is outlined in Appendix C.

In the autumn of 2003, the building was tenanted by the organizations that were amalgamated to become Building Opportunities with Business (BOB) as well as employment programs managed by ACCESS and Tradeworks. It had been anticipated that BOB would enter into a head lease for the building. In the spring of 2007, BOB decided to relocate to a nearby storefront at 325 Main Street.

In July, 2007 Council received a report recommending the City enter into a head lease with ACCESS. That report was tabled until November 15, 2007 due to the management labour dispute at which time Council deferred decision and requested information about a number of issues including:

- *What is the process for acquiring and leasing City-owned buildings?*
- *What was the process for purchasing 390 Main Street?*
- *What was the process for selecting the existing tenants for 390 Main Street?*
- *What is the rationale for the City to provide ongoing supports for these tenants?*
- *What would be the implications if the proposed services had to relocate?*
- *How does the City support other employment services?*
- *Should Council choose to not enter into a nominal lease with ACCESS, what are other options for the future of the building?*

That first option that staff is putting forward for consideration is for the City to enter into a head lease for the building with the Aboriginal Community Career Employment Society (ACCESS) under the terms outlined in Considerations A, B and C. The existing programs, Pathways to Employment (run by Tradeworks) and ACE (Aboriginal Connections to Employment, run by ACCESS) would remain in the building. ACCESS has indicated that it intends to operate its BladeRunners program in the building, noting that BladeRunners has been temporarily in the building since it was evicted from their current space to make way for redevelopment.

This report does not reiterate the information that was in the previous Council report (<http://vancouver.ca/ctyclerk/cclerk/20071115/documents/pe3.pdf>) but rather addresses issues raised at the November 15, 2007 meeting of the Planning and Environment Committee. The first three sets of questions review City policy for purchasing and tenanting City-owned buildings and how this was applied at 390 Main Street. The next four sets of questions review the implications of the City entering into a head lease with ACCESS, the implications for the existing tenants should they have to relocate and City practice with respect to employment services. The final question reviews three options, should Council decide to either sell the building or lease it to others.

## DISCUSSION

### 1. *What is the process for acquiring and leasing City-owned buildings?*

There are two types of City ownership of buildings: those in the Property Endowment Fund and those that are Capital Assets. Buildings that are in the Property Endowment Fund must be sold or leased at market value, but there can be grants from other sources to subsidize these lease rates. Capital assets are purchased or acquired through development processes for public purposes. Council can approve them for direct use by City staff and for City programs or can lease them to registered non-profit societies at below market value. However, the amount below market value must be explicitly approved as a grant by at least eight members of Council. 390 Main Street fits into the latter category, Capital Assets.

In 1993 Council established a policy that City-owned properties occupied by non-profit organisations could be charged a nominal rental rate. There are currently 85 Capital Assets

dedicated to non-profit use, with an additional 25 new sites in the planning, approval or construction stage. Most are child care centres, neighbourhood houses or cultural facilities. Other Capital Assets are used for social housing projects, some of which include ground floor space leased for retail or community services. There are a variety of reasons for the City to purchase capital assets, many ways in which tenants are selected and at least 14 different ownership/lease arrangements. The leases of some Capital Assets have expired; other facilities, including 390 Main Street, have never had formal leases.

Many sites have been acquired through development processes as Community Amenity Contributions or amenity density bonuses; others were purchased for a specific purpose; others became "surplus" to City needs. In the case of social housing, the non-profit society that develops and/or manages the building is often chosen through a competitive process. In the case of neighbourhood houses or child care centres, the site is often purchased and developed with a particular non-profit tenant in mind. For many other new or expanding social services, there is a matching of City-owned buildings that become available and the needs of particular agencies requiring space at that time.

Until 2003 there was no formal policy to guide the management of these buildings. A report titled "Lease/Sublease/License of City-owned Capital Assets to Non-Profit Organizations" (RTS#3264) was presented to Council, but some implementation issues were encountered. Since most of the non-profit tenants have limited resources, this has resulted in considerable under funding for insurance and for the maintenance of base building systems, which include building envelope, electrical, plumbing, HVAC (heating, ventilation, and air conditioning) and elevators.

