Co-location in Vancouver: Feasibility Study

Executive Summary

The time for a co-location of not-for-profits in Vancouver is long over due. Not-for-profits are, now more than ever, facing increasing office space costs and the real possibility of displacement.

This initial feasibility study finds that not only is there demand for this type of a project, it seems that, at first blush, it is financially feasible. Key risks include the current real estate climate, acquisition of financing, and the necessity for leadership within the not-for-profit sector to prepare for and then act on opportunities as they arise. Yet, even facing these risks this early research confirms that the commitment, desire and support all exist such that a Vancouver Co-location is a very real possibility.

In 2006, Genius conducted a survey of not-for-profits in the Vancouver area. Based on their input, the building we should be looking for will house approximately 10-15 organizations which have a broad range in size. The total square footage will be in the area of 10,000 to 20,000 and an asking price in the ballpark of $4 million. The organizations surveyed are not necessarily the tenants-to-be yet represent organizations in both size and stature, which provide a preliminary estimation of what this location could comprise.

Below you will find information about the vision, the operations, the services and the legal structures that are all under consideration. This document is meant as an early guide, yet we recognize that flexibility is necessary to accommodate for the myriad of variables that are at play as we continue to progress. Progression will include a real estate search and purchase, renovations, operational structure development and moving in process. Ideally this will begin as early as January 2008.

Time Frame and Process

A team of consultants have been hired by the Global Youth Education Network Society (aka Genius) to conduct a process of business planning and development. The primary purpose of this process is to uncover the best method of acquiring and sustaining ownership of office space by not-for-profit organization(s) in Vancouver. Our first step, however, is a feasibility study to determine whether proceeding to the subsequent stages of business and strategic planning is appropriate. This feasibility study seeks to marry preliminary real estate research with research that clarifies the needs and capacities of not-for-profits in this region.

This feasibility study is complemented by a working group of experts and documents that further inform the potential ownership models, along with respective ownership agreement templates. Finally, we have begun to draft out the next steps that we deem to be the most appropriate business planning process given our research into best practices and experiences of other examples of not-for-profit co-location spaces. Ideally, given that these developmental documents will be completed by the end of 2007, and assuming that they profile a favorable outlook for the proposition, we will forge a committed real estate search beginning early in 2008.

Background and Rationale

The not-for-profit sector is a critical part of our social fabric. It plays a vital role in maintaining a healthy environment and promoting a just and democratic society. The ability of nonprofits to provide quality affordable social services, however, depends on their ability to develop and maintain crucial infrastructure resources. They need adequate, cost effective office facilities and operating resources.

Today more than ever, nonprofit organizations find it increasingly difficult to secure and maintain quality work environments – space that is stable and affordable and also enhances the mission and operations of tenant organizations.

Some of the key reasons for this include:

- Economic hard times – Funding from foundations and corporate sponsors has decreased, especially to groups who already tend to receive a smaller portion of the pie, such as those serving immigrants, advocates for social justice, or youth service providers.
- Infrastructure instability – More than 80% of nonprofits do not own their own space. These organizations typically must allocate 20% (second only to personnel) of their expense budget to rent, thereby exposing over 1/5 of their cash assets to the profit driven fluctuations of the real estate market.
- Lack of real estate focused support services and advocates – There are very few, if any, organizations dedicated explicitly to the office and program space needs of the nonprofit sector. To date, infrastructure support for nonprofits has been focused on management and organizational development, fiscal sponsorship, fund development, and more recently, information technology.

Arguably, the strongest rationale for co-locations are that they strengthen the entire citizens sector. Here are a few of the ways:

- Increasing visibility – Co-locations provide a tangible, visible expression of the essential work done by the not-for-profit sector. In doing so they increase not only the credibility of tenant organizations but those of the entire sector.
- Lowering overhead costs – affordable space means more money is available throughout the sector for direct program and service delivery.

- Transforming expenses into investments – with not-for-profit owned facilities, rent dollars that would normally flow out of the sector are reinvested in the long-term financial capacity of the sector.
- Pioneering new initiatives – Co-locations are leading the way into new territory for the not-for-profit sector. As a social enterprise, this model builds on the best practices of both the for-profit and nonprofit sectors, laying the groundwork for other social venture initiatives. As economic development catalysts, important employers, and community assets, they are establishing new models of community development. They are also some of the most exciting new examples of sustainable 'green' building design.

Co-locations have obvious benefits for organizational tenants through providing:

- Stability – Co-locations are developed for the purpose of providing a long-term home for not-for-profit organizations - not as a "quick sell" capital gains investment. Owners do not look toward increasing rents as a source of cash to fund further investments. As such they provide a cushion against the capricious nature of the for-profit real estate market.
- Affordability – Even the few co-location centers that operate at market rate rents facilitate economic efficiency and cost sharing through providing collaborative facilities and back office infrastructure (such as shared conference rooms, IT services, and reception areas). These alone can produce great financial savings for tenant organizations.
- Mission enhancement – Cross-organizational collaboration and synergy, such as sharing office support services and developing multi-stakeholder initiatives, as well as enhanced exposure to neighboring tenant's stakeholder networks through center supported public programs or gallery space, are just a few of the mission enhancing benefits of co-location centers.

Finally, they strengthen individuals and diverse communities through:

- Increasing direct program and service delivery – when not-for-profit organizations can save money on overhead costs they have more to allocate to the programs and services that directly impact individuals and local communities.
- Creating new hubs of economic activity – people who work for a co-location tenant organization spend their dollars near their place of work. Residents have convenient access to services delivered right to their own neighborhood. Renovation of old buildings in a run-down neighborhood can catalyze economic revitalization throughout the area.
- Providing community resources – public open space, low-cost or free meeting venues, historic and environmental displays, public galleries that display community artists, affordable performance and rehearsal space, socially responsible retail and restaurant choices, training for local residents, multi-sector networking events, and professional and

organizational development training are just a few of the public services possible.

The Vision

Over the past year, Genius has surveyed thirteen organizations of differing size, capacity and needs. Deriving from that research is a excellent sense of what is called for in the Vancouver region and affirmation of the need for a co-location center in general. Here are a few of the aspects of the proposed Vancouver Co-location.

