



REPORT

Report Date: June 9, 2020
Contact: Mary Clare Zak
Contact No.: 604.871.6643
RTS No.: 13907
VanRIMS No.: 08-2000-20
Meeting Date: July 7, 2020
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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: Modification of Lease for Aunt Leah's Independent Lifeskills Society at 1101 Seymour Street

RECOMMENDATION

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute the modification of an existing lease (the "Lease") with Aunt Leah's Independent Lifeskills Society ("Aunt Leah's Place") for premises located on the 3rd floor at 1101 Seymour Street (the "Leased Premises"), to incorporate any required changes to the Lease to effect the following modifications:
- i. Removing the current 3rd floor area (1,654 square feet of exclusive use area) from the Leased Premises, and replacing it with other premises on the 3rd floor (3,383 square feet of exclusive use area), as shown in Appendix A, thereby increasing the total exclusive use area of the Leased Premises by 1,729 square feet for a new total of 3,383 square feet. The increased floor area results in a commensurate increase in the amount payable at the current rate as "Building Operating Costs" as provided for in Sections 1.08 and 1.09 of the Lease (from currently \$14,059/annum to \$28,755.50/annum, plus applicable sales taxes);
 - ii. The modification of lease (the "Modification"), including for clarity the increase to Building Operating Costs referenced in Recommendation A.i above, shall take effect on October 1, 2020 (the "Effective Date"). Aunt Leah's Place shall be permitted early possession of the new location of the Leased Premises beginning September 15, 2020, to accommodate the move and transition of operations by Aunt Leah's Place from their current space on the 3rd floor; and

- iii. The Modification shall incorporate any changes to the Lease as deemed necessary to effect the provisions as set out in this Recommendation A, but shall otherwise be on the same terms and conditions set out in the 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 floor area to be included in the Leased Premises will be below the applicable market rate and includes rent-in-lieu of property taxes, Recommendation A constitutes a grant valued at approximately \$68,300 per annum for the incremental floor area of 1,729 sq ft, and approximately \$133,600 per annum for the new total floor area of 3,383 sq ft, based on the current year of the Term.

- B. THAT no legal rights or obligations be created or arise by Council's adoption of Recommendation A until the Modification has been executed by all parties.

Recommendation A constitutes a grant and therefore requires 2/3 affirmative votes of all Council members, per the *Vancouver Charter* S. 206 (1).

REPORT SUMMARY

This report is recommending that a larger portion (3,383 sq ft) of the 3rd floor, formerly occupied by Positive Living BC ("PLBC"), be leased to Aunt Leah's Place at the same rate per square foot as they are currently paying for their existing 1,654 sq ft 3rd floor premises. The 3rd and 4th floors of 1101 Seymour Street were vacated by PLBC at the end of March, 2020.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

At Public Hearing held May 15, 2013, Council approved on-site facilities as Community Amenity Contributions at 1107 (now 1101 and 1105) Seymour Street from two rezonings:

- 1107 Seymour Street (RTS 9952, report date April 15, 2013)
- 1300-1320 Richards Street (RTS 9953, report date April 15, 2013)

On September 20, 2016 (RTS 11605), Council approved leases to PLBC and AIDS Vancouver ("AV") for several areas on floors 1 to 4 of 1101 Seymour Street, a portion of which included 3,383 sq ft of the 3rd floor leased to PLBC.

On September 20, 2017 (RTS 12139), Council approved the Lease to Aunt Leah's Independent Lifeskills Society for a 1,654 square foot premises on the 3rd floor at 1101 Seymour Street.

On March 31, 2020 (RTS 13740), Council approved the Modification of Lease for AV occupancy on the 4th Floor of 1101 Seymour Street, having been recently vacated by PLBC.