Staff will be reporting back later this year on the Non-Profit Capital Asset Management Review that is currently underway. The objective of that review is to develop a more efficient and effective approach to the management of this portfolio. This will include proposals to establish consistent and sustainable practices with respect to lease terms, including landlord and tenant responsibility for rent, maintenance and insurance. In the meantime, staff is recommending the City directly manage building insurance and maintenance of base building systems so that the City's assets are properly looked after. In some instances the costs of these services are passed on to the tenants; in most cases they are paid by the City.

## *2. What was the process for purchasing 390 Main Street?*

In December 2002, the City purchased 390 Main Street as part of a Vancouver Agreement strategy to help improve the viability of the Four Corners Community Savings Bank and to create a hub for community based economic revitalization and employment services. This was also recommended as a strategic long term investment, since the City would then own the entire east side of Main from Hastings to Cordova as well as along Cordova from Main to Gore.

The building was purchased from the Province for \$850,000; about \$1,180,000 was spent for renovations and furnishings. The VA partners contributed the following toward the purchase, renovations, and furnishings:

- City of Vancouver - \$ 930,000
- Province of BC - \$ 350,000

- Federal Government - \$ 750,000

In addition to this capital funding, the City has funded building insurance and maintenance and inspection of base building systems. The senior governments have contributed more than \$7 million in operational funding for the programs that have been provided in the building since 2003.

### 3. *What was the process for selecting tenants for 390 Main Street?*

#### *What kind of evaluation did these agencies go through?*

Beginning in 2002, meetings were held with PEACH, Fast Track to Employment (FTE), the VA's MEIA-funded Employment project, Tradeworks, EMBERS, Canadian Mental Health Association, Centre for Aboriginal Business and ACCESS - all of which had relevant programs in development or underway. Staff worked in cooperation with these organizations to see which of them might best utilize the space in the building.

#### *How long have they been in the building?*

In late 2003 several innovative programs funded by the senior governments were selected to share the ground floor with the Four Corners Bank on an interim basis:

- Fast Track to Employment
- Aboriginal Connections to Employment (ACE), a program of ACCESS, and
- Pathways to Employment, a program of Tradeworks
- 

Details of the programs are outlined on pg. 8 under the section "who are the proposed tenants".

#### *Why are they charged a nominal rent?*

In keeping with the policy Council approved in 1993, the tenants were charged a nominal rent. In keeping with current practice and emerging policy, the City paid for building insurance and the maintenance of base building systems.

#### *What costs do the tenants pay?*

Given the uncertainty surrounding the future of the Bank, it was impossible to enter into a formal lease in 2003. Instead, an informal agreement was established in which the tenants paid the day to day operating costs - heat, light, janitorial and security as well as tenant insurance. This was shared amongst the tenants based on the amount of floor space they occupied.

#### *Did Council approve these arrangements?*

In 2004, Council approved a recommendation to renovate the basement, jointly with the senior governments, to accommodate the non-profit society that was being developed by the Vancouver Agreement to lead the implementation of the VA Economic Revitalization Plan and Employment Strategy. Council instructed staff to enter into a head lease with that agency. The Council report also noted that ACCESS and Tradeworks were operating employment programs in the building and would enter into subleases with the emerging agency after it was legally registered. In 2005 the agency was incorporated as Building Opportunities with Business Inner City Society and moved in to the renovated basement. However, the board of this registered non profit society decided it did not want to take responsibility for the head lease.

*Why did BOB relocate?*

BOB faced a number of challenges operating at 390 Main Street. Instead of the integrated Centre originally envisioned, BOB had no presence on the main floor and its services and staff were isolated from those of the other tenants. This meant that BOB's staff spent most of their time in the basement without natural light and some of its business clients felt uncomfortable accessing BOB's offices by passing through the open areas on the main floor that were used for employment services. In the spring of 2007, BOB secured a nearby storefront site, through a partnership with Infinity Productions, which it thought would better serve its needs.

*4. What is the rationale for the City providing ongoing supports for ACCESS and Tradeworks?**How were the proposed tenants selected?*

When BOB decided to vacate its portion of the building, staff initiated a process to secure tenants that could meet the objectives for which the building was purchased by the City of Vancouver and renovated by the three levels of government. This began by checking with the existing tenants to see if the building was meeting their needs. Both ACE and Pathways indicated their programs were functioning well and that the location had become known in the community and was helping them to attract potential clients. This was confirmed by the senior government funders who were doing regular evaluations of the services. In both cases, success had led to a multi-year funding contract.

