



ADMINISTRATIVE REPORT

Report Date: August 24, 2009  
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Meeting Date: September 10, 2009

TO: Standing Committee on City Services and Budgets

FROM: Acting Managing Director of Cultural Services and Deputy General Manager of Community Services in Consultation with the Directors of Planning and Real Estate Services

SUBJECT: Woodward's Social Enterprise Tenant

**RECOMMENDATION**

- A. THAT Council approve W2 Community Media Arts ("W2") as the social enterprise tenant of the ground floor space (approximately 1,000 square feet) within the City-owned Parcel ("the Parcel") of the Heritage Building in the Woodward's development at 101 East Hastings Street, subject to the following and as noted within this report, to the satisfaction of the Acting Managing Director of Cultural Services and the Director of Real Estate Services:
- W2 securing funding for their social enterprise capital program
  - W2 securing operational partnerships for delivery of their social enterprise activities
  - W2 formalizing capital and operational support by the Salt Spring Coffee Company through a signed service agreement
  - Supportive review by City of Vancouver Business Planning Unit
  - All "subject to's", to be completed by November 1, 2009; and
- B. FURTHER THAT the lease be at nominal rent with lease terms to be negotiated by Real Estate Services to the satisfaction of the Directors of Real Estate Services, Facilities Design and Management, Legal Services, Deputy General Manager of Community Services and Acting Managing Director of Cultural Services; and that no legal rights or obligations be created or arise by Council's adoption of Recommendations A unless and until such legal documents are executed and delivered by the Director of Legal Services.

### ***CITY MANAGER'S COMMENTS***

The City Manager recommends approval of the foregoing.

### ***COUNCIL POLICY***

Nominal rent leases represent grants and therefore require eight affirmative votes.

January 2006, Council approves a process for the tenanting of non-profit spaces in the Woodward's parcel.

July 2006, Council approves a short list of non-profit groups requiring purpose-built space in the Parcel including AIDS Vancouver and the organizational predecessor to W2 (CCTCA).

June 2009, Council approves AIDS Vancouver and W2 as tenants for non-profit purpose-built space in the Woodward's Parcel, and directs staff to issue a RFP for a social enterprise to be operated on the ground floor of the Parcel, and to solicit non-profit tenants for the remaining space (generic office) within the Parcel.

### ***PURPOSE***

The purpose of this report is to seek Council approval of W2 as tenant for the social enterprise space of the City Parcel at Woodward's.

### ***BACKGROUND***

As part of Council's approval of AIDS Vancouver and W2 for purpose-built space within the Woodward's Parcel, Council declined to approve W2's request for the social enterprise space based on the materials submitted, but rather directed staff to issue an RFP for the tenanting of this space (ground floor, approximately 1,000 sf). This RFP process was intended to ensure the larger civic non-profit community had an opportunity to compete for the space and that the most appropriate use and business case would be selected as the successful proponent. W2 was encouraged to participate in the RFP and further develop their business plan for the social enterprise space.

### ***DISCUSSION***

#### **RFP Process**

A RFP for the Woodward's non-profit social enterprise space was issued on July 3 with a closing date of July 31, 2009. The RFP opportunity was widely advertised to the Vancouver community via five (5) newspaper advertisements and notices to the City's list of non-profit cultural and social organizations.

Five (5) applications were received from the following organizations:

- W2 Community Media Arts Society
- PHS Community Services Society
- 30 Days of Sustainability/Board of Change Foundation
- Vancouver Native Housing Society
- Cycling British Columbia

## Proposal Review

A technical review team comprised of staff from Real Estate, Business Planning, Social Development, Cultural Services and Planning reviewed the applications for technical compliance with the RFP terms. One proposal, from Cycling British Columbia, was not admissible due to missing financial information.

The remaining four applications were forwarded to the Social Enterprise Non-Profit Selection Advisory Panel (the Panel) for adjudication. Members of the Panel were chosen for their expertise in initiating or funding social enterprise activities in the Downtown Eastside. The Panel included:

- Jennifer Johnstone, President and CEO, Central City Foundation
- Liz Loughed Green, Manager Social Enterprise, Vancity Community Foundation
- Ken Lyotier, founder of United We Can and Downtown Eastside (DTES) resident
- Heather O'Hara, Executive Director, Potluck Café Society

## Summary of Proposals

*PHS Community Services Society:* (PHS) proposed a café, coffee roasting facility and artisan chocolate factory/outlet to be called ONE. The Panel noted the great vision and creative ideas proposed, but felt that the proposal was not the best fit with the available space and the RFP criteria. They noted the strong marketing ideas, particularly for the chocolate, but felt that overall, the revenue projections and related financial information were not supportable.

*30 Days of Sustainability/Board of Change Foundation:* proposed to establish "North America's first eco-design exhibition". The basic premise was to create a place to showcase examples of sustainable design. The Panel noted the interesting vision and exciting opportunity, but felt that the proposal was not directly relevant to the guiding principles of the Woodward's space and was weak in terms of a substantiated business plan.

