



ADMINISTRATIVE REPORT

Report Date: May 2, 2018
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Meeting Date: June 6, 2018

TO: Standing Committee on City Finance and Services

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

SUBJECT: Appointment of Non-Profit Operator and Modification of Leases for #280 and #250 - 111 West Hastings Street

RECOMMENDATION

- A. THAT Council approve Vancouver Community Network ("VCN") as a social non-profit tenant of approximately 327 square feet (rentable area) of office space at unit #203 on the second floor of the Woodward's Heritage Building at 111 West Hastings Street ("Room #203").
- B. THAT Council authorize the Director of Real Estate Services to negotiate and execute the modification of an existing lease with VCN for unit #280 – 111 West Hastings Street (the "VCN Modification"), to include the addition of Room #203, at a nominal rate and 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 Arts, Culture, and Community Services;

FURTHER THAT as the rent for the additional premises will be below the applicable market rate and includes rent-in-lieu of property taxes, Recommendation B constitutes a grant valued at approximately \$8,500 per annum based on the first year of the term.

- C. THAT Council authorize the Director of Real Estate Services to negotiate and execute the modification of an existing lease with Kokoro Dance Theatre Society ("Kokoro") for unit #250 – 111 West Hastings Street (the "Kokoro Modification"), to exclude Room #203 from their leased premises, and to include the addition of unit #230 – 111 West Hastings Street, at a nominal rate and 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 Arts, Culture, and Community Services;

FURTHER THAT the change in the room allocation within the leased premise of the Kokoro lease results in an increase in rentable floor area of an additional 74 square feet. As such, as the rent attributable to the increased floor area will be below the applicable market rate and includes rent-in-lieu of property taxes, Recommendation C constitutes a grant valued at approximately \$1,900 per annum based on the first year of the term.

- D. 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.

Recommendations B and C, require 2/3 affirmative votes of all Council members, per the *Vancouver Charter S. 206(1)*.

REPORT SUMMARY

This report recommends that Council authorize staff to negotiate and execute a modification of the existing lease with Vancouver Community Network (VCN) to incorporate an additional office space on the second floor of the Woodward's Heritage Building (#203 – 111 West Hastings Street). The space will provide VCN with an opportunity to expand their operations, community economic development activities and social enterprise work in the Downtown Eastside.

This report also recommends that Council authorize staff to negotiate and execute a modification of the existing lease with Kokoro Dance Theatre Society in order to replace Room #203 on the second floor with unit #230 – 111 West Hastings Street, enabling tenants to be more suitably accommodated on this floor.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

A lease of City-owned property at less than market rent is considered to be a grant. Pursuant to *Section 206(1) (a)* of the *Vancouver Charter*, no less than two-thirds of all members of Council must approve a resolution for a grant to a charitable institution.

In 2006, Council approved a tenanting process for the non-profit community amenity space at Woodwards (RTS 8143). In December 2009, Council approved tenants for the non-profit office space at Woodwards, including VCN (RTS 8402).

Relevant Council policies include:

- 1) *Downtown Eastside Local Area Plan (2014)*: Policies in the plan are designed to support programs servicing 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;
- 2) *Healthy City Strategy (2014)*: Key goal areas include ensuring residents are connected and engaged in the places and spaces that matter to them; and equitable access to lifelong learning and development opportunities; and

- 3) *Women's Equity Strategy (2018)*: The Safety priority area includes the objective of increasing women's sense of safety.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of staff recommendations to support non-profit organizations in the DTES neighbourhood. Approval will support the efforts of the Vancouver Community Network (VCN) to expand into a suitable location within the Woodward's non-profit hub so that the organization can better respond to the digital needs of low income DTES residents, including for women, and support their capacity to be connected to employment and other social engagement opportunities through technology. Also, one of Kokoro's subtenants will be able to move to a larger space.

REPORT

Background/Context

The repurposed Woodward's Heritage Building includes over 21,000 square feet of community amenity space, the majority of which is space for non-profit tenants. In December 2009, Council approved a mix of social and cultural organizations as tenants of the second to fourth floor office space at nominal lease rates. The office tenants that form the Woodward's non-profit "hub" have operated out of the building since 2010.