Staff met again with these tenants and asked whether they wanted to remain in the building and if so, whether they knew of compatible services that could be provided in the facility. ACCESS indicated that in addition to ACE, it would like to relocate BladeRunners to the building. It also indicated it was willing to take responsibility for the head lease, to accommodate the needs of Pathways, and to find other sub-tenants to provide complementary services in the remaining space.

*Who are the proposed tenants?*

In July 2007, staff recommended that the building be leased to ACCESS for a nominal rent under these conditions. The terms of the proposed lease were similar to those of the interim agreement noted above and compatible with existing Council policy and that which is emerging for Capital Assets. The two programs that ACCESS would operate from 390 Main Street are:

- **Aboriginal Connections to Employment** (has been in the building since 2003) - a program funded by the Ministry of Community Services to provide employment training, counselling, job search, support services, and workshops for the DTES Aboriginal community.
- **BladeRunners** - an internationally recognized, award winning employment program assisting multi-barrier and disadvantaged youth in gaining on the job construction training and apprenticeships.

Tradeworks Training Society, sub-leasing from ACCESS, would operate:

- **Pathways to Employment** (has been in the building since 2003) - a program that provides residents with information regarding employment, training, business development opportunities, as well as community and government services. The program is funded by Human Resources Development Canada.



In addition, it is anticipated that Atira Property Management Inc. would continue to provide day-to-day property management services such as accounting, janitorial and security. Atira is a socially responsible company which supports community economic development and employment activities in the Downtown Eastside. It has been managing 390 Main Street on an interim basis since 2005.

*Is the work of these agencies aligned with the City's goals (e.g. Vancouver Agreement, Project Civil City, etc.)?*

As noted above, these tenants were originally selected because their activities were helping implement the economic revitalization and employment goals of the City and the senior levels of government.

*What kind of reporting requirements would be developed for these agencies?*

Rather than create another set of reporting requirements and allocate City staff time to carry out this work, the City could rely on the evaluation of the senior governments that provide most of the funding for these services. In addition, a City staff person who is a member of the VA Economic Revitalization Task Team (which also has representation from these funders) monitors the conditions in the building and responds to concerns, if any, raised by others in the community.

*Under the proposed lease, what would the City and the lessee, respectively, pay for?*

In keeping with current practice and emerging policy, the tenant would pay the day to day operating costs - heat, light, janitorial and security as well as insurance required of tenant. The cost to the City would total \$107,600, which would be a grant to the non-profit lessee. This would include \$32,000 for insurance and base building services (building envelope, elevators, mechanical, and heating systems), as well as \$54,600 in rent and \$21,000 in property taxes, which the City would be forgoing.

*How important is the City's contribution to leveraging sources of funding from other organizations and other levels of government?*

The fact that this City-owned space was available provided a focal point for fast tracking the development of ACE and Pathways, both of which offered new and innovative services in a timely way. Service Canada has confirmed that these programs' strategic and stable location has proven to be pivotal to their success.

*Are we accepting another piece of downloading from the senior governments?*

From a higher level perspective, the underlying objective of the Vancouver Agreement has been to challenge the three levels of government to align their mandates, programs and other assets to achieve a common set of goals for the Inner City. In this instance, the City's ability to purchase and manage Capital Assets has been coordinated with the senior governments' responsibility to provide employment services.

From a narrower point of view with respect to funding, the senior governments contributed \$1.1 million toward the renovation of a building the City owns. If this money were capitalized over a ten to twenty year period, it would be worth between \$105,000 and \$155,000 per year. In addition, the value of this asset has already increased by about \$500,000 and is anticipated to rise significantly in the future. As such, this building would not have been purchased and the appreciation in value would not have happened without the financial contributions from the senior governments.

## 5. *What would be the implications if the proposed services had to relocate?*

### *Where else could the existing services locate?*

There is a significant amount of vacant ground floor space available in the Downtown Eastside. These well respected programs should be able to secure at least short term leases. However, many of these sites - such as the one BladeRunners occupied until recently - are in poor condition and would require considerable funding for renovations. Further, these sites have been changing ownership and increasing in rent as redevelopment is anticipated in the medium term. In many instances the likely term of lease does not justify the costs of relocation and renovation.