*Vancouver Native Housing Society:* proposed to create a "Digital Café and Virtual Trade Show" to promote community dialogue and showcase social enterprise initiatives. The Panel found the vision to be interesting and creative, but were concerned about the strength of the business plan. The Panel also felt that the proposed training and employment supports were not cohesive, and questioned the relationship between the social enterprise trade show and the organization's core mission.

*W2 Community Media Arts Society:* proposed a café to be operated in conjunction with their previously approved mixed media cultural hub. The Panel felt that W2's proposal was the most "grounded", demonstrating the greatest degree of collaboration with existing for profit and not-for-profit enterprises, and the strongest business case. The Panel did note areas of weakness and recommended that prior to final approval, W2 be asked to provide evidence of capital funding, confirmation of operational partnerships for delivering the social enterprise activities, and confirmation of the commitment from the Salt Spring Coffee Company through a signed service agreement.

## *RECOMMENDATION*

### **Recommended Social Enterprise Tenant Terms and Conditions**

The Non-Profit Selection Advisory Panel was unanimous in recommending W2 for the social enterprise space at Woodward's, noting the weaknesses mentioned above.

The staff review confirmed the Panel's recommendation with additional noted terms and conditions:

- W2's capital program for the project appears to be realistic, but they must secure funding immediately in order to proceed with tenanting the space. This capital funding must be separate from the fundraising W2 is undertaking for the Community Media Arts Centre. Two Panel members volunteered to assist W2 to explore funding options that are currently available for projects such as this. It is recommended that W2 secure capital support for the social enterprise by a defined date in order to proceed with leasing the social enterprise space.
- W2's strength is in the operation of a community media arts centre and not in running a social enterprise operation. In particular, the Panel and staff noted the employment plans must incorporate a much longer timeframe for training and support; that the assistance of BOB is helpful, but clear follow up plans need to be articulated beyond short term initiatives supported by BOB; revenue projections from the social enterprise operation were very high and while may not have an impact on the social enterprise operation, will certainly impact the W2 Community Arts Centre, for which the funds are ultimately directed. It is recommended that W2 secure operational partnerships with organizations such as Social Venture Partners by a defined date in order to proceed with leasing the social enterprise space.
- Support by the Salt Spring Coffee Company (SSCC) was seen as a critical underpinning to W2's success in operating the social enterprise. W2's Business Plan contains many references to SSCC support. It is recommended that those capital and operational supports as stated in the W2 Social Enterprise Business Plan be secured through a signed service agreement by a defined date in order to proceed with leasing the social enterprise space.
- Additionally, the Panel and staff recommend that W2's Social Enterprise be operated as a separate entity from the W2 Community Media Arts space, that a separate lease agreement be undertaken for the social enterprise space, and that the W2 Social Enterprise maintain separate books and accounting for all its operations;
- Finally, that the deadline for W2 to fulfill the "subject to" requirements be November 1, 2009, after such time the lease offer be withdrawn.

The recommendation for W2 as tenant for the social enterprise component of the City parcel is subject to Council approval of this report. The specifics of the lease between the City and W2 will be negotiated on terms acceptable to the Directors of Real Estate and Legal Services in consultation with the Director of Facility Design and Management, Deputy General Manager of Community Services and Acting Managing Director of Cultural Services.

With Council's approval of W2 for the social enterprise space, approximately 7,000 square feet will remain available for leasing to other non-profit cultural/social organizations seeking generic office space. These tenants are currently being solicited through a RFP process which began August 24 and closes September 28, 2009. All non-profit spaces including the social enterprise space are intended for occupancy on January 1, 2010 at which time the responsibility for payment of Common Area costs will begin.

Should W2 not meet the "Subject to" conditions by the November 1 deadline, the space would revert to the generic non-profit space.

#### ***FINANCIAL IMPLICATIONS***

The terms of the City's lease with W2 for the social enterprise space will require that they be responsible for their proportionate share of Common Area Costs estimated to be \$9 per square foot per annum and all tenant improvement costs above that provided by the City and specific to their programs, as well as all facility, program and administrative costs associated with their leased space.

#### ***SOCIAL IMPLICATIONS***

The opportunity provided by the City for non-profit social and cultural organizations to occupy space in the Woodward's redevelopment will create a synergy and diversity of uses and liveliness that will enhance the safety, security and vitality of the vicinity while also welcoming the existing community to engage in healthy and positive endeavours.

#### ***CONCLUSION***

All of the proposals received in response to the non-profit social enterprise RFP would make valuable contributions to the community and the Woodward's Project. The volunteer Selection Advisory Panel and staff agree that W2's proposal was best suited to the Woodward's site. The previously approved W2 Community Media Arts Society and AIDS Vancouver tenancies in the project will occupy approximately 15,000 sf of space. The W2 Community Media Arts Society tenancy in the social enterprise component of the project will occupy an additional approximately 1000 sf of space. This leaves approximately 7,000 square feet for generic non-profit office space.

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