Vision

We envisage a Co-location Center that encompasses a shared identity based on a clearly articulated unifying vision and set of values.

Affordable, stable space is the most basic need in Vancouver, simply providing a real estate haven for not-for-profit organizations. Whether focused primarily on office facilities for a single anchor tenant with subtenant leases or a multiple ownership model, the Vancouver Co-location may also include: program delivery space, event/conference space, exhibit space, concession space, or other facilities used by both tenant organizations as well as the public.

We are proposing a model that revolves on a single property and professional management system. There will be a single organization responsible for property management as well as shared programming and services.

Programs and Services

Creating and supporting the community of organizations that inhabit this Co-location will be both rewarding and challenging. There are great opportunities for co-operation, operational cost savings, and synergy as well as difficulties trying to broker buying agreements, mediate conference room scheduling conflicts, and inspire cross-programming and participation.

As with all of the other strategic considerations, it is essential to align our menu of shared services with the vision and purpose of the Co-location.

Service Philosophy & Delivery Plan

Several issues that cut across almost all shared services include:

- Service philosophy -- Tenant participation, in creating and controlling the services they receive, is a great way to build a sense of community. However, our primary goal is efficient cost saving measures, thusly we are proposing a centralized management system.
- Provisions of services -- The central organization body will have staff responsible for organizing participation and use across the Co-location tenants.

- Cost recovery for services -- The costs of services will be built into the financing structure. Additionally, fee for service, tenant sponsorships, and rent subsidy exchanges may all be considered to shore the vision of a collaborative community of not-for-profit co-tenants.

Services Offered at the Vancouver Co-location

Provision of shared facilities and/or enhanced infrastructure for organizations within the Co-location. These services may include:

- Enhanced space and physical infrastructure: along with providing enhanced physical amenities such as announcement boards, ATM, storage rooms, bike parking/storage, wash-up facilities, and shared kitchens comes the responsibility to service these areas or at least facilitate tenant participation in servicing the areas. Tasks such as removing old flyers from bulletin boards, posting recycling information in the kitchens, and mediating who gets how much storage space will require someone's time.
- Shared multipurpose space: having this type of space for small conferences, workshops, special events, and board meetings was listed as a keen desire of the not-for-profits we surveyed. However, just creating the space is not enough. Coordinating room reservations, supporting their use and maintenance, and collecting fees may be a full time position. Some tenants with private conference rooms may choose to share their space with neighbors on an ad-hoc basis, while others find staffing this community contribution quite burdensome. Providing enough staff to actually attract and service public use of your shared space is also a great way to provide a much needed community service to other not-for-profit organizations as well as increase public awareness of both the Co-location and its tenant organizations.

Based on the desires of our survey respondents, the Vancouver Co-location will likely also extend into providing or facilitating operational support services such as:

- Reception and clerical services: cost-saving can be found in shared reception services and clerical staff; however, it will be important to negotiate up-front who these folks report to and how the cost is shared.
- Integrated staffing services: in addition to reception and clerical positions, other common services include: IT support, database management, mail/copy/supply room staff, and some programmatic personnel if coordinated client services is a goal.
- Resource sharing and pooling: this category includes such things as a/v equipment, copiers, printers, purchasing clubs, memberships, and hospitality equipment like tables, chairs, coffee makers etc. As well, our survey respondents would like to explore shared health, dental and extended benefits plans that improve their packages for staff.

Fifty percent of the organizations we surveyed, said they were likely to be providing programming onsite. Thus, the Vancouver Co-locations will explore the provision of enhanced communications or programmatic element to be included in the property management role:

- Communications and Outreach: For example, we may support for a shared newsletter (either paper or on email), a listserve or on-line bulletin board, shared web space, or other community publications that can help tenants get to know each other better as well as promote the Center to the greater public.
- In-Person Community/Professional Development: town hall meetings, brown bag lunches, public workshops, working committees, professional development seminars, social gatherings, orientations and site tours all help to build a sense of community. These events, however, require some kind of staffing to schedule, promote participation, facilitate, and produce (i.e.: setup and cleanup) thus inclusion within the Co-location programming will be dependent on resources available and level of commitment of the co-founding tenants to be involved.

<u>Location/ Real Estate/ Building Operations</u>

The building in which the Vancouver Co-location resides will be the most obvious shared characteristic. Many strategic decisions in this area-- such as location, renovations and improvements, space allocation, layout and design-- apply to any not-for-profit organization that gets involved in owning real estate. Adding multiple tenants makes these considerations more challenging and raises additional issues such as rent pricing, tenant improvements, and incorporating facilities for shared services.

Key considerations include:

- Location: The strong preference will be within Vancouver proper as that is where many, if not all, potential tenants are currently situated. Building characteristics and transportation are of course considerations to be included in the purchasing process. We are aware that the maximum flexibility may be necessary given the real estate climate in Vancouver. As well, we will explore locations outside of Vancouver such as Burnaby, New Westminster and the North Shore.
- Buy or Lease: see the models under consideration below.
- Rent pricing: This proposition is hinged on stabilizing the locations available to not-for-profits in Vancouver. That goal includes not-for-profits that do not have large budgets or core operational funding. Thus, we anticipate a mix of rates that "fit" with the respective tenants residing at this Co-location. For some small organizations this may mean below market or subsidized rates, yet for larger, stable organizations this will mean market rates.

- Renovations: Implicit within this proposition is the notion of sustainability. For us, that includes social, economic and environmental sustainability. Therefore green building techniques, accessibility, and historic values are all considerations.
- Total space and allocation: The space required will likely range from 200 to 3000 square feet, totaling between 15,000 and 30,000 sq ft. Here are few relevant stats from our survey of potential tenants:
  - 46% said they'll need more space in the future; 46% said it was probably enough; for those that needed more it was approx 1-4 offices or 150 - 800 sq ft;
  - 71% said they didn't have a plan to finance this increased rental costs; 28% said they either do or will have the budget;
  - 74% of respondents had less than 5 f/t staff; 16% had 10+ f/t staff; 62% had 1-2 p/t staff;
  - number of rooms needed:
    - + 1 room is sufficient - 25% of respondents
    - + 2-3 rooms - 25% of respondents
    - + 4-10 rooms - 41% of respondents
    - + >10 rooms - 8% of respondents.

