



ADMINISTRATIVE REPORT

Report Date: February 2, 2016
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VanRIMS No.: 08-2000-20
Meeting Date: March 8, 2016

TO: Vancouver City Council

FROM: General Manager of Community Services in consultation with the General Manager of Real Estate and Facilities Management

SUBJECT: 111 West Hastings Street - Appointment of Woodward's Social Non-Profit Tenant for Additional Second Floor Space, and Modification of Lease

RECOMMENDATION

- A. THAT Council approve Eastside Movement for Business and Economic Renewal Society ("EMBERS") as a social non-profit tenant of approximately 850 square feet (rentable area) of newly created office space to be built in the City-owned amenity space on the 2nd floor of the Woodward's Heritage Building at 111 West Hastings Street.
- B. THAT Council authorize the Director of Real Estate Services to negotiate and execute the modification of an existing lease at a nominal rate, with EMBERS as the non-profit social tenant of the newly created office space on the 2nd floor, on the same terms and conditions set out in the existing lease, and upon such other terms and conditions to the satisfaction of the Director of Legal Services in consultation with the General Manager of Real Estate and Facilities Management and the General Manager of Community Services.
- C. THAT no legal rights or obligations be created or arise by Council's adoption of these Recommendations until the Modification of Lease has been executed by all parties.

Pursuant to Section 206 (1) (j) of the Vancouver Charter, modification of a lease at nominal rent pursuant to Recommendation B constitutes a grant and approval requires eight affirmative votes of Council.

REPORT SUMMARY

This report recommends that Council authorise staff to negotiate and execute a modification of the existing lease with EMBERS in order to incorporate newly created office space on the 2nd floor of the Woodward's Heritage Building as part of the leased area. The renovations required to create the additional space will provide EMBERS with an opportunity to accommodate their growing operations, as well as free up approximately 350 square feet to the 1st floor of the building as usable, where the Kokoro Dance Theatre Society ("Kokoro") will operate a dance rehearsal space (RTS No. 10379).

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Downtown Eastside Local Area Plan (2014): Policies in the plan are designed to support programs serving Downtown Eastside ("DTES") residents within the City's range of tools including the utilization of City-owned space at nominal rents for non-profit organizations.

Healthy City Strategy (2014): Goals of the plan include "Healthy Human Services" (Goal #4) which ensures equitable access to high quality social, community and health services, "Making Ends Meet and Working Well" (Goal #5) which ensures access to a range of healthy employment opportunities, and "Expressing Ourselves" by encouraging a diverse and thriving cultural ecology in Vancouver.

In 2006 Council approved a tenanting process for the non-profit community amenity space at Woodward's (RTS No. 8143). In December 2009, Council approved tenants for the non-profit office space at Woodward's, including EMBERS (RTS No. 8402).

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the foregoing recommendations.

REPORT

Background/Context

The Downtown Eastside Local Area Plan (2014) and the Downtown Eastside Social Impact Assessment (2014) stress the importance of social and cultural assets that support social non-profits in DTES. Staff further acknowledges the limited amount of publicly owned space currently available for non-profits in the DTES and the added pressures limited opportunities for space have placed on organizations.

The Woodward's mixed-use urban redevelopment is comprised of residential towers of market and non-market housing, educational and cultural space for Simon Fraser University, an atrium, ground-level retail space, an outdoor plaza, and the Woodward's

Heritage Building. In the repurposed Woodward's Heritage Building, the City owns over 21,000 square feet of community amenity space, most of which includes office space for nominal rent provided to non-profit tenants. In December 2009, Council approved a mix of social and cultural organizations as tenants of the 2nd, 3rd and 4th floor office space, who have been operating out of the building since late 2010.

Kokoro's tenancy in the ground floor of the community amenity space formerly occupied by the W2 Media Arts Society ("W2") requires tenant improvements. Also, a number of existing social non-profit tenants in the Woodward's Heritage Building expressed a need for more space.

In January 2015, staff began exploring options for renovating the 1st and 2nd floors of the City-owned portion of the Woodward's Heritage Building, with the intention of adding additional space for social non-profit tenants. The project was budgeted at \$293,868 and funding was secured through the 2015-2018 Capital Plan.

Renovations are expected to begin in the spring of 2016.

Strategic Analysis

The creation of nominal-rent space for non-profit organizations and programs serving the DTES is an important strategic direction of the Downtown Eastside Local Area Plan (2014). The plan directs the City to leverage opportunities for new assets, support community-based initiatives that strengthen the local economy, and to aid in the creation of employment (especially low-barrier jobs) through inclusive, social impact hiring, and local employment opportunities.