### *What would be the impacts of relocation for their services?*

In addition to paying higher rent and renovation costs, it will take several months for the agencies to carry out the renovations and move their furnishings. It will likely take additional time before the new facilities are well known by the Inner City residents facing the kinds of barriers to employments these services were established to address.

### *Have there been other parties who have expressed interest in the building?*

BOB vacated the basement in July 2007. This is widely known in the community. Noting that there has been no advertisement that all or a portion of the building is available for sale or rent, only one potential tenant approached staff expressing interest in leasing the basement and that agency withdrew when it realized the challenges of having its business clients enter the offices indirectly.

## 6. *How does the City support other employment services?*

The federal government operates two Human Resource Centres in Vancouver (at Sinclair Centre and at Quebec and East 10<sup>th</sup> Avenue). These offices offer a number of programs and services through various service providers to help the unemployed in Vancouver with all aspects of their search for work. Their services include career planning, job search assistance, self-employment, and training and learning. Two of these service providers operate on City-owned sites at below market or nominal rents: 1) SUCCESS and 2) Langara College in Mount Pleasant Neighbourhood House.

The Province's Ministry of Employment and Income Assistance (MEIA) operates Employment and Assistance Offices that provide income assistance and help people to prepare for and seek employment. In addition, MEIA provides funding to non-profit social service organisations to deliver employment support services on their behalf. Of these non-profits, the following provide employment support services within the Downtown Eastside and operate in spaces leased for below market or nominal rents from the City: Atira Women's Resource Society, Kiwassa Neighbourhood House, Portland Hotel Society, Street Youth Job Action, SUCCESS, Thunderbird Neighbourhood Association and WISH.

### *What role does the City have in supporting other employment services?*

The City helps support these services by leasing space in eight City-owned facilities (in addition to 390 Main) at nominal rents to the neighbourhood houses, housing societies, community centres and other agencies that provide these employment services.

### *What sort of evaluation do we do of those other agencies?*

The City only carries out evaluations of the sponsoring social service agencies it directly funds, or services for which it provides program grants. The City does not provide program grants for employment services, and so does not evaluate them. However, the senior governments and foundations do fund the employment programs and do perform evaluations of those programs.

*How does this grant compare to other City grants for other employment agencies?*

The grant for the lease is comparable to the funding provided to other employment agencies on a per square foot basis. The size of this facility is larger due to the level of need for these services in the Downtown Eastside and the synergies that have been created and can be further enhanced by having these services located in one facility.

**7. *Should Council choose to not enter into a nominal lease with the ACCESS, what are alternative options for the future of the building?***

**A. *Sell at Market Value***

The City purchased 390 Main from the Province at a total cost of \$850,000 in 2002. The senior governments contributed a total of \$1.1 million as part of a formal agreement to create a Centre for Business and Community Economic Development. However, the senior governments did not require that their investments be registered on title since the three governments were working together under the Vancouver Agreement.

The building has a current market value of between \$1.5 and \$1.7 million. Should the building be sold, the City could make a profit of \$650,000 to \$850,000. The City will also receive approximately \$21,000 in property tax and will not have to pay \$32,000 per year for building insurance and maintaining the major building systems.

In the medium term, a private owner would likely lease the building for a commercial office, retail or social service use. Although the building has historic character, it is not on the Heritage Registry. Thus, in the longer term, it would likely be redeveloped for a mixed use residential or office building with retail at grade. Should the City sell now, it would forgo future gains in value.

**B. *Lease at Market Value***

If the building were leased at market value, it would likely be used for commercial office and/or gallery space. The City would receive about \$10.00 per square foot on the main floor and about \$6.00 per square foot for the basement. This would result in total revenue of \$54,624 per year. In addition, depending on the lease negotiations, the tenants would likely pay about \$21,000 for property taxes, \$32,000 for building insurance and maintenance of base building systems. The tenant would also incur the cost of minor maintenance, janitorial and security as the existing tenants do now.

It is important to note that there are more than 100,000 square feet of vacant commercial space along Hastings Street in the Downtown Eastside. Thus it may take some time to lease this space for market purposes. This could result in a vacant building or a use which contributes marginally to the area's revitalization.