Facility issues include:

- Space layout and design : The space will need to work for the tenants. Here are a few of the desires that we have heard:
  - everyone needs storage;
  - almost everyone needs access to a meeting room - some more often than others;
  - half of the groups need lunch and copy rooms.
- Reception areas: Shared reception space will be preferred.
- Shared multipurpose space: The ability to hold small conferences, workshops, special events, board meetings etc. onsite is our preference although will be space and schedule dependent.
- Tenant services: showers/lockers, lunch areas, kitchens, supply/storage/copier rooms, broadband access, announcement boards, parking lots and bike lockers etc. is each desired yet subjective to availability, space and budget.

Vancouver real estate Information:

- As of November 5, 2007, there were currently no buildings up for sale in Vancouver. This is an indication of two things:
  - The stock of available buildings in this region is small in general; and,
  - The competition to buy buildings is very high.
- Here are the details of a recent building sold, that can serve as a good example of what the Vancouver Co-location will be looking for:
  - 25,000 square feet

- $4 million asking price
- $165 per square foot
- 10-15 potential suites
- mixed use zoning
- Address:

Building Operations

The fundamental business of the Vancouver Co-location is mission-driven property management. Achieving stable, affordable, mission-enhancing space and developing a collaborative community of tenants begins after the trash is taken out, the gutters are cleaned, and the heating/cooling system is operating at maximum efficiency. Thus, the efficient and effective operations of the Co-location will be the responsibility of a single central organization created or retained to see those duties fulfilled.

It is possible that Genius will take on this role of managing the Co-locations operations. Therein, certain functions will be contracted out to professional service providers in order to extend the capacity of Genius.

Property management issues include:

- Extending the Capacity of Our Organization: While management services of the Vancouver Co-location will be centralized in one organization, some of the functions will be contracted out. For example, a professional building manager or management service will be retained to ensure that the property management function is done right.
- Facility Operations: We intend to have an independent organization whose sole purpose is to operate the Co-location. Thus staff will be hired to meet some of the functions, such as organization and coordination of common spaces. Yet, we will likely contract outside professional services to perform the functions beyond the limits of the central organizing functions – e.g. cleaning windows, etc.
- Staffing and Support: Building maintenance, leasing, and tenant services are just a few of the roles and responsibilities of the central organizing body. The staffing and management of those roles will be the responsibility of that organization under the guidance of the governing body – e.g. Board of Directors.

Leasing & tenancy issues include:

- Tenant Selection Criteria: Based on the Vision of the Co-location, and under the guidance of the governing body, the central organizing body will be responsible for the tenant selection criteria and process.
- Space: Allocation, scheduling, and adjustment will also be the responsibility of the central organizing body.

Financing and support
Creative, solid financing is one of the key factors in developing a stable Co-location. The technical support of an advisory group and a financial institution that understands this mission are of the utmost importance.

Types of Funds Required
There are many different types of funding required to develop and operate the Co-location. Beyond the purchase of a building we are also considering: Development & Renovation funds, Tenant Improvements, Ongoing Building Management Operations, Periodic Capital Improvements, and Program & Service Delivery.

Funding Sources
We are considering a combination of sources that includes:

- Capital Campaigns: targeted fund solicitation strategy that asks for donations from individuals, businesses, and foundations. Since this is the most familiar form of nonprofit fund raising, most organizations immediately assume that this is the only way they will be able to acquire real estate. While it can be a key component of your funding package, it is also important to take advantage of a variety of other sources.
- Traditional Bank Financing (Mortgage): borrowing over time with interest. This is one of the main sources of funds for the Vancouver Co-location. It will, however, only cover 75%-90% of a project. We are working with Vancity Credit Union and Vancity Capital Corporation to cultivate relationships, and to educate them about nonprofit real estate issues and to work with them to craft a compelling loan application.
- Community Loan Funds: interest-bearing loans to organizations that are either underserved by conventional lenders or are strengthening the economic base of low income and minority communities. We are not sure that this kind of financial services are available in Canada, but will be exploring the possibilities accordingly.
- Private Loans: interest-bearing loans from a private individual or corporate entity. For instance, we rather than share equity with a for-profit (or nonprofit) partner, the Vancouver Co-location may work with partners to develop private, interest-bearing loans.
- Program Related Investments (PRIs) from foundations: below market interest rate loans or loan guarantees for commercial or tax-exempt bonds. This strategy requires a process similar to a grant application but can often be for larger amounts. As with traditional bank financing, PRIs often require leveraging existing relationships with foundations and educating your contacts about this particular type of financing. It is often a very attractive strategy for foundations because low-interest loans qualify as part of their required annual payout.
- Historic Tax Credits: tax incentive for renovating and reusing historic buildings. Tax incentives can be very attractive but are only applicable to

for-profit projects. Public-private partnership projects may also be able to use this type of financing.

- Tax Exempt Bonds: interest bearing bonds are sold either publicly or privately through an intermediary broker. To qualify for this financing strategy your project must be owned by a non-profit entity and 95% of its tenants must be non-profit organizations. There may be other restrictions. We will need to consult with a professional bond broker who is familiar with non-profit bond financing.
- Organizational Reserves: financial savings. Ideally, the Co-location partners will have put aside some reserves as part of the annual budget to use as a down-payment and other purchase costs. Having these reserves is especially helpful in applying for a Traditional Bank Loan.

Ongoing Financial Management Considerations:

- Insurance (liability & property)
- Accumulating capital reserves for renovations, expansions, tenant improvements and repairs
- Staffing costs
- Loan repayment deadlines
- Refinancing
- General/annual maintenance costs
- Unexpected program or project opportunities
- Tenant vacancy reserves
- Rental market fluctuations

<u>Vancouver Survey Respondent Characteristics</u>
Rent currently being paid by the 13 not-for-profits surveyed:

- ranges between $3K/yr and $60K/yr
- Total rent paid for total of 11846 sq ft = $198,816/yr or $33,334/month
- 27% of respondents said it's too much already
- 54% said it's about right
- 18% said they could afford a bit more

% of annual budget on rent:

- <5% of budget - 30% of respondents
- 5%-10% of budget - 60% of respondents
- 10-15% of budget - 10% of respondents

Type of funding:

- 45% said they have core funding
- 54% sad they struggle on by project to project funding

Type of lease arrangement:

- Month to month - 27%
- One year lease - 18%
- two year - 18%

- Multi-year - 18%
- other - 18%
- All but one have had their current lease pass
- 45% of respondents said they could commit to a 3 year lease

Vancouver Co-location Models Under Consideration

<u>Not For Profit (NFP) Ownership</u>
The NFP ownership model can be structured in two ways:

a) Owner-occupier with sub-tenants is where an existing organization (e.g. Genius) that serves as neutral convener owns and manages the property, or acts as an anchor tenant to lease the space, and subsequently subleases to other NFP
b) Incorporate a NFP specifically to own and manage the building with co-ownership, tenant-based or neutral board.

