



ADMINISTRATIVE REPORT

Report Date: January 14, 2019
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VanRIMS No.: 08-2000-20
Meeting Date: January 29, 2019

TO: Vancouver City Council

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

SUBJECT: New Sublease for People's Law School at #150 - 900 Howe Street

RECOMMENDATION

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute a sublease agreement (the "Sublease") with People's Law School: The Public Legal Education Society ("PLS") as the subtenant and operator of the social facility at #150 – 900 Howe Street (the "Premises"), being a portion of the building situated on lands legally described as Lots 1 to 6, Block 72, District Lot 541, Plan 210, on the following terms and conditions and as set out in the key sublease terms attached to this report as Appendix A (the "Term Sheet"), and upon such other terms and conditions as are satisfactory to 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:

- i) Term and Renewal Options:
Two (2) years commencing March 1st, 2019. No renewal options.
- ii) Rent and Operating Costs:
Nominal base rent of Ten Dollars (\$10.00) for the term, payable in advance, plus applicable taxes.

PLS is responsible for paying building operating expenses directly to the head landlord (approx. \$63,000/annum).

As the Rent for the Premises will be below the applicable market rate, Recommendation A constitutes a grant valued at approximately \$133,000/annum based on the first year of the Term.

- B. THAT no legal rights or obligations will arise or be created by Council's adoption of these Recommendations unless and until the Sublease is signed by the City and Public Legal Education Society ("PLS").

The grant in Recommendation A requires the affirmative vote of two-thirds of all Council members for approval, per section 206(1) of the *Vancouver Charter*.

REPORT SUMMARY

Public Legal Education Society ("PLS") has provided legal information and education services to British Columbians at the Premises since 1988. The current sublease term ended on April 30, 2018, and PLS has been overholding on a month-to-month basis since then. Over the past thirty years, City policies and priorities have evolved, and affordability has become a significant challenge for the non-profit sector seeking commercial space in the city. It is within this context that staff recently conducted an evaluation to determine how the services and programs provided by PLS align with City social grant priorities. While PLS is a leader in its field and provides valuable services to British Columbians, it was determined that the core service of the organization is more closely aligned with the Provincial mandate.

Staff recommend that PLS be permitted to continue to operate from the Premises for an additional two years in order to provide the organization time to plan for its future, and to enable the City to conduct a Request For Proposal (RFP) process for the amenity space. It is expected that the Vancouver Social Infrastructure Plan (the "VSIP") will be complete before the RFP process begins and will provide policy direction for the use of the space to maximize the advancement of City priorities. Also, Council directed staff to report back in early 2019 on the creation of a City of Vancouver Renters Office whose mandate will be to support and enhance existing renter advocacy groups. The proposed two year timeline would allow for staff to begin exploring, in partnership with existing renter services providers, the feasibility and desirability of creating a street front, readily accessible tenant services hub in the subject amenity space. The space may also require renovations to make best use of the facility and accommodate a multi service use space. PLS can consider partnerships with other non-profits and respond to the RFP once the scoping is completed. However, PLS may decide to relocate elsewhere by or prior to the end of the term, in accordance with the Sublease agreement.

This report recommends that PLS be permitted to continue to offer legal information and education from the Premises over the near term, and seeks Council authority to enter into a new Sublease agreement with PLS at nominal rent, and on the terms set out herein.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Pursuant to Section 206(l) (a) of the *Vancouver Charter*, not less than two-thirds of all members of Council must approve a resolution for a grant to a charitable institution. The sublease of City-leased property at less than market rent is considered to be a grant. As the proposed Sublease to PLS is for a nominal rent, it is therefore submitted to Council for approval.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

On January 3, 1985, Council approved a proposal from a developer to provide an at-grade public facility of 5,549 square feet at #150 - 900 Howe Street (the "Premises") for use by the Public Legal Education Society (now PLS). This proposal was made pursuant to the City's original amenity bonusing program which was set up in order to secure social and cultural spaces or other public benefits in the city in exchange for additional density. The City secured the amenity space constituting the Premises at a nominal rent through a head lease for the life of the building.

On March 30, 1987, the City subleased the Premises to PLS at nominal rent for a 5 year term, plus two 5 year renewals. Pursuant to the terms of this initial sublease, PLS was responsible for providing community services to the public and for all of the City's obligations under the head lease. PLS was also required to establish and maintain a facility endowment fund. The interest from the endowment fund was intended to cover the operating costs for the Premises from the end of the developer's prepaid commitment of the first 15 years, and to ensure the Premises was able to be kept in good condition for the life of the building.

On March 25, 2003, Council approved a new sublease with PLS for another 5 year term, plus two 5 year renewals.

