



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: January 8, 2010  
Contact: Michael Flanigan  
Contact No.: 604.873.7422  
RTS No.: 08508  
VanRIMS No.: 08-2000-21  
Meeting Date: January 19, 2010

TO: Vancouver City Council

FROM: Director of Real Estate Services in consultation with the General Manager of Business Planning and Services, General Manager of Financial Services, Director of Facilities Design and Management, Chief Information Officer, and Director of Legal Services

SUBJECT: Furniture and IT Equipment Procurement Contract with VANOC

**IN CAMERA RATIONALE**

This report is recommended for consideration by Council in the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (j) information that is prohibited, or information that if it were presented in a document would be prohibited, from disclosure under section 21 [disclosure harmful to business interests of a third party] of the Freedom of Information and Protection of Privacy Act.

**RECOMMENDATION**

- A. THAT Council approve the City's acquisition from the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) of all furniture and workstations, including the building security system and all hardware, software, key cards and related components thereof which VANOC has acquired from Haworth Inc. and installed at its Vancouver head offices located at 3585 Graveley Street and 1570 Kootenay St, Vancouver, as well as the VANOC office located at 202-1002 Lynham Road, Whistler, BC, for financial consideration totaling \$2,060,000, plus applicable taxes (\$2,010,000 in cash and \$50,000 in net free rent); source of funds to be the Property Endowment Fund;
- B. THAT Council approve the City's acquisition of a number of VANOC information technology (IT) data centre equipment including waterless fire suppression systems and associated equipment, data centre cooling/ventilation equipment, and uninterruptible power supply units for \$310,000, plus applicable taxes; source of funds to be the Information Technology Infrastructure - 2009

Expansion and Replacement Program: Data Centres Expansion and Upgrade sub-program;

- C. THAT the Director of Legal Services be authorized to execute and deliver on behalf of the City all legal documents required to implement Recommendations A and B; THAT all such legal documents be on terms and conditions satisfactory to the General Manager of Business Planning and Services, Chief Information Officer, and the Director of Legal Services; AND THAT no legal rights or obligations be created or arise by Council's adoption of Recommendation A and B above unless and until such legal documents are executed and delivered by the Director of Legal Services.

### **GENERAL MANAGER'S COMMENTS**

The General Manager of Business Planning and Services and General Manager of Financial Services recommend approval of A, B and C.

### **COUNCIL POLICY**

It is City policy that contracts over \$100,000 be awarded through a public RFP process.

Approved Standing Authorities state that *"there are rare situations that arise from time to time where it is appropriate to sole source the acquisition of goods or service. In these cases the approval of the City Manager and, at the City Manager's discretion, City Council approval is required."*

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

### **PURPOSE**

The purpose of this report is to recommend the award of contract for the procurement of certain office furniture, workstations, and information technology equipment located in the VANOC head offices at two City owned buildings at 3585 Gravelly Street and 1570 Kootenay St, Vancouver, as well as the VANOC office located at 202-1002 Lynham Road, Whistler, BC as further set out in this report.

### **BACKGROUND**

On June 28, 2005, Vancouver City Council authorized the Director of Real Estate Services to enter into an agreement of purchase and sale with KKBL No. 441 Ventures LTD for the purchase of lands and premises (the "Lands") located at 3585 Gravelly Street and 1570 Kootenay Street, legally described as Parcel Identifier 023-838-779, Parcel 3, Block 113, Section 28, THSL, Plan LMP 34147, for a purchase price of \$24 Million, subject to a number of sale conditions.

Shortly after the purchase transaction was completed, the City agreed to lease the Lands to VANOC for a period of approximately 4 years, 5 months with lease payments commencing on January 1, 2006 and terminating on May 31, 2010. VANOC took possession of the Lands and completed approximately \$8,000,000 in building improvements to fit-out the premises for use as VANOC's head offices. These improvements revert to the City as landlord at the termination of the lease agreement.

VANOC is finalizing its dissolution strategy post 2010 Games and has entered into discussions with a number of interested parties who desire to acquire VANOC's furniture, equipment, IT platforms, and chattels. VANOC has contacted the City as a preferential partner to ensure the City is first presented with the opportunity to take advantage of some very favourable sale terms.

## *DISCUSSION*

### **1. Furniture and IT Equipment Purchase**

As part of the lease negotiations in 2005, VANOC and the City entered into a good faith agreement that, given the City's assistance in time and effort of procuring head office space for VANOC, VANOC would cooperate with the City in directing value in kind back to the City, where possible, at the back end of the 2010 Games period. This good faith agreement focused on the value that would be left behind for the City as part of the 2010 Games legacy and although not legally binding on VANOC, City staff did have an expectation that some of the City's cooperation in accommodating VANOC would be returned. The transaction outlined in this report manifests favourable financial terms for the City and is recognition by VANOC of its commitment to this good faith agreement.