Ownership by an independent non-profit entity is the most common legal ownership structure of Co-locations.

Benefits	Challenges	Financing	Appendices
Model A			
- efficient decision-making	- not able to access funding incentives and tax credits available to private sector	Grants	*Information for Incorporation of a BC Society*
- build capacity and knowledge in real estate and property management	- divert resources away from core NFP	Community loans	*Fairhill Centre Sample By-laws (US example)*
- clear leadership	- less accountability to tenants	Banks loans-mortgages	*Our Health Sample By-laws (US example)*
Model B		Capital campaigns	
- can inject assets from existing organizations	- tenants may be reluctant to contribute existing assets to a new NFP that has little track record	Foundation grants	
- commitment on behalf of tenants	- how to create a board that reflects the size and commitment of various organizations	Government grants	
- separate entity can	- new NFP have	Organizational	

reduce conflict of interest	little credibility with funders and community	revenues	
- stable rent but no built equity	- with no track record, may not be able to access mortgage or other financing	Existing assets	
- collaboration built into DNA of Centre			
- building stays in trust for NFP sector			
- build capacity and knowledge in real estate and property management			

<u>Condominium/ Strata Ownership</u>
Strata title property is a form of ownership in which a property owner owns their individual unit, plus a share of the common areas of the site, or "common property". Residential, commercial, industrial and other types of buildings may be subdivided by way of a strata plan.

Each development is managed by its own "strata corporation", although some strata corporations may choose to hire a property manager. The owner of each strata lot has one vote in the strata corporation, and generally pays monthly maintenance fees to cover shared expenses related to common property and to provide for a contingency fund, used for repairs and maintenance of common property. The strata corporation can pass strata by-laws (building regulations), and must hold a general meeting of all owners at least once a year, when the annual budget is approved, the "strata council" is elected, and special resolutions, if requested, are voted on.

The governing legislation regarding strata title property is the British Columbia Strata Property Act.

Benefits	Challenges	Financing	Appendices
- governance is participatory and democratic	- complex financing to purchase a single building- each organization would need to get a mortgage	Banks loans- mortgages	*BC Strata Property Act Table of Contents*
- individual organizations can build assets and equity	- each group needs to come up with capital and financing; same	Private investors/ lenders	*BC Strata Property Guides Table of Contents*

	funders may be approached by variety of organizations		
- depending on investors or downpayment, could be an affordable option	- requires certain level of sophistication and resources from individual organizations; may be difficult for smaller orgs	Tax credits	
- ownership is real and tangible	- only entities with existing assets can participate	Organizational revenues	
- clear boundaries around what is shared and individually owned	- model is exclusionary and may not help organizations that actually need co-location	Existing assets	
- risk is spread			

<u>Third party developer/ owner</u>
The third party developer/ owner model is when a NFP secures a long-term lease and manages the building. This is the most viable option outside of ownership. The owner can be private developers, foundations or city-owned properties. The owner may provide financing or property, but does not necessarily physically participate in space or property management. The owner may still play a role in ownership and governance.

Benefits	Challenges	Financing	Appendices
- lease can be long-term and stable	- no assets or equity are being built by tenants	Banks loans-mortgages	
- can build some capital if lease is low and rents are higher	- NFP may not want to do management	Private investors/ lenders	
- NFP needs to only be responsible for managing services and property	- may still need to do extensive renovations or upgrades	Tax credits	
- low risk	- property may increase in value due to lease-hold improvements, but this benefits owner	Organizational revenues	

	not tenants/ manager		
- foundations can support NFP directly by providing incubation space/ grants can be used to subsidize rents	- NFP may be reluctant to enter into a tighter dependency role with funders	Existing assets	

Key Risks

<u>Increasingly competitive real estate market</u>
The real estate market in the Vancouver region is among the highest priced and most competitive in North America. Here are some of the issues:
- Very little available stock
- Wealthy development community
- Fast turnover of any available buildings

<u>Financing Acquisition</u>
The ability of not-for-profits to acquire sufficient financing is a risk factor dependant on these issues:
- Available, non-allocated, non-restricted capital to use for down payments, upfront investments, purchasing costs, etc.
- Many not-for-profits, especially small to medium sized, may face unstable revenues to pay debt service payments and additional building, operations or administration costs.
- Few not-for-profits have stable long-term core funding that can satisfy traditional lenders expectations.

<u>Governance and Management</u>
Given the complexity of a co-location proposal, development and implementation it is critical that the leadership within be stable, strong and driven with a clear vision. Accompanying these leaders will need to be a supportive community of advisors from the real estate, development, not-for-profit and banking sectors.

As well, upon purchase and implementation, the lead organization(s) charged with management and governance will need clearly defined rules, bylaws and structures from which to seek guidance as necessary.

Appendices

Example Development Budget
Real Estate listings
Co-location Models Resource Document
Draft Business Planning Process

Vancouver Co-location

Development Budget: Costs

Charitable Organization to Purchase

Project: Multi Tenant Non-profit Co-location

Address: ?