Strategic Analysis

1. Need for Social Non-Profit Space in the DTES

BC Social Venture Partners (BCSVP), one of the original social non-profit tenants from 2010, gave notice in October 2017, to end their tenancy and vacate unit #230 effective January 31, 2018. Acknowledging the lack of space for existing social non-profit tenants operating out of the Woodward's Heritage Building, a limited Request for Proposals (RFP) was issued to the four (4) current social non-profit organizations on November 30, 2017. The RFP invited applicants to submit proposals to lease the soon to be vacated office space on the second floor of the City-owned amenity space.

The RFP closed on December 22, 2017, and two (2) proposals were submitted. The Selection Committee consisted of three (3) City staff. Evaluation of the proposals was based on the Selection Criteria as outlined in Appendix A.

To meet office space needs of non-profit tenants in the building, the unit to be tenanted in the RFP has been changed to Room #203 to be closer to VCN's current office as shown in Appendix B. Raven Spirit Dance Society, a subtenant of Kokoro and current occupant of Room #203, has confirmed that they would be interested in relocating to unit #230.

To allow for VCN and Raven Spirit Dance to move and expand to more suitable spaces, Kokoro's lease area will need to be modified to exclude Room #203 which is approximately 327 sq. ft. in rentable area, and include unit #230, which is approximately 401 sq. ft. in rentable area, to reflect the space changes. Both VCN and Kokoro, as

tenants of the City under their leases, will also be responsible for a proportionate increase in common area maintenance (CAM) costs, as outlined in Appendix D.

2. Consistent with City Objectives and Priorities

Vancouver Community Network (VCN) is a non-profit organization that provides free and low cost services to assist individuals, community groups and non-profit organizations in accessing and using the Internet. VCN's key work is to improve economic status, social cohesion and support the development of a wide range of online community information and communications. VCN programs expand public access to computers and the Internet; provide employment, local procurement, and training; and promote local online content.

VCN currently runs diverse programs that contribute to the socioeconomic health of the DTES including technical support and services to non-profit agencies, free wi-fi, technical training for seniors, youth internships, and a social enterprise strategy that includes the tech team, web team and StreetMessenger platform. A list and description of VCN programs can be found in Appendix C.

3. Proposed Space Use For VCN

The current VCN office space in unit #280 is at a maximum capacity, which limits its operational growth. The additional space will allow VCN to provide:

- a) A space for community board meetings, workshops and training where computers are set up; and
- b) A safe, secure and focussed place for clients to upgrade their skills, apply for benefits or job search. Such a space is needed as many of VCN's clients are women who have identified a need for a safe lab space where they can access help from VCN. This may include temporary work spaces.

Implications/Related Issues/Risk (if applicable)

Financial

VCN Modification:

Upon the completion of the VCN Modification, the value of the additional office floor area to be incorporated into the existing nominal lease for the VCN premises is approximately \$8,500 per annum based on current office rental values within the Woodward's Heritage Building.

The lease terms for the VCN Modification to include the additional office of Room #203 will be consistent with and incorporated as part of the existing lease with Vancouver Community Network. The impact for additional CAM costs is outlined in Appendix D.

Kokoro Modification:

Similarly, upon the completion of the Kokoro Modification, the value of the additional office floor area to be incorporated into the existing nominal lease for the Kokoro premises is approximately \$1,900 per annum based on current office rental values within the Woodward's Heritage Building.

The lease terms for the Kokoro Modification to incorporate the exchange of Room #203 for unit #230 will be consistent with and incorporated as part of the existing lease with Kokoro. The impact for additional CAM costs is also outlined in Appendix D.

CONCLUSION

This report makes recommendations to enable and build the capacity of VCN to serve low-income DTES residents by providing non-profit space for the organization, as well as to incorporate modifications to two existing leases to enable tenants to be better accommodated within the second floor of the Woodward's Heritage Building.

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Woodward's Heritage Building Tenant Selection Process

A limited Request for Proposals (RFP) was issued on November 30, 2017, for a soon to be vacated office space on the second floor of the Woodward's Heritage Building (#230)*. The RFP was open to the four existing social non-profit tenants at Woodward's. The RFP was distributed via email as well as a hand delivered copy. At the closing of the RFP on December 22, 2017, two proposals were submitted.