**C. *Seek Proposals from Non-Profit Organizations to Lease at Below Market Rent***

Council could instruct staff to put out a proposal call to see which non-profit societies might be interested in leasing all or a portion of 390 Main Street and how they would use it. The evaluation of suitable tenants would rest with Planning staff with advice from Social Planning, Real Estate Services, and Facilities, Design, and Management, who would make a recommendation to Council for final approval. Given staff resources and priorities, it would likely take about six months to complete a proposal call, evaluate proposals and report to Council. During this period, unless the remaining tenants were evicted, the City would be responsible for about \$4,500 per month for building operating costs, because the basement is vacant. In addition, there would be an impact on staff's already heavy workload.

This proposal call would elicit proposals for business development services, employment programs, social enterprises or social services. Some of these proposals might yield below market rents, rather than nominal rents. Some potential tenants may also be willing to pay all or a portion of the costs for building insurance and maintenance of base building systems. The criteria used to evaluate proposals would include the following:

- Would the applicant offer services to Downtown Eastside residents, including those on low income?
- Will the proposed services contribute significantly to the VA Economic Revitalization Plan or Employment Strategy?
- Would the applicant's services and design generate pedestrian interest and take advantage of the building's location and historic character?
- Have the services of the applicant been positively evaluated by City staff and/or other major funders?
- Are the proposed services funded in a sustainable manner?
- Can the applicant pay a portion of building rent, insurance or maintenance of base building systems?
- If there are several subtenants, have they demonstrated an ability to work in a cooperative manner?

### *Interim Building Management and Costs*

Should Council decide not to lease the building to ACCESS, it will likely take at least six months to sell or lease the building at market rates or complete a proposal call for potential non-profit tenants. During this time it is recommended that the City enter into formal month to month leases as outlined in Appendix B with the existing tenants reflecting the interim practices that have been followed over the last few years. It is also recommended that the City, in conjunction with Tradeworks and ACCESS, enter into a contract with Atira to continue providing day-to-day property management services.

## **RISK MANAGEMENT**

Should Council decide that the City will continue to own 390 Main Street, the City, as Landlord, will assume the responsibility of carrying insurance for the building.

It is preferable that the City enters into a head lease with one Tenant with a demonstrated record of successful operation and financial reliability. The Tenant and its property

management company will be required to carry adequate insurance to the satisfaction of the City's Director of Risk Management (see Appendix A).

Should Council decide not to enter into a head lease with one Tenant but to continue in a month-to-month agreement with each existing tenant, the City together with all the existing tenants should enter into one single agreement with a professional property management company to provide general maintenance, janitorial and security services for the entire building. All tenants and the property management company will be required to carry adequate insurance coverage to the satisfaction of the City's Director of Risk Management (see Appendix B).

## FINANCIAL IMPLICATIONS

The City, as Landlord, is responsible for building insurance of approximately \$5,000, and maintenance and inspection of base building systems of approximately \$27,000, totaling \$32,000 per year.

In addition, the general maintenance, janitorial and security costs for the entire building is \$103,300 per year, of which \$52,000 is attributed to the common area in the basement that is currently vacant and is assumed by the City.

Four options are proposed for the future of 390 Main:

1. Should Council decide to lease the building to ACCESS, the cost to the City will be approximately \$32,000 per year for property insurance and the maintenance and inspection of base building systems. This will be added to the 2009 Operating Budget for Building Services without offset subject to annual budget review. The 2008 costs will be absorbed within Building Services' existing budget. The City will also forego approximately \$54,600 per year in market rent and approximately \$21,000 per year in property taxes. This is considered a grant totaling \$107,600 and will require 8 affirmative votes. ACCESS will take over the head lease and be responsible for the maintenance, janitorial, and security costs of approximately \$52,000 per year for the basement space. (Considerations A, B, and C)
2. Should Council decide to lease the building at market rates, the rent will likely be approximately \$54,600 per year. Contingent on the lease negotiation, the tenant will also pay 1) all or a portion of the \$32,000 for property insurance and the maintenance and inspection of base building systems, and 2) all or a portion of the \$52,000 for the maintenance, janitorial, and security costs for the basement space. Since this will remain a Capital Asset the City will negotiate to recover \$21,000 in lieu of property taxes as part of the lease. (Consideration E)
3. Should Council decide to put out a proposal call to non-profit societies and lease the building at below market rents, revenues will likely be above nominal and below market rent. The City will be responsible for the \$32,000 for property insurance and the maintenance and inspection of base building systems. Contingent on the lease negotiation, the tenant will pay for all of the general maintenance, janitorial, and security costs provided that the entire building is leased. Since this will remain a