Key Figures

Asking price:	**4,000,000**
Actual purchase:	**4,000,000**
Total Sq. Footage	**25,000**
Total Cost per sq ft	**165**
Charitable receipt:	**-**
Renovation Costs:	**27,000**
Sweat Equity	**-**
Total grants	**-**
Total Mortgage	**3,896,426**
Total Monthly Mortga	**18,941**
Amortization period:	**30**

Uses of Funds	**Amount**	**Per Sq Ft**	**Prcnt**	
Acquisition Costs				
Property Purchase	4,000,000	160	97.2%	
Building Inspection	795	0	0.0%	
Closing Costs	10,000	0	0.2%	
Environmental Assessment	-	-	0.0%	
Appraisal	500	0	0.0%	
Land Survey		-	0.0%	
Finance Fees	15,300	1	0.4%	
Land Transfer Tax	15,000	1	0.4%	
Municipal Fees and Permits	131	0	0.0%	
Sub-Total: Acquisition Costs	4,041,726	162	98.2%	
Development Fees and Charges				
Interest Pre-IAD	-	-	0.0%	
Taxes Pre-IAD		-	0.0%	
Insurance Pre-IAD	-	-	0.0%	
Utilities Pre-IAD	5,000	0	0.1%	
Consultants/ Professional Fees	200	0	0.0%	
Pre-Development Project Co-ord	15,000	1	0.4%	
Project co-ordination & admin	7,000	0	0.2%	*In kind
Mortgage Insurance	20,500	1	0.5%	
Legal Fees		-	0.0%	
Quantity Survey	-	-	0.0%	
Sub-Total: Development Fees & Charges	47,700	2	1.2%	
Renovations and Construction				
Renovations	25,000	1	0.6%	*some sweat equity
New Construction	-	-	0.0%	
Fridges/ Stoves	-	-	0.0%	
Appliances	-	-	0.0%	
Commons Furnishings		-	0.0%	
Landscaping	2,000	0	0.0%	*in kind
Energy saving features	-	-	0.0%	
Warranty	-	-	0.0%	
Other	-	-	0.0%	
Sub-Total: Renos & Construction	27,000	1	0.7%	
Other				
Project Contigency		-	0.0%	
GST Contingency (Net)		-	0.0%	
Sub-Total: Other	-	-	0.0%	
Total Costs	**4,116,426**	**165**	**100.0%**	

Vancouver Co-location

Development Budget: Financing

Project: Multi Tenant Non-profit Co-location
Address: ?

Sources of Funds				Amount	Per Unit	Pct	Approved to date	Pct Approved
Project Grants								
Vancity Credit Union				20,000	1	0.5%	27,000	135.0%
					-	0.0%		
Sub-Total: Project Grants				**20,000**	**1**	**0.5%**	**27,000**	**135.0%**
Capital/Equity								
Cash Downpayment				200,000	8	4.9%	-	0.0%
Donations and Fundraising Events				-	-	0.0%	5,000	#DIV/0!
Building/Land Equity				-	-	0.0%	-	
Capital Grants								
City of Victoria				-	-	0.0%	50,000	#DIV/0!
Regional Housing Trust Fund				-	-	0.0%	-	#DIV/0!
Provincial Government				-	-	0.0%	70,000	#DIV/0!
Federal Government (RRAP)				-	-	0.0%	-	
Coast Capital Savings				-	-	0.0%	20,000	#DIV/0!
Co-operators				-				
vreb/Real Estate Foundation of BC				-	-	0.0%	-	
Green Building/Retrofit Grants				-	-	0.0%	-	
				-	-	0.0%	-	#DIV/0!
Sub-Total Capital/Equity				**200,000**	**8**	**4.9%**	**145,000**	**72.5%**
Mortgage	**Amrt**	**Rate**	**Pmt**					
Loan: First	30	4.2%	18,941	3,896,426	156	94.7%	-	0.0%
Loan: Second	20	7.5%	-	-	-	0.0%	-	
Loan:	20	9.0%	-	-	-	0.0%	-	
Sub-Total Mortgage			**18,941**	**3,896,426**	**156**	**94.7%**	**-**	**0.0%**
Total Funds				**4,116,426**	**165**	**100.0%**	**172,000**	**4.2%**

Projected Surplus/ (Deficit)	**-**

*In kind here includes agreed to donation of realtor fees towards the costs of the project.

OFFICE TRANSACTION SUMMARY

455 Granville Street

GENERAL SUMMARY

Record Status:	**Draft**
Inventory Number:	BC-OFF-2007-08-30-802T
Address:	455 Granville Street
Location:	Located on the west side of Granville Street, north of West Pender Street
Municipality:	Vancouver
Sub-Market:	Downtown
Tenancy Type:	Multi Tenant
Event Date:	2007-08-30
Price:	$4,000,000
Building Size (sf):	25,000 (Estimated)
Price Per Square Foot:	$160
Capitalization Rate:	
Sale Type:	Market
Percentage Transferred:	100.00%
Estate Type:	Fee Simple
Brokers:	

LEGAL DETAILS

PID(s):	002-577-381
Instrument Number:	BB 114725
Title Type:	Standard
Legal Description:	Lot B, Block 22, District Lot 541, Plan 8227
Lot Details:	Frontage on Granville Street 50.00 feet
Lot Area:	0.13 acres
Land Assessment:	$2,589,000.00
Building Assessment:	$262,000.00
Total Assessment:	$2,851,000.00 (2007)
Vendors:	Berkley Resources Inc.
Signing Officer:	Matt Wayrynen & Lindsay Gorrill, ASOs
Address:	c/o 200 Burrard Street, Suite 12000, P.O. Box 48600, Vancouver, B.C., V7X 1T2
Purchasers:	Stanley Dee & Associates (Pender-Granville Properties Ltd.)
Signing Officer:	Stanley Dee, ASO
Address:	388 West 8th Avenue, Suite 201, Vancouver, B.C., V5Y 3X2

PRICE STRUCTURE

Cash and Assumed Consideration:	$4,000,000.00	(100%)
VTB Price:	$0.00	(0%)
Other Considerations Price:	$0.00	(0%)
Chattels Price:	$0.00	(0%)
Total Price:	$4,000,000.00	
Percentage Transferred:		100.00%
100% Equivalent:	$4,000,000.00	

	MORTGAGE 1
MORTGAGE TYPE:	Subsequent
PRIMARY LENDER:	Citizens Bank of Canada
SECONDARY LENDER:	
TERTIARY LENDER:	
INTEREST RATE:	see below
PRINCIPAL AMOUNT:	$10,000,000.00
CALCULATION PERIOD:	
PAYMENT FREQUENCY:	
PAYMENT AMOUNT:	
COMMENCEMENT DATE:	10/01/2007
MATURITY DATE:	03/01/2010
INSTRUMENT NUMBER:	BB 114726
INSTRUMENT DATE:	08/30/2007
SEE REMARKS:	The interest rate shall be 5.59% per annum, calculated semi-annually not in advance, repayable in monthly installments of $56,943 to September 1, 2009 thereafter bearing a floating interest rate of Prime plus 5.00% per annum, calculated monthly, repayable in monthly installments of interest only.