Selection Criteria

The key evaluation criteria for the RFP include:

- a) **Overall Vision:** intended organizational use and vision for the Office, as well as the community-oriented use, which includes services and activities that benefit the DTES community and enhance the space within the Office and, if applicable, the Community Area;
- b) **Articulation of:** i) social goals; ii) objectives and strategies that address the stated goals; and, iii) targeted outcomes for leasing, operating out of and managing the Office and, if applicable, the Community Area;
- c) **Demonstration of Organizational Need:** expressed space requirements for the organization to function at full capacity; space required to accommodate any additional anticipated organizational growth;
- d) **Financial Capability/Viability:** ability to cover all facility and operating expenses and operate sustainably for the duration of the lease agreement;
- e) **Contribution to Community:** demonstrated contribution to the DTES community and its residents;
- f) **Community Support:** demonstrated support of key stakeholders, including communities of interest and populations served; and
- g) **Collaboration:** demonstrated willingness to work with others to accelerate innovation, create efficiencies, or enhance contributions to the DTES community.

A Selection Committee consisting of City staff from the Social Policy and Projects Division reviewed the submitted proposals according to the above-mentioned criteria. After evaluation and deliberation, Vancouver Community Network was identified as the recommended proponent for the additional office space.

**(since changed to Room #203)*

Vancouver Community Network Programs

Incorporated in 1993, VCN moved into the Woodward's Building in 2010, with the express goal to expand its contact with the community and to heighten and focus program delivery. Since that time, it has worked to contribute to the socioeconomic health of the DTES. VCN meets its mandate through the following programs:

- a) **The VCN Help Desk:** Assists members and the public (majority from the DTES) by trouble-shooting hardware and software challenges and training on software and Internet application as well as VCN services (Internet access, email, mailing lists, web hosting). Volunteers are youth interns from BCIT and UBC, and newcomers.
- b) **Email/Internet Access and Web Hosting:** VCN provides free Internet access, free email accounts, webmail and website hosting. Also, VCN provides free Wi-Fi throughout the Woodward's Heritage Building and in the atrium.
- c) **The VCN Tech Team:** Provides non-profit community with fast, cost-effective Help Desk and IT services and information on purchasing computer hardware/software and retail locations for inexpensive and/or recycled units.
- d) **The VCN Web Team:** Offers web design and development services to non-profits in Vancouver through pro bono work to non-profit rates. VCN trains clients to manage their own content, change website and build search engine optimization.
- e) **Free Wi-Fi Projects:** VCN supply free laptops, software, Wi-Fi and support to tenants of the Jim Green Residences. VCN arranges for weekly on-site technical support. VCN plans to support expanding the program to low income and shelter locations in the region.
- f) **Connected Elders:** Weekly program provided at Woodward's and 411 Senior's Centre for seniors to learn tech programs and receive support in navigating the Internet from Help Desk and community volunteers.
- g) **Youth Internship Program:** Approximately 50 young people work as interns in non-profit organizations with responsibilities that include delivering Internet training sessions, researching and developing websites, drafting publicity materials, organizing information fairs and events and providing technical support.
- h) **The StreetMessenger (SMS):** A web-based text-messaging platform that connects social service agencies to vulnerable and disadvantaged individuals. The SMS increases access to timely and relevant information about available shelter beds, food, health clinics and jobs and training programs. Messages are accessible from a device that will be read, passed on, and engaged with.

The Tech and Web Team are key elements in the VCN Social Enterprise Strategy. The StreetMessenger system showcases VCN's app development and is also a key element in the Social Enterprise Strategy.

VCN - General Lease Terms

The lease terms for the VCN Modification to include the additional office Room #203 will be consistent with and incorporated as part of the existing lease with VCN for unit #280. The terms include the following:

1) Tenant Improvement, Fixtures and Equipment

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

2) 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.

3) Common Area and other Operating Costs

As the tenant, VCN will be responsible for the operating, maintenance, insurance, utility, and any other costs associated with operating out of the newly created office space. These obligations are specified in the Service Level Agreement (the "SLA") which forms part of their existing lease.

Since VCN 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 per annum. The additional CAM costs for VCN to operate out of room #203 will be approximately \$2,943.00 per annum plus applicable sales tax.

In the case of the Kokoro Modification, a slight increase in CAM costs of approximately \$666.00/annum (+74 sq ft @ \$9/sf) would be incurred by Kokoro by replacing Room #203, which is currently included in their lease, with unit #230.

4) Programming Costs

VCN 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.