



**IN CAMERA**

## **ADMINISTRATIVE REPORT**

Report Date: August 30, 2018  
Contact: Jerry Evans  
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RTS No.: 12771  
VanRIMS No.: 08-2000-21  
Meeting Date: September 18, 2018

TO: Vancouver City Council

FROM: Acting General Manager of Real Estate and Facilities Management

SUBJECT: Request for further funding and approval to amend agreements for  
312 Main Street Technology and Social Innovation Centre

### **IN CAMERA RATIONALE**

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city; and (k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public;

### **RECOMMENDATION**

- A. THAT Council approve the provision of funding up to **s.17(1)** to the VanCity Community Foundation ("VCF") for the 312 Main Street Technology and Social Innovation Centre (the "Centre"), with the source of funds to be the Property Endowment Fund ("PEF") 2018 capital budget, subject to the City negotiating and agreeing to, and in accordance with, certain amendments to the operating agreements related to 312 Main Street described in Recommendation B below.
- B. THAT Council authorize the Director of Real Estate Services to negotiate and execute amendments to the current operating agreements between the City and VCF for the Centre (the "312 Main Contract Amendments") on such terms and conditions that are satisfactory to the General Manager of Real Estate & Facilities Management, the Director of Finance and the Director of Legal Services.

- C. AND THAT no legal rights or obligations will be created by Council's adoption of the above Recommendations, unless and until the 312 Main Contract Amendments are executed by the authorized signatories of the City, as set out in these Recommendations.

## **REPORT SUMMARY**

The purpose of this report is to seek Council approval to provide up to s.17(1) of additional funds to support the base building capital replacement expenses related to the City owned building located at 312 Main Street (the "Building"), subject to, and in accordance with the 312 Main Contract Amendments that the Director of Real Estate Services is hereby authorized to negotiate and approve. Due to the age of the Building, and a need for building systems replacement in a shorter than anticipated timeframe, further funds are being recommended in order to ensure appropriate base building capital renewal over the term of the lease.

## **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

On April 29, 2014, Council approved the Property Endowment Fund ("PEF") 2014 Operating and Capital Budget (RTS #10441), including Base Building Interior Improvements and Building upgrades in the amount of s.17(1), and a Tenant Improvement common space amount of s.17(1) for the Building.

On October 1, 2014, Council approved the Lease of 312 Main Street to Vancity Community Foundation (RTS #10731), along with the authorization for the Director of Real Estate Services to negotiate certain other agreements to be entered into related to the Building, including a Construction Project Management Agreement, a Property Management Agreement, and a Programming Agreement. The Lease, together with these other agreements (collectively, the "312 Main Contracts"), were entered into by the City and VCF on May 19, 2015.

## **CITY MANAGER'S/GENERAL MANAGER'S COMMENTS**

The City Manager and the Acting General Manager of Real Estate and Facilities Management recommend approval of the foregoing.

## **REPORT**

### **Background/Context**

#### **The Centre at 312 Main Street**

Two adjacent and interconnected buildings with addresses of 312 Main Street and 324 Main Street (the "Building"), were built in 1954 and used by a Vancouver Police Department until Fall of 2011. As the Building was vacated, Council considered many options and decided that repurposing of the existing building totalling 102,000 sf of area would well support the Incubation Hub model for Technology and Social Innovation. Council approved the Lease of 312/324 Main Street to VCF on October 1, 2014 (RTS#10731) and the Lease, together with the other 312 Main Contracts, were entered into by the City and VCF on May 19, 2015. The Building was to be developed by VCF in collaboration with the City and Vancouver Economic Commission in accordance with the

terms of the 312 Main Contracts, into a Technology and Social Innovation Centre (“the Centre”), combining a broad range of entrepreneurs and social innovators engaged in incubation and acceleration programming, as well as accessing business services and training, for a variety of sectors including technology start-ups, sustainability and clean-tech, social enterprise and micro-enterprise. The ground floor of the Centre will function as a Community Space and a space for offering programs, services and training for tenants of the Building.

In April 29, 2014, Council approved the PEF 2014 Operating and Capital Budget (RTS No. 10441). Under “Capital Maintenance” of that Budget, an amount totaling **s.17(1)** was approved for Base Building Interior Improvements, Building Upgrades and tenant improvements toward a new Centre in 312 Main Street. Scope of the work included base building renewal, as well as Community space tenant improvements on the ground floor and in basement.

As of the date of this report, VCF has completed most of the initially scoped base building work, and a portion of the tenant improvements including the community space in the basement and ground floor, tenant improvements on the second floor, and portions of the third and fourth floor. Other spaces are planned to be completed over time as tenants become selected.