PROPERTY DETAILS

Land Use Details:	The City of Vancouver designates the zoning for the property as DD, a Comprehensive Development District classification for the Downtown District. The property in this transaction is contained in Area B, which permits a maximum gross floor area equal to seven times the area of the lot.
Physical Details:	The property is improved with one five storey office building constructed circa 1950. The

	building contains a total net rentable area of approximately 25,000 square feet including ground floor retail space. The building has been constructed using a structural steel frame with concrete block walls behind a granite tile and glass facade. The building is serviced by one elevator.
Tenancy Details:	
Income Details:	!!

GENERAL NOTES

General Remarks:	The vendor had acquired the property in August of 2001 for a total consideration of $1,812,000, representing a price per square foot of $72, based on the information provided at the time of sale.

PROPERTY LOCATION

Surrounding Uses:	

RETRIEVING...

Office Retail Industrial Residential Land ICI Land

Co-location in Vancouver: Models Resource Document

Developing Vision and Mission, and Impact on Ownership/ Management Model

Co-locations, also called Multi-tenant Non-profit Cenres or MTNCs, can serve a variety of purposes, some of which will not naturally fit within all ownership and management models. If the purpose is to build long-term assets for NFP tenants, then a co-ownership model might be more appropriate than single ownership. An important starting place is to define the vision of the MTNC as this will inform the remainder of your decisions. The following question must be defined: ***what is the public benefit impact you aspire to achieve?*** The answer is your declaration of vision.

The second question is: ***how will this centre achieve that impact?*** This question outlines the purpose statement. Be sure to include the kind of centre, depth of community involvement, type of shared services and methods of collaboration. Also consider the primary focus. Is this centre focused on collaborative service delivery; long-term stability with predictable rents; and breakeven, make money or subsidize tenants and cover the loss?

To develop a shared vision and purpose in a collaborative fashion, it is necessary to:

- Have open dialogue about why people are involved, what they hope to accomplish and how the collaborative effort can help them to achieve their goals
- Build strong, trusting relationships
- Have a participatory process with the active involvement of member organizations

Sample vision statements:

To move sustainability forward by fostering collaboration among businesses, government, nonprofits and academia. The long-term goal of the Alliance is to create a national center where sustainability advocates from around the nation will have a place to meet, exchange ideas, learn, and plan.

Artscape is committed to building a world that engages art, culture and creativity as catalysts for community transformation, sustainability, prosperity and liveability. Artscape unlocks the creative potential of people and places to build vibrant, resilient and inclusive communities.

Puente, which means bridge in Spanish, is a non-profit real estate and community economic development organization based in Olneyville. Our mission is to catalyze economic self-sufficiency and provide opportunities to neighborhoods that are facing gentrification and displacement. Specifically, we reactivate abandoned and under-utilized properties to the benefit of the local community.

NFPs see affordability as the primary motivator when deciding to participate, the ability to collaborate with shared costs and space is secondary motivator. Below market rate rents are a major benefit to attracting and maintaining tenants and the ownership/ management model and real estate market will create a variety of scenarios to consider.

Sample purpose statements

Artscape is a not-for-profit enterprise engaged in culture-led regeneration. Our practice focuses on:

- ***Anchoring creative communities within sustainable and affordable spaces***
- ***Building authentic and dynamic places by connecting creative and cultural resources***
- ***Creating tools, expanding thinking and inspiring action***

Puente's interest in The Plant is to create an environmentally sustainable mixed-use development that will provide below-market space for people to live, work, gather and share resources. The Plant will offer commercial and live/work rental units, as well as flexible community event and public space. Puente is committed to creating opportunities for meaningful community participation in our projects, including community hiring, arts engagement, and sustainable and green building.

The Downtown Center serves the homeless and formerly homeless residents of New York City, as well as those at risk of losing their homes. We assist them with their reintegration into the workforce through support services, skills training, and the planned day care center for the children of homeless job seekers.

Table 1: Identifying Vision and Purpose Considerations

Vision	Purpose	Design & Location	Shared Services	Shared Amenities
	Sustainable green practices	Green building	Collaborative tools: shared website, newsletter, bulletin boards, suggestion box	Staff and common reception area
	Neighborhood development	Accessible to people with disabilities	Operational efficiencies- bulk purchase of supplies, buying coops	Meeting and conference rooms, including large meeting space for 50 or more people
	Historic preservation	Close proximity to transit (within how many blocks?)	Managing and supporting public space and events	Resource library
	Foundation-grantee support	Flexible space (easily shifted into a variety of conformations)	Inter-building social events	Internet and network capabilities
	Community incubator	Community access	Integrated staffing and fundraising	Parking
	Coordinated client services	Cultural space (performance space, galleries, large meeting conference space)	Client referrals	Medical office
	Programmatic themes	Close to café, restaurants and/ or groceries	Incentives for public and alternative transportation	Daycare space
	Affordable space	Close to funders and partner organizations	Reception	Phones

NFP asset development	Parking available	On-site box office/ ticket sales for fundraising events	Galleries/ theatre/ performance space (do not have to be arts focused to provide this)
Social enterprise opportunity	Bank nearby	Technology support staff	Café or restaurant
	Natural light	Mailroom services- shared postage machine	Storage
	Childcare nearby	Onsite child care	Common eating space/ kitchen
	Hotel nearby	Centre website	Showers
		Job lists and volunteer matching	Common copy, fax and supply room- usually on fee-for-service basis
	Bike storage	Joint recycling	Audio visual supplies
	Location is client-specific (serving clients in a certain neighborhood)	Networking events	Community gardens/ green roofs
	Green space/ outdoor eating	Professional development/ training- benefit from quality meeting space, availability of skilled and often free trainers from amoung tenant organizations, pooling	

			of tenant resources to bring in outside trainers and experts	
			Fundraising assistance and resources, including shared fundraising software, access to fundraising databases	
			Acting as advocacy voice for NFP sector, on behalf of tenants	

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Finding Your Space

Location + Type of Centre + Shared Amenities + Type of Development + Financing

Location

Your location will depend primarily on the nature of the target tenants and the clients they serve. Provincially-based organizations will be more flexible in location needs than community-serivce agencies. As well, real estate prices may dictate both location and the tenants who will occupy the centre. Other location considerations include access to transit, parking, food services, etc (please see chart above).