By acknowledging the lack of space for existing registered social non-profit tenants already operating out of the Woodward's Heritage Building, a limited Request for Proposals ("RFP") was issued to the five (5) current social non-profit tenants operating out of the Woodward's Heritage Building on October 23, 2015. The RFP sought proposals to lease the newly office created space to be built on the 2nd floor of the City-owned amenity space.

The RFP closed on November 27, 2015 and two (2) proposals were submitted by current social non-profits tenants based in the Woodward's Heritage Building. The Selection Committee consisted of four (4) City staff.

Evaluation of the proposals was based on the Selection Criteria as outlined in Appendix A.

The successful proponent in the evaluation process, EMBERS, is a long-standing registered community economic development non-profit society that has roots in the DTES. EMBERS began in 2001 by offering training programs for entrepreneurs. It has since grown to offer employment services inclusive to DTES residents and the larger community of Vancouver. EMBERS has helped people facing barriers to work by offering economic and employment opportunities, including job placements, training, and support, and has proven to be an invaluable resource within the DTES community. EMBERS currently runs three (3) programs:

- a) EMBERS Ventures - a business training and support program for low income entrepreneurs;
- b) EMBERS Staffing Solutions (“ESS”) - a temporary staffing social enterprise that employs people in the community with barriers to employment;
- c) Community Employment Services - an employment support program for parolees in the Vancouver region.

EMBERS has demonstrated a continued growth trajectory in the time they have been a tenant in the Woodward’s Heritage Building, proving to be a DTES success story. While success has been welcome, it has also put stress on the organization to accommodate their rapid growth. This stress has been most acutely felt in the lack of physical office space. Since EMBERS moved into its current space (1,463 square feet of rentable area on the 3rd floor of the Woodward’s Heritage Building) in 2010, the ESS program has grown from 4.5 full-time employees to 14 in 2015. Daily job placements through the ESS have also increased more than tenfold. EMBERS is thus in great need of additional workstations for full-time employees, as well greater storage and meeting-space capacity.

EMBERS has reported consistently strong financial records and has demonstrated that it is both a financially sustainable and operationally stable organization which performs a vital service in the DTES.

Renovation Details and Proposed Space Use

The Woodward’s Heritage Building renovations will include removal of the concrete stairway between the 1st and 2nd floors, the addition of a steel deck to extend the 2nd floor slab, the creation of new 2nd floor office space, and the addition of a new store-front door on the 1st floor space. Overall, the renovations will yield a rentable area of approximately 850 square feet of new, City-owned office space.

The renovations will help to maximize the use and function of the City-owned community amenity space and support important social services in the DTES. Removal of the stairway between the 1st and 2nd floors has the added benefit of opening up approximately 350 additional square feet of usable floor area on the 1st floor, where Kokoro is to operate a rehearsal space. Removal of the stairs will also help Kokoro to avoid additional costly upgrades to bring the stairway up to building code.

The EMBERS proposal outlines a plan to separate the delivery of programs and functions by dedicating the new 2nd floor office space to their ESS program, while retaining the 3rd floor space for the organization’s other programs, meeting rooms, and classroom functions.

A small un-demised part of the leased area on the 2nd floor formerly occupied by the W2 Media Arts Society (“W2”) has been functioning as an ad-hoc “Community Area” used as a meeting and work space. This “Community Area” is not currently under lease and is not formally managed. The renovations will create an office space over the portion of the Community Area that is currently overlooking the atrium. Recognizing the importance of maintaining a community oriented meeting and work space in the Woodward’s Heritage Building, attempts have been made to preserve a portion of the

Community Area, and to further ensure that the design of EMBERS new space will allow for adequate natural light to filter through.

The RFP asked proponents to address the use of the Community Area. While EMBERS is not mandated to provide programming for the Community Area, they are prepared to offer oversight and assist in making the space more comfortable and useable as a community lounge and work area for community members, with seating and work stations available. In their proposal, EMBERS also identifies opportunities to collaborate with other tenants to enliven the Community Area and to support the users of the space.

Implications/Related Issues/Risk (if applicable)

Financial

Upon the completion of the Modification of Lease, the value of the additional office floor area to be incorporated into the existing nominal lease for the EMBERS premises is approximately \$22,000 per annum based on current office rental values within the Woodward's building.

Tenant Improvements, Fixtures & Equipment -

As the tenant of the new office space, EMBERS will be responsible for any additional tenant improvements beyond the basic renovations undertaken by the City. EMBERS will also be responsible for all tenant equipment, machinery, appliances, trade fixtures, office furnishings, chattels, including tables, chairs, and other seating areas.