Leases that are provided at less than market rent are considered equivalent to a grant to 'the Society' and therefore require approval by eight affirmative votes of Council per section 206 (1)

Vancouver Charter. Aunt Leah's Independent Lifeskills Society is a registered charity so Council has authority to approve this grant pursuant to Section 206 (1)(a) of the *Vancouver Charter*.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

Built in 2017, 1101/1105 Seymour Street is a 15 storey City-owned facility achieved through a community amenity contribution (CAC). It includes the first 4 floors of social service centre space (1101 Seymour Street), with 81 units of non-market rental housing above (1105 Seymour Street). In 2016 and 2017, Council approved leases with the following four tenants in the social service centre: Positive Living BC, serving people with HIV/AIDS; AIDS Vancouver, serving people with HIV/AIDS; SWAN Vancouver, serving sex workers; and Aunt Leah's Place, serving foster youth.

On January 28, 2020, PLBC notified the City of its intention to shut down its operations as of March 31, 2020 due to significantly decreased funding support, and in effect, terminated its lease with the City. PLBC had occupied the entire 4th floor of the facility; approximately two thirds of the 3rd floor (with the other one third currently leased to Aunt Leah's Place); a meeting room on the 2nd floor; and, a space used as a dental clinic on the 1st floor. With PLBC's departure, three tenants now remain in the social service centre – AV; SWAN Vancouver; and Aunt Leah's Place.

AV had occupied the entire 2nd floor except for the PLBC meeting room, and continues to occupy a unit on the 1st floor for a food bank and grocery delivery service. AV intends to continue to offer a number of PLBC's programs under its umbrella and employ approximately 12 PLBC staff (five full-time and seven part-time). After analysing their expanded services and related space needs, AV concluded the 4th floor would be better suited to their operational needs. City staff supported their move and on March 31, 2020 Council subsequently approved an amended lease (RTS 13740). AV is now undertaking tenant improvements of the larger 4th floor area. Once completed (anticipated in summer 2020) they will move there from the 2nd floor in order to better support the majority of their expanded operations.

Similarly, Aunt Leah's Place has done an assessment of their evolving program needs and concluded they also require a larger space to support their operation.

Strategic Analysis

Aunt Leah's Place is a reputable, financially and operationally viable organization that provides priority social programs and housing services for vulnerable youth and mothers in need. This organization advances a number of key Council priorities, including poverty reduction and housing and homelessness, advancing broader City objectives.

This February, they approached City staff regarding potential tenant improvements they were considering for their current 3rd floor premises, to accommodate their need for increased defined office spaces for staff as well as for private confidential meeting areas for clientele. Other needs included a drop-in resource area, workshop space and kitchenette. After they obtained several proposed re-designs of the premises, it was apparent their current location was not large enough to accommodate a significant portion of these components, and would cost a minimum of approximately \$165,000 to complete. Subsequently, they viewed the larger 3rd floor premises vacated by PLBC, and determined that it would be much better suited for their space needs, without the need for any further tenant improvements or alterations.

Based on Aunt Leah's Place space needs analysis, review of information reflected in their financials, and written approval received from their Board (see letter attached as Appendix B), City staff have approved their move to the larger space on the 3rd floor. As referenced in Recommendation A, the move is anticipated for this fall with the Modification expected to take effect October 1, 2020.

The Lease commenced on February 1, 2018 for a 5 year term, with one 5 year renewal option. Aunt Leah's Place currently occupies a total of 1,654 square feet on the 3rd floor. The space they are asking to move to on the same floor is 3,383 square feet. The difference in floor area between the two spaces is 1,729 square feet.

Table 1 below provides an overview of the changes expected to take place after Aunt Leah's Place move (**AIDS Vancouver figures reflect space allotment after completion of move from 2nd floor to 4th floor*):

| Table 1: Current and Revised Dedicated Area Amongst Tenants (in square feet) | | | | | | | | | | |
|---|---------|----------|---------|----------|---------|----------|---------|----------|---------|----------|
| | Floor 1 | | Floor 2 | | Floor 3 | | Floor 4 | | Totals | |
| | Current | Proposed |
| Aunt Leah's Place | 0 | 0 | 0 | 0 | 1,654 | 3,383 | 0 | 0 | 1,654 | 3,383 |
| *AIDS Vancouver | 798 | 798 | 0 | 0 | 0 | 0 | 4,543 | 4,543 | 5,341 | 5,341 |
| SWAN | 580 | 580 | 0 | 0 | 0 | 0 | 0 | 0 | 580 | 580 |
| New Operator(s) (TBD) | 0 | 508 | 0 | 4,801 | 0 | 1,654 | 0 | 0 | 0 | 6,963 |
| Total Area (sq ft) | 1,378 | 1,886 | 0 | 4,801 | 1,654 | 5,037 | 4,543 | 4,543 | 7,575 | 16,267 |