Types of Centres

Affordable office and program space: the most basic, yet least cohesive, type of center simply provides a real estate haven for nonprofit organizations. Often focused primarily on office facilities for a single anchor tenant with subtenant leases, these types of Centers may also include: program delivery space, event/conference space, exhibit space, concession space, or other facilities used by both tenant organizations as well as the public. Often the Center revolves around the real estate - a high-profile or landmark building.

Multi-service centres: provides a one-stop service option for a targeted population.
programmatic theme centres; oganizations focused on a common cause such as the environment, the arts, or children

Foundation- created centres: provides a home for a specific group of grantee organizations supported by a foundation.

Community economic development and historic preservation: renovates aging or historic buildings as part of a plan for community economic revitalization or base conversion.

Shared Amenities

Determining the ideal and essential shared amenities will assist in assessing space and renovations requirements. One word of warning is that the space perceived is never enough- especially considering storage- and difficult to anticipate. MTNC can range from 10,000 – 150, 000 sq. feet and the size of space does not reflect the number of tenants. When possible, look for space that can be re-figured easily or has possibility for future expansion.

Types of Development

The type of development you choose is a combination between what is available in your desired location and accessible funds. Here are the most common options to work within:

- expansion/ addition to existing building
- green building renovations/ feastures
- historic restoration
- minor renovation of existing buildings
- new construction
- major renovation of existing buildings (most common)
- occupying public schools that have closed
- converting old houses

Financing

The type of financing an MTNC can access largely depends on the ownership structure chosen. However, the list below depicts the range of financing options available to NFP and for-profit ownership structures:

- **Banks loans**- mortgages and small business loans
- **Capital campaigns**- nearly 1/4 of Centers relied on capital campaigns for a significant proportion of their financing
- **Community loan funds**
  - ***Coast Capital Savings Community Loans***- Up to $150,000 for initiatives that show benefits to the community's economic, social or environmental well-being
  - ***CEDTAP*** provides $3,000- $20,000 in loan funds administered by a local financial institution
  - ***Vancity Growth Capital***
  - ***Vancouver Agreement/ BOB***
- **Existing assets**- buying land or a building almost always requires long-term financing. However, when you sell a building and buy another, you may be able to use the equity of your previous building to help cover the down-payment on the new one.
- **Foundation grants**- will usually need multiple foundations to buy-in
  - ***Central City Foundation***- up to $30,000 for capital investment in DTES
  - ***City of Vancouver Heritage Foundation*** grants- up to $5,000
  - ***United Way Community Innovation Grants (CIG)*** - up to $30,000 but not for capital or renovation costs
  - ***Vancity Community Foundation***- up to $20,000 for Community Economic Development
  - ***Vancouver Foundation***- grants can be multi-year- do not fund capital grants in urban areas

- *JW McConnell Foundation*- Creating resilient communities grant, no restrictions on capital grants
- ***BC Social Enterprise Fund***- makes one-time capital grants for critically needed infrastructure projects
- ***Real Estate Foundation of BC***

- **Government grants**
  - ***City of Vancouver Capital Grants*** are for major capital projects located in the City of Vancouver, involving facility purchase, construction, renovation, or expansion for up to 1/3 of the cost.
  - ***Gaming- Direct Access Grant***- maximum grant: $100,000 per year (Up to $20,000 of this may be used for minor capital projects.)
- **Government loans**
  - ***Co-Vision* -** for entrepreneurs at the start-up stage or early growth phase (first 12 months of sales), the Business Development Bank (BDC) offers Co-Vision, a customized term financing solution up to $150 000 for long term financing.
  - ***The Canada Small Business Financing Program*** encourages financial institutions to make their financing available to small businesses. Under the Program, a small business must apply for a loan at a financial institution (bank, credit union or caisse populaire) of its choice. If the loan is granted by the financial institution, the federal government will reimburse 85 percent of the lender's losses in the event of default. business carried on in Canada;
    - **for an existing business:** the estimated gross annual revenues generated from all the operations within the small business of the borrower must not exceed $5,000,000 for the business' fiscal year during which the CSBF loan is approved, or
    - **for a new business:** the estimated annual gross revenues generated from all the operations within the small business of the borrower must not be expected, at the time the CSBF loan is approved, to exceed $5,000,000 during the first 52 weeks of operation.
  - Some financial institutions, including the ***BDC***, offer term financing for buying land and buildings. Term financing is particularly well suited to purchasing land and buildings: with BDC, for example, the percentage of financing of the total cost of the project is generally higher since it is the growth potential of your project that is examined. Re-payment options are flexible and tailored to your cash flow variations.
- **Government subsidies**
  - ***Community Venture Capital Program*** supports regional economic diversification and is an add-on to the Equity Capital Program
- **Private investors/ lenders**

    - ***GrowthWorks*** managed funds invest in small and medium-sized Canadian businesses with high growth potential that need equity financing to achieve success. All stages of growth are considered. Companies should be looking for $500,000 to $5,000,000 in Financing.
    - ***Initial Public Offerings-*** an IPO is the process whereby a private firm sells equity through investment dealers to the public by issuing shares.
- **Organizational revenues**- rents, space rentals, fee-for-service, parking revenue, special event fundraisers
- **Tax credits**
    - ***Equity Capital Program*** encourages equity investment in eligible small businesses in British Columbia. The Province provides a 30% refundable tax credit to investors who invest in eligible small businesses under the program
    - ***Employee Share Ownership Program*** promotes investment by employees in their company by providing them with a 20 percent provincial income tax credit.