In the spirit of this agreement, the City was advised in early 2009 that VANOC was in the process of tendering for sale approximately \$7,500,000 of office furniture/workstations and \$1,600,000 (original installed value) of IT equipment, and although a number of bidders had expressed an interest to acquire these assets, that VANOC would consider sole sourcing the package to the City. After months of inventory assessment and market "value for money" research, the City has successfully negotiated with VANOC an offer to purchase the furniture and workstations for \$2,000,000, (plus free rent valued at \$50,000 on office space that VANOC needs to overhold) and \$310,000 for the IT equipment. The City also negotiated with VANOC to include office furniture from VANOC's office located at 202-1002 Lynham Road, Whistler, BC, in the furniture price on the condition that the City pay the expense for disassembly and transport of the furniture back to Vancouver. This decommissioning and transport expense has been estimated to be \$10,000 and is included in the total cost amount set out in RECOMMENDATION A.

The furniture in the Graveley Building will remain and the Whistler furniture along with any residual furniture deemed unnecessary to the Graveley building, will be held in storage for future civic use. The IT equipment will be used within the City system according to IT priorities.

VANOC advises that the other bidders offered more money than the City, but when VANOC factored the savings in not having to decommission the workstations and IT backbone and avoided the costs of transport, the City's offer was accepted, albeit for a lower price. The City's due diligence has further included a thorough review of all original purchase requisitions from VANOC and staff have recently completed a detailed site walkthrough to affirm the package value. Staff are pleased to confirm that the City will be the recipient of significant value from VANOC in acquiring these assets.

### **2. VANOC Overhold Period Rent**

As noted above, part of the financial consideration in the transaction being contemplated is that the City will provide VANOC with a net free rent period for VANOC's overhold of approximately 20,000 square feet of office space (consisting of the third floor of the 3585

Graveley St. building, plus continued use and connection to the building generator, the caged area on P2 where VANOC's condensers are located, the UPS room and its connections on P2 and any connections of the fire and HVAC systems in to the security desk) from May 31, 2010 through October 31, 2010 (the "Overhold Period").

### ***SUSTAINABILITY***

VANOC originally sourced the furniture from Haworth Inc. and the procurement terms required the furniture to meet with VANOC's sustainability practices. The City-owned buildings at 3585 Graveley Street and 1570 Kootenay St, Vancouver that are leased to VANOC achieved a LEED® Commercial Interior (CI) Gold Certification in part for meeting the following LEED CI requirements:

#### **Materials & Resources Credits 4.1/4.2 Recycled Content**

Pursuant to the USGBC Letter Template for MRc4.1/4.2, Haworth furniture contributed approx 20% post-consumer and 29% post-industrial recycled content respectively to achieve 30.27% recycled content for the project overall. Thus VANOC achieved both MR points, plus an Innovation in Design point for exemplary performance, +30%.

#### **Indoor Environmental Quality (IE) Credit 4.5 Low-Emitting Materials - Systems Furniture and Seating**

All systems furniture and seating provided by Haworth was Greenguard IAQ Certified.

#### **IE Credit 6.1 Controllability of Systems, Lighting**

Haworth contributed to achieving this credit by providing user-controllable task lighting underneath the overhead storage units in the workstations for more than 90% of the occupants.

#### **Indoor Environmental Quality Credit 8.3 Daylight and Views - Views for 90% Seated Spaces**

VANOC achieved views for 90% of Seated Spaces, which is impressive considering the size of the Premises. This credit was achieved by an open office concept and locating enclosed spaces adjacent to the building core. Haworth systems furniture was specified to optimize seated views, with the taller panel spines running perpendicular to the window walls. Panels parallel to the window walls largely consisted solid panels to 42" AFF with glass panels stacked on top to optimize views, while at the same time providing greater privacy.

The City's commitment to its sustainability principles aligns with VANOC's procurement practices. The City's investment in the VANOC furniture is also an investment by the City in delivering the Greenest City Initiatives.

### ***FINANCIAL IMPLICATIONS***

The value of the furniture/workstation contract (including the Whistler transport) and IT equipment contract will be \$2,060,000 and \$310,000, respectively, plus applicable taxes. These costs represent a significant investment in office and technology improvements that will remain with the City.

It is recommended that the furniture purchase be funded by the Property Endowment Fund and, subject to confirmation of a new tenancy, remain at the Gravely Street site. Future tenants of this complex could include a municipal user or a market lessee and the net rental

rates negotiated by the City will reflect the nature of the turn-key, fully fit out and furnished, quality of space.

Given the specific technical nature of the IT equipment and the fact that it will be portable within the City system, it is recommended that this expense be funded by the Information Technology Infrastructure - 2009 Expansion and Replacement Program: Data Centres Expansion and Upgrade sub-program.

Although VANOC will remain responsible for all operating and maintenance costs associated with its portion of the leased premises occupied during the Overhold Period, the abatement of net rent for this period represents foregone revenue of \$50,000. This amount has been included in the costs to be borne by the PEF.

### *CONCLUSION*

VANOC has presented the City with an excellent opportunity to acquire furniture and IT equipment at significant savings. The original installed value of the package being recommended to Council for acquisition is just over \$9,000,000 and the price the City has negotiated represents an auction price value. The assets will be either used by the City in the delivery of its programs and services to the community, or leased at a premium value to a tenant of the City. The Director of Real Estate Services, the Director of Facilities Design and Management, and the Chief Information Officer believe the transaction represents best value to the City.

\* \* \* \* \*