Strategic Analysis

PLS has been active since 1972, providing free legal education and information to help British Columbians effectively deal with everyday legal problems. Aiming to make the law accessible to everyone, it offers a drop-in resource centre and provides workshops and classes, online resources and print materials covering a range of legal topics (e.g. wills and estates, consumer law, child support).

PLS has operated from the Premises since 1988. The Premises, which have a rentable area of 5,549 square feet, provide a storefront presence in close proximity to transit, the Vancouver Law Courts, and other provincial and federal offices. The facility includes a large reception area, reading room, library, classroom, board room and ancillary offices.

PLS sub-leases surplus office space to two non-profit organizations. The rental income generated from the two sub-leases is directed toward the facility endowment fund.

For the past thirty years, PLS has fulfilled its responsibilities as subtenant and facility operator, maintaining the Premises in good condition, and establishing a facility endowment currently valued at \$210,000.

City Policies and Priorities and Demand for Affordable NPO Space

The City has experienced significant growth and change in the thirty years since PLS began subleasing the Premises and Council policy and priorities have evolved in response. Currently the allocation and use of City assets in Social Policy & Projects' portfolio are informed by a variety of Council policies including the Healthy City Strategy goals that include affordability, equity and inclusion by addressing homelessness, promoting poverty reduction, reconciliation and gender equity, and building capacity among populations who are marginalized including those with mental health challenges and addictions, newcomers, seniors, and children, youth and families.

The VSIP engagement process recently confirmed that Vancouver's non-profit sector continues to face significant affordability challenges and difficulty finding suitable space. Further, the VSIP has informed us that co-location, shared services, and integrated models are emerging as opportunities for non-profit organizations to improve efficiencies and address affordability.

People's Law School Alignment with City Policies and Priorities

PLS has benefited from a nominal lease in a City facility for the past thirty years, but in that time, decision making processes and policy direction around the use of City facilities have changed. In light of these changing circumstances, staff recently conducted an evaluation of PLS to better understand how its programs and services align with current City policies and priorities. While some alignment with Healthy City goals was demonstrated, the review of PLS showed that its core service is more strongly aligned with the Provincial mandate than that of the City.

Given these findings, City staff are interested in identifying ways to maximize use of the Premises for the advancement of City policies and priorities. There is potential to enhance the use of the space through the development of a social justice oriented non-profit hub, which could accommodate organizations focused on equity initiatives such as poverty reduction, reconciliation, homelessness prevention and/or renters support and advocacy services.

The City of Vancouver is very concerned about the challenges renters face in maintaining their housing. Council recently heard considerable feedback from renters regarding their concerns about the risks of being displaced from their homes and communities due to renovations and demovictions, and the challenges they face in securing and maintaining their tenancies. Along with pursuing City policy changes to support renters and advocating to partners at the Province for improvements to supports provided to renters through the *Residential Tenancy Act* (BC), Council also directed staff to report back on the creation of a City of Vancouver Renters Office which would have a mandate of supporting existing renter advocacy groups.

The subject Premises could have potential for expanding or enhancing non-profit advocacy and supports for Vancouver renters, many of which are under-resourced to meet the current challenge. The proposed timeline for this new Sublease to PLS provides time for staff to begin exploring, in partnership with existing renter services providers, the feasibility and desirability of creating a street front, readily accessible tenant services hub in this space or another location. It also allows PLS time to consider

developing a proposal identifying how it could better align with City priorities and potentially partner with other non-profit organizations to redesign the facility around the concept of a hub. Staff will accept proposals for the facility in a public RFP process.

Staff are recommending a new Sublease agreement with PLS for a two year Term.

Implications/Related Issues/Risk (if applicable)

Terms of Lease

Recommendation A requests approval to enter into a nominal Sublease with PLS. The signed Term Sheet outlining the key basic lease terms is attached as Appendix A.

Financial

Staff recommend that base rent be set at a nominal rate of \$10 for the Term with PLS. Nominal rent is considered a grant based on the fair market value (FMV) of the sublease. The FMV results in a grant of approximately \$133,000 per annum for PLS, based on the first year of the Sublease term.

All occupancy costs, including maintenance, are the responsibility of PLS.

CONCLUSION

The General Manager of Arts, Culture, and Community Services in Consultation with the General Manager of Real Estate and Facilities Management, recommend Council's approval of the proposed Sublease agreement with PLS as the operator of the Premises, on the terms and conditions described in this report.