Capital Asset the City will continue to forego \$21,000 in property taxes, unless this can be negotiated as part of the lease. (Consideration F)

4. Should Council decide to sell the building, the market value is estimated to be between \$1.5 and \$1.7 million. The City will no longer be responsible for property insurance and base building costs, maintenance, janitorial and security costs for the common area in the basement, or forego property taxes. The City would forego potential future increases in the value of the property. (Consideration D)

The following table summarizes the operating costs for each option:

Opt	Option	Lease Revenue / (Lease Revenue Forgone)	City's Share of Costs Per Year	
			Property Insurance, Major Building Maintenance & Inspection	General Maintenance, Janitorial & Security
1	Head lease with ACCESS for the entire building	(\$54,600)	\$32,000	None
2	Lease at market rates for the entire building	\$54,600	A portion of \$32,000 contingent on lease negotiation	Up to \$52,000* until the lease of the entire building is finalized
3	Lease at below market rates	Less than \$54,600	Up to \$32,000 until the lease of the entire building is finalized	Up to \$52,000* until the lease of the entire building is finalized
4	Sell	-	Up to \$32,000 until the sale of the entire building is finalized	Up to \$52,000* until the sale of the entire building is finalized

\*Assume interim leases with existing tenants

It should be noted that absorbing the funding requirements in Building Services' existing budget in 2008 would reduce the department's flexibility in dealing with emerging circumstances and may require some reprioritization of the building services program as such circumstances arise.

Should the City retain ownership of the building, it will retain the responsibility for future recapitalization costs through the capital planning and budget process.

Staff have presented four options for Council consideration: to lease the building to ACCESS at nominal rent, to lease it at market value, to seek additional proposals from non-profit societies for appropriate services or social enterprises, or to sell the building.

Considerations A, B, and C meet the intent with which Council originally purchased the building, as a support for the economic revitalization of the DTES and the City's Inclusive Olympic commitments, and takes into account the funding the senior governments, as Vancouver Agreement partners with the City, have expended on the renovation and operation of the building.

Should Council choose options D, E or F, it will likely take about six months before the building will be ready for its longer term occupants. In the interim, it is recommended that the City enter into a formal month-to-month lease with the existing tenants so they can continue to provide needed employment services while they seek alternative locations and that funds are set aside to ensure the proper maintenance of this City-owned asset. This would constitute grants to ACCESS and Tradeworks in the same way as a longer-term lease for nominal rent.

## CONCLUSION

Staff have presented four options for Council consideration: to lease the building to ACCESS at nominal rent, to lease it at market value, to seek additional proposals from non-profit societies for appropriate services or social enterprises, or to sell the building.

Considerations A, B, and C meet the intent with which Council originally purchased the building, as a support for the economic revitalization of the DTES and the City's Inclusive Olympic commitments, and takes into account the funding the senior governments, as Vancouver Agreement partners with the City, have expended on the renovation and operation of the building.

Should Council choose options D, E or F, it will likely take about six months before the building will be ready for its longer term occupants. In the interim, it is recommended that the City enter into a formal month-to-month lease with the existing tenants so they can continue to provide needed employment services while they seek alternative locations and that funds are set aside to ensure the proper maintenance of this City-owned asset. This would constitute grants to ACCESS and Tradeworks in the same way as a longer-term lease for nominal rent.

\* \* \* \* \*

## Proposed Lease Provisions Between ACCESS and the City

The provisions of the lease will include the following:

1. nominal rent of \$1.00
2. term of lease will be for five years, with an option to renew
3. the lessee will be responsible for maintaining and repairing the building, except the City shall be responsible for inspection and maintenance of base building systems
4. the City will insure the building but not for chattels and fixtures of any lessee or sub lessee
5. the lessee will carry adequate property and liability insurance to the satisfaction of City's Director of Risk Management and will also cause its sub-tenants to carry equivalent insurance coverage
6. the lessee will enter into a contract with a property management company for general maintenance, janitorial and security services and will cause its property management company to carry commercial general liability insurance with a minimum limit of \$2 million naming the City of Vancouver, the tenant and its sub-tenants as additional insured
7. the lessee will be permitted to sublease portions of the leasehold area provided it has the prior approval of the City
8. the use of the leasehold premises must have the prior approval of the City
9. either party shall be permitted to terminate the lease on giving the other party six months prior notice
10. other terms and conditions as deemed necessary by the Director of Legal Services