Under the Lease, Aunt Leah's Place pays Building Operating Costs equivalent to a rate of \$8.50 per square foot per annum, and it is recommended that the same rate also be applied for the incremental 1,729 square feet it will occupy on the 3rd floor.

Implications/Related Issues/Risk

The closure of PLBC and the subsequent moves of AV from the 2nd floor to the 4th floor and Aunt Leah's Place to a larger area on the 3rd Floor, will result in the entire 2nd floor and approximately one-third of the 3rd floor of 1101 Seymour becoming vacant by October 2020. Social Policy and

Projects will initiate a request for proposals process as soon as is practicable, seeking social non-profits who are fulfilling Council objectives to occupy the remaining vacant space. Staff are also exploring potential new operators for the dental service currently in a small unit on the 1st floor. If a suitable operator cannot be found, staff will seek a non-profit who can use the dental clinic space to achieve other Council objectives, either as part of the request for proposals for the 2nd and 3rd floors or separately. Staff will bring recommendations for non-profit operators to Council for approval at a future Council meeting.

Financial

The increased floor area from 1,654 sq ft to 3,383 sq ft and resulting modification to the Lease for Aunt Leah's Place will result in an increase to Aunt Leah's of \$14,696.50 per annum in Building Operating Costs, to a total of \$28,755 per annum, starting October 1, 2020. A review of their prior year financial statements indicates that Aunt Leah's Place will be able to support the added costs related to the increased floor area in the amended lease.

Under the lease to PLBC, the City was receiving \$53,945 per annum for this 1,729 sq ft space, equivalent to a subsidized below-market rate of approximately \$31.20/sq ft/annum (gross). Therefore the amount of \$14,696.50 per annum the City will receive for this space upon the Modification taking effect represents a reduction in rental revenue of \$39,248.50 per annum.

Should Council approve Recommendation A, the proposed rent (nominal basic rent of \$10 inclusive of rent in-lieu of property taxes) at a below market rate represents a grant to Aunt Leah's Place of approximately \$68,300 per annum for the incremental floor area of 1,729 sq ft, and approximately \$133,600 per annum for the new total floor area of 3,383 sq ft, based on the current year of the Term.