### **312 Main Contracts**

The current operating agreements related to 312 Main Street, are now requiring a reset to better reflect the realities of the project. As a result, the Property Management Agreement, the Construction Project Management Agreement, the lease to VCF and the Programming Services Agreement will need to be modified with amendments created after further discussions between the operating partners.

The original documents were created as a map that would allow the operating partners to develop plans that would lead to the creation of the Centre, and were always contemplated to be a work in progress. As the Centre nears its completion of the first phase of the work, the timing is suitable to incorporate new learnings related to the Centre into the operating agreements.

The 312 Main Contract Amendments will be negotiated and drafted with input from Legal Services and Real Estate and Facilities Management. Key amendments will include an update on commencement dates for the agreements, confirmation of 312 Advisory Board personnel, creation and review of a business plan that confirms the financial self-reliance of the Centre once it becomes fully leased, amongst other items. Previous Council reports allow for non-material changes to the agreements. Material changes will continue to require future Council approval.

### ***Strategic Analysis***

The Centre has created a lot of interest throughout the community, broad range of entrepreneurs, and social innovators engaged in incubation and acceleration programming. The current partnership model between VCF and the City of Vancouver will yield additional services to the community, and create collaborative space that supports our local economy and community well-being.

Under the terms of the Property Management Agreement, the Property Manager (VCF) is responsible for capital maintenance and life cycle replacement of major building systems, with the costs of undertaking that work being recovered through rental revenues received during the term of the lease. VCF is obligated to create a Capital Reserve Fund for any major repair or replacement. The building is not yet fully leased out, and it will take time to build up a capital reserve for these base building renewal needs. Upon further review of the base building renewal needs over the term of the Lease, and slower than anticipated tenanting of the building, staff is recommending additional City contribution of up to s.17(1) over the term of the Lease, to support building system replacement work as detailed in the table below.



312 Main St _ CoV Replacement Contribution Summary		
Category	Action: Description	CoV Contribution
Exterior Walls	Repair and re-seal all exterior walls	s.17(1)
Exterior Windows	Replace all exterior windows for double glazing	
Roofing	Replace metal roofing and windows on skylight overrun.	
Roofing	Replace entire roofing system.	
Roofing	Conduct environmental clean in attic to repair roofs.	
Elevators & Lifts	Passenger Elevator #3. A complete modernization of the controller, machine, drive, door operator, door detector, operating fixtures, and related equipment.	
Elevators & Lifts	Passenger Elevator #2. Repair level 3 elevaor access.	
Elevators & Lifts	Passenger Elevator #1. A complete modernization of the controller, machine, drive, door operator, door detector, operating fixtures, and related equipment.	
Gas Supply System	Replace gas supply piping, valves	
Hot Water Boilers	Replace the boiler. located in the main mechanical room in the basement (Tech ID: Boiler 4)	
Boiler Room Piping And Specialties	Piping replacement and replacement of key isolation valves.	
Chiller Plant - Cooling Towers & Evaporative Coolers	Replacement of existing chiller plant: scope of works includes: new air cooled chiller, new chiller piping , structural review and roof upgrade to support new chiller weight, new pumps, new control valves and connections to DDC	
Exhaust Ventilation Systems	Have exhaust and make-up installed to operate to cool room and ventilate refrigerant.	
Controls And Instrumentation	Repair pneumatic Controls/Valves/Actuators throughout the building.	
Controls And Instrumentation	Replace control system, thermostats and compressor. integrated system to DDC.	
Electrical Service And Distribution (Main electrical switchgear and Generator)	Replace main electrical transfer switch & panel boards	
Share Systems: 312 Main & Police HQ3		

Staff recommend that the City's additional contribution be paid out over the term of the Lease, and to be reimbursed to VCF upon VCF's completion of each item of work as noted in the table. Timing of these works to be aligned with the expected life cycle replacement for these major building systems, and commencement of works by VCF will require the prior written approval of the General Manager of Real Estate and Facilities Management. Worth noting is that the items highlighted below in green are shared building systems with the VPD Annex building on Cordova Street.

The additional City contribution will ensure a longer life and successful future tenanting of the building.

***Implications/Related Issues/Risk (if applicable)***

***Financial***

Proposed City support of s.17(1) will be funded by the 2018PEF capital budget, over the term of the Lease, and as items are complete over time.

***CONCLUSION***

Staff recommend additional funding of up to s.17(1), to be funded from the 2018 PEF Capital budget, to support the base building capital replacement expenses related to the City owned building and Technology and Innovation Centre located at 312/324 Main Street, subject to, and in accordance with the 312 Main Contract Amendments, that the Director of Real Estate Services is hereby authorized to negotiate and amend. Due to the age of the Building and a need for building systems replacement in a shorter than anticipated timeframe, further funds are being recommended in order to ensure appropriate base building capital renewal over the term of the Lease.

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