**Proposed Interim Lease Provisions  
Between ACCESS, Tradeworks and the City**

The provisions of the lease will include the following:

1. nominal rent of \$1.00
2. term of lease will be month to month
3. lessees will be responsible for maintaining and repairing the building, except the City shall be responsible for inspection and maintenance of base building systems
4. the City will insure the building but not for chattels and fixtures of any lessee or sub lessee
5. the lessees will carry adequate property and liability insurance to the satisfaction of the City's Director of Risk Management
6. the lessees will be permitted to sublease portions of the leasehold area provided it has the prior approval of the City
7. the use of the leasehold premises must have the prior approval of the City
8. either party shall be permitted to terminate the lease on giving the other party one months prior notice
9. other terms and conditions as deemed necessary by the Director of Legal Services

## CHRONOLOGY OF 390 MAIN STREET PURCHASE AND RENOVATIONS

The Province terminated the Four Corners Bank in the spring of 2004 at a time when the Portland Hotel Society and VanCity Credit Union were able to initiate Pigeon Park Savings at 92 East Hastings to ensure the continuation of basic financial services for low income residents. While the Bank closed, ACCESS and Tradeworks have continued to offer employment and community economic development services at 390 Main Street.

The following summary outlines key activities in the recent history of 390 Main Street:

- December 2002 - The City purchased 390 Main Street from the Province for \$850,000. This was done in part to help ensure the continuation of affordable banking services for low-income residents and in part to create a Centre for Business and Community Economic Development which included services to create jobs and to help residents fill them.
- Spring 2003 - The main floor and a portion of the basement were renovated. Funds were provided by Western Economic Diversification Canada, to re-arrange the bank layout and to provide three new offices, a shared computer training classroom space, a staff lunch room for all tenants, a relocated public washroom and a new communications closet. The foyer space on the main floor was also separated and secured by the installation of a new security gate so that the space could be made available to community groups for meetings or events in the evening and on weekends when the other services are closed.
- November 2004 - Council directed staff to prepare a lease with the non-profit society being developed by the Vancouver Agreement as the primary implementation agent for its Economic Revitalization Plan. This non-profit was incorporated in October 2005 as Building Opportunity with Business Inner City Society (BOB). The intent was for BOB to be responsible for the entire building and to enter into sub-leases with the other tenants.
- November 2004 - Council approved \$230,000 towards a total capital improvements budget of \$730,000, primarily to provide office and meeting space in the basement. The senior governments provided \$400,000 plus an additional \$150,000 for furnishing and office equipment.
- March 2005 - The construction contract for these improvements was awarded.
- September 2005 - BOB moved into 390 Main Street; renovations were completed by December 2005. During this period the building had to be closed several times to address issues with the air circulation system.
- January 2006 - The City prepared a head lease for BOB. Under the terms of the lease, BOB was to be responsible for completing subleases with other tenants engaged in economic revitalization activities in the DTES, and the cost of regular maintenance, security, utilities, and janitorial services associated with the building.
- June 2006 - The BOB Board decided NOT to enter into a head lease agreement with the City. The organization cited the risks associated with assuming the financial responsibilities of other non-profit agencies over which they have no formal control (i.e., BOB would have been required to assume additional operating costs should one of the sub-lease tenants leave the building) and higher than anticipated building operating costs (due primarily to the building's high ceilings and the costs of maintaining common spaces, including security) which make the lease cost comparable to leasing privately.

- March 2007 - Staff agreed to prepare separate leases with BOB, ACCESS and Tradeworks for their portions of the building. During this period BOB announced that it would likely relocate to another nearby site.
- July 2007 - BOB vacated moved to a nearby storefront location and vacated 390 Main Street. As landlord, the City became responsible for BOB's share of building operating expenses.
- July 2007 - Council deferred consideration of a report recommending a head lease with ACCESS due to the management labour dispute.
- November 2007 - Council deferred decision of the deferred report and requested further information. During Council discussion it was noted that the City's share of operating expenses would continue to accrue.