Legal

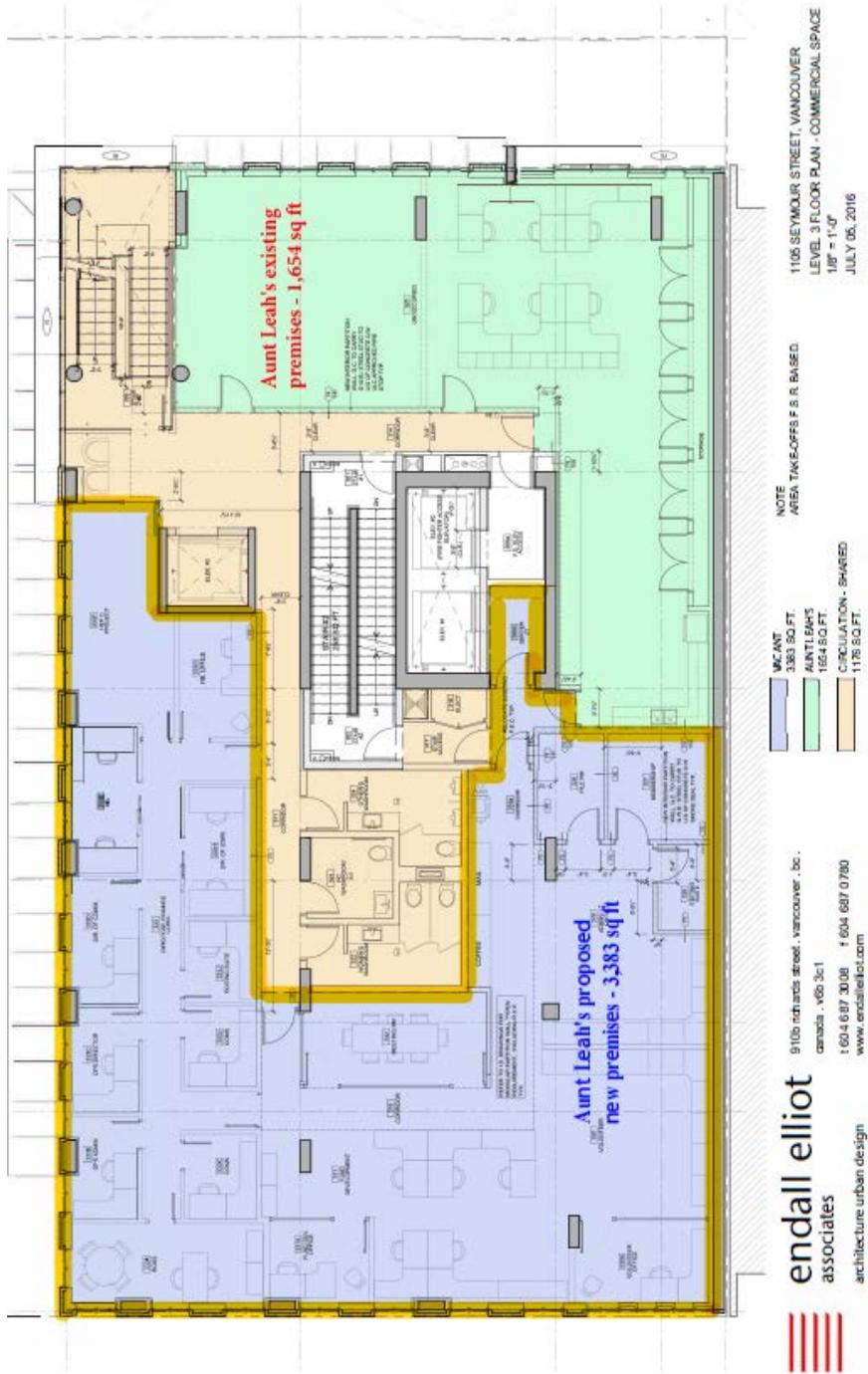
Staff has the authority to approve the move by Aunt Leah's Place to the larger space on the 3rd floor. Since the proposed rent to be charged for the 1,729 additional square feet on the 3rd floor is below market rent and hence constitutes a grant, Council approval is required.

The proposed changes to the Lease for Aunt Leah's Place as provided in Recommendation A, if approved, will be instituted via a modification to the Lease.

CONCLUSION

Aunt Leah's Place plays a critical role in supporting vulnerable and homeless youth and offers a safe, secure location for young mothers to access services they require to stay healthy. The proposed relocation of Aunt Leah's Place within the building will provide a secure, effective and affordable facility base for their programs and services.

* * * * *





Building a Brighter Future for Foster Kids

June 3, 2020

Andrea Cornborough
City of Vancouver
Social Policy and Projects
andrea.cornborough@vancouver.ca

Re: Aunt Leah's Independent Life skills Society request to move to a larger unit at 1101 Seymour Street

Dear Andrea

This letter is to confirm that Aunt Leah's Board of Directors supports the request submitted by Sarah Stewart Aunt Leah's Executive Director to move into a larger unit located at 1101 Seymour Street. I would also like to thank the City of Vancouver for their continued support and partnership with Aunt Leah's Place. Being able to move into a larger unit with increased confidential office space will increase access to supports for youth in and from government care and mothers in need.

Respectfully,

A handwritten signature in black ink, appearing to read "Omar Kassis", written over a light blue horizontal line.

Omar Kassis
Board Chair, Aunt Leah's Place