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KEY TERMS FOR THE SUBLEASE OF THE SOCIAL AMENITY SPACE
AT
#150 - 900 Howe Street (the "Leased Premises")
BETWEEN
CITY OF VANCOUVER (the "Sublandlord")
AND
PEOPLE'S LAW SCHOOL: THE PUBLIC LEGAL EDUCATION SOCIETY (the "Subtenant")

PREAMBLE:

- A. The Sublandlord is the tenant of the Leased Premises under a head lease dated June 22, 1988 (the "Head Lease");
- B. The Subtenant is currently holding over on a month-to-month basis on the terms of a sublease dated for reference May 1, 2003, as renewed by a Renewal of Sublease effective May 1, 2008, and further renewed by a Second Renewal of Sublease effective May 1, 2013 (together, the "2003 Sublease");
- C. The Sublandlord and the Subtenant wish to enter into a new sublease for the Leased Premises (the "2019 Sublease"), and have agreed that substantially the same terms, conditions and obligations contained in the 2003 Sublease shall apply to the 2019 Sublease, except as otherwise provided herein.

Term and Renewal Options - Term of two (2) years, commencing March 1st, 2019. There shall be no rights of renewal.

Rentable Area - 5,549 square feet

Total Rent - Nominal rent of Ten (\$10.00) dollars for the term, payable in advance, plus applicable taxes.

Additional Rent - All amounts payable by the Subtenant other than total rent will be treated as Additional Rent.

Sub-subleasing - The Subtenant shall be permitted to sub-sublease portions of the Leased Premises to each of the current non-profit sub-subtenants, being The British Columbia Library Association and Seniors First BC Society. Future sub-subtenancies may be permitted to non-profit organizations for public service use upon the prior written consent of the Sublandlord's General Manager of Arts, Culture and Community Services.

The Subtenant shall be permitted to collect rent from any non-profit sub-subtenant of the Leased Premises, provided that:

- the rent charged is at a rate and an amount acceptable to the Sublandlord's Managing Director of Social Policy and Projects, in consultation with the Subtenant's Director of Real Estate Services;
- such rent can reasonably be determined to be on a cost-recovery basis, plus a reasonable administrative fee, for:
 - the operating costs which are payable by the Subtenant as "Allocable Operating Costs" as defined in the Head Lease;

- o utilities and services serving the Leased Premises which are payable by the Subtenant and the costs of which are not included in the Allocable Operating Costs (if any);
- such rent is commensurate with the floor area exclusively occupied by any sub-subtenant, and taking into account any shared/common areas, services, facilities, equipment, personnel and the like; and,
- such rent shall be applied to the Subtenant's obligation to pay the "Tenant's Share of Allocable Operating Expenses"; the "Tenant's Share of Taxes"; and the "Tenant's Taxes", all as defined in the Head Lease.

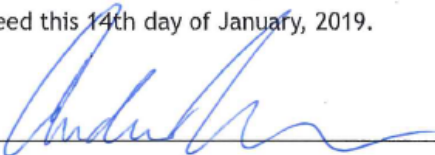
Fund Raising/Endowment Fund - The Subtenant shall continue to raise sufficient funds to fulfill its obligations as set out in the 2019 Sublease, and maintain an endowment fund (the "Endowment Fund"). The Endowment Fund will continue to be tied to and for the benefit of the Leased Premises and the occupant thereof from time to time, and not for any other purpose or party unless the Sublandlord expressly otherwise agrees in writing. The Endowment Fund will continue to be maintained in a segregated and dedicated account or other investment instrument(s), subject to the prior approval of the Sublandlord, and neither the principal nor any income earned on it will be used for any purpose other than "Allocable Operating Costs" as defined in the Head Lease, without the express prior written approval of the Sublandlord. The Endowment Fund shall be fully and completely surrendered by the Subtenant to the Sublandlord at the end of the Term.

Public Service Requirements - The Subtenant shall operate the Leased Premises for the benefit of the citizens of Vancouver and the advancement of social services in Vancouver. As part of the 2019 Sublease, the Subtenant will articulate and adhere to a set of *public service requirements* which will include, among other things, a description of the specific public benefits to be provided by the Subtenant, and reporting requirements as may be reasonably required by the Sublandlord regarding its use and occupation of the Leased Premises.

Early Termination - Either party may terminate the 2019 Sublease upon 90 day's written notice to the other, or such other minimum period as agreed to by the parties.

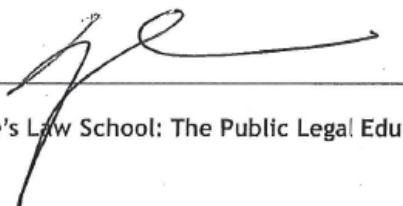
Additional Sublease Terms and Operating Covenants - All additional terms and conditions and any variations of the foregoing as required by the Director of Legal Services in consultation with the Managing Director of Social Policy and Projects.

Agreed this 14th day of January, 2019.



ANDREW NEWMAN
Real Estate Services

City of Vancouver



People's Law School: The Public Legal Education Society