Capital Maintenance & Life Cycle Replacement -

The City will be responsible for the capital maintenance and life cycle replacement of major systems associated with the building.

Common Area and Other Operating Costs -

As the Tenant, EMBERS will be responsible for the operating, maintenance, insurance, utility, and any other costs associated with operating out of the newly created office space, as well as their existing space located on the 3rd floor of the Woodward's Heritage Building. These obligations are specified in the Service Level Agreement (the "SLA") which forms part of the existing lease.

Since EMBERS will be increasing their leased area the lease modification will therefore result in an increase in the proportionate share of common area maintenance ("CAM") costs, which includes, among other things, the cost of any applicable taxes, heat, light, maintenance, landscaping, garbage removal, recycling and security for both development-wide common areas in the Woodward's development, such as the atrium, outdoor plaza, mews, and parking area, etc, as well as building-specific common areas.

The CAM costs are estimates, and will be based on current rates of \$9/sq ft/annum. The additional CAM costs for EMBERS to operate out of the newly created office space will be approximately \$7,650 per annum plus applicable sales tax.

Programming Costs -

EMBERS will be responsible for all staff expenses, administration, overhead, and all costs associated with programming and operating out of their leased areas in the Woodward's Heritage Building.

CONCLUSION

Providing office space for social non-profit organizations that serve the DTES is a key strategic direction for the City. EMBERS has been an active community economic development organization in the DTES for more than 10 years, and has been operating out of the Woodward's heritage building since 2010. Their tenancy in Woodward's has been a collaborative and stabilizing force to a complement of organizations and service providers in the DTES focused on poverty alleviation, job training, and economic development. The renovations to the 1st and 2nd floors of the City-owned portion of the community amenity space in the Woodward's Heritage Building allows the City to lease extra space to a fast-growing, financially sustainable, and operationally stable organization that creates employment through inclusive, locally-based social impact hiring. Staff therefore recommends EMBERS as tenant of the newly created office space to be built in the Woodward's Heritage Building.

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PROJECT BACKGROUND & TENANT SELECTION PROCESS

Project Background

In January 2015, staff began exploring options for renovating the 1st and 2nd floors of the City-owned portion of the Woodward's Heritage Building.

Prior to the design and development of the renovations, an information meeting was held on July 28, 2015 with the social and cultural tenants of the City-owned non-profit space in the Woodward's Heritage Building. Discussions included the renovation proposal as well as future tenanting. Ten (10) individuals representing nine (9) organizations were present. An additional three (3) representatives associated with the Westbank group were also in attendance.

A City-facilitated community meeting was also held on July 29, 2015. This meeting was intended to discuss the proposed renovation and concerns that the users of the "Community Area" might have. A total of three (3) community members attended this meeting.

Information from the two (2) meetings helped to inform the project design and the eventual creation of approximately 850 square feet (rentable area) of additional office space. The project was budgeted at approximately \$294,000.

Selection Process

A limited Request for Proposals (RFP) was issued on October 23, 2015 seeking to tenant the newly created office space on the 2nd floor of the Woodward's Heritage Building. This RFP was limited to the five (5) existing social non-profit tenants already operating out of the Woodward's Heritage Building.

The RFP was distributed to each organization via email, and also a hand delivered hard copy.

Within five (5) weeks, one (1) information meeting was held and a total of three (3) individuals from three (3) organizations attended.

The RFP closed on November 27, 2015 and two (2) proposals were submitted.

Selection Criteria

- Intended organizational use and vision for the new office space: Applicants were also asked to give an indication of how they might incorporate or interact with the "Community Area";
- Articulation of social goals, objectives and strategies that address the stated goals: This included identifying targeted outcomes for leasing, operating out of and managing the new office space;
- Demonstration of organizational need: This was to be expressed through space requirements for the organization to function at full capacity and articulation of the space required to accommodate any additional anticipated growth;

- Financial capability and viability; This included a demonstrated ability to cover all facility and operating expenses associated with the additional office space, and the ability for the organization to operate sustainably;
- Contribution to the community: This included a demonstrated contribution to the DTES community and its residents;
- Community support: As demonstrated by key stakeholders, including communities of interest and populations served;
- Collaboration: This included a demonstrated willingness to work with others to accelerate innovation, create efficiencies, or enhance contributions to the DTES community.

A Selection Committee consisted of four (4) City staff from Finance, Real Estate Services, and Social Policy & Projects. Further Selection Committee advice was sought from other City staff familiar with community economic development in the DTES.

The Selection Committee review utilized both qualitative and quantitative assessment methods to arrive at a recommendation. After evaluation and deliberation, EMBERS was identified as the highest rated proponent.