- Tax-exempt bonds – [further research is necessary to understand the application of these in Canada]
- Bond funding for mortgage financing - [further research is necessary to understand the application of these in Canada]

<u>Ownership Models</u>

Collaboration: Beginning the Process

A lead agency/ community convener is required to guide the process of choosing an ownership structure that best meets the vision, purpose and financing needs of the MTNC. There is a significant amount of work that needs to occur prior to determining the appropriate ownership structure, including building an advisory group/ tenant group, determining the vision and purpose of the centre, agreeing on location and space needs, researching possible real estate options and understanding financing options and funds available. This process is made easier with a single lead agency, but if collaboration is a key outcome for the shared space, the following should be considered.

The National Community Development Institute has identified characteristics of effective collaboration:

- Shared mission and goals
- Clear governance process
- Supported members

- Diverse membership
- Strong relationships based on trust
- Open communication
- Broadly supported and accountable leadership
- Sufficient resources

Collaboration and relationship building is not dependant on shared ownership and governance so many of these concepts can be integreted anywhere along the development/ operations process. Some aspects of collaboration are more relevant to governance than ownership decisions, and will be outlined futher below. However, laying the groundwork for collaboration in governance can begin through the ownership decision-making process, and can focus on building strong relationships based on trust, open communication and sufficient resources.

Collaboration through:

Strong relationships:
- create space for open and candid communication
- develop a culture of shared accountability
- interact with humility
- minimize secrecy and promote transparency
- have faith that others have the best intentions

Open communication:
- create regular channels for communication
- create multiple channels for communication
- clarify understanding and decisions
- create a process for addressing conflict

Sufficient resources:
- obtain initial/ seed funding
- address fiscal issues in an open and honest way
- build knowledge about financial management
- diversify revenues
- focus on mission-driven rather than funder-driven activities
- communicate with funders in a unified voice

With collaborative processes, decision-making can be more intensive. Deciding upon a decision-making process at the onset, including who makes decisions, scope of decisions and accountability, will help streamline this process. There are several decision making tools that can assist in the process; the following have been included in Appendices: Grid Analysis, PMI and 6 Thinking Hats.

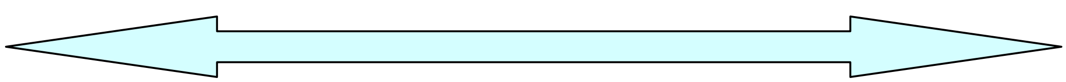
Ownership Models

The most significant decision to be made is the ownership model that will structure the MTNC. Potentially the biggest question is: ***should we employ a***

for-profit or non-for-profit structure? Each has its advantages and disadvantages:

For Profit Ownership Structure	Not-for-profit Ownership Strucutre
Advantages	***Advantages***
• access to private market capital- a much larger pot of $ • access to government tax credits and incentives • may run more efficiently • social enterprise mentality incorporated from onset • opportunity to make money and become self-financing • no dependancy on funders	• social mission might benefit from social ownership • access funding, donations and capital campaign dollars for centre • funder provide a safe-guard against future crisis • no taxes • able to integrate social vision within structure • may have more good will from community • can re-invest any surplus into centre • NFP are familiar and comfortable with NFP governance models
Disadvantages	***Disadvantages***
• need to pay taxes • NFP may be uncomfortable with a for-profit structure • Not able to access funding for social purpose aspects of centre • Need to ensure a viable business plan • May not be a money-making venture and therefore more risky	• Funding dollars are shrinking and unstable • May exist within dependancy mindset • Equity-building may be more difficult to incorporate

The following 6 ownership models are not a comprehensive list of options, but represent the most commonly used. They have been placed along a non-profit to for-profit continuum. Each will be explored in more detail, the benefits and challenges to each model, the type of financing available and accompanying appendices specific to each ownership structure.



Single NFP ownership	Lease with equity shares	Cooperative/ NFP co-ownership	For profit partnership	Condominium	3rd party-developer/ owner

NFP Ownership

The NFP ownership model can be structured in two ways:

a) Owner-occupier with sub-tenants is where an existing organization that servces as nuetral covener owns and manages the property, or acts as an anchor tenant to lease the space, and subsequently subleases to other NFP
b) Incorporate a NFP specifically to own and manage the building with co-ownership, tenant-based or neutral board.

Ownership by an independent nonprofit entity is the most common legal ownership structure of MTNC.

Benefits	Challenges	Financing	Appendices
Model A			
- efficient decision-making	- not able to access funding incentives and tax credits available to private sector	Grants	*Information for Incorporation of a BC Society*
- build capacity and knowledge in real estate and property management	- divert resources away from core NFP	Community loans	*Fairhill Centre Sample By-laws (US example)*
- clear leadership	- less accountability to tenants	Banks loans-mortgages	*Our Health Sample By-laws (US example)*
Model B		Capital campaigns	
- can inject assets from existing organizations	- tenants may be reluctant to contribute existing assets to a new NFP that has little track record	Foundation grants	
- commitment on behalf of tenants	- how to create a board that reflects the size and commitment of various organizations	Government grants	
- separate entity can reduce conflict of interest	- new NFP have little credibility with funders and	Organizational revenues	

	community		
- stable rent but no built equity	- with no track record, may not be able to access mortgage or other financing	Existing assets	
- collaboration built into DNA of Centre			
- building stays in trust for NFP sector			
- build capacity and knowledge in real estate and property management			

NFP Lease/ Ownership with Equity Shares

Lease or ownership with equity shares has a central owner with the opportunity for tenants to purchase/ obtain equity shares in the property. The shares can be sold when tenants leave the building, either back to the core owner or to the new tenant, or all parties benefit if and when the property is sold.

Benefits	Challenges	Financing	Appendices
- NFP will build equity while remaining low risk	- Difficult to get equity out while keeping costs low for new or incoming NFP	Banks loans-mortgages	*Equity Shares Policy*
- direct accountability to tenants/ owners	- complicated model with few examples	Private investors/ lenders	
- innovative model	- may not meet goal of affordable rent	Capital campaigns	
		Community loan funds	
		Foundation grants	
		Government grants	
		Organizational revenues	
		Existing assets	

Cooperative- For Profit or Not For Profit

A cooperative can be incorporated as either a non-profit or for profit structure, and can involve/ create different membership classes, including investors. The BC Cooperative Association is a good resource for determining the benefits and challenges of for-profit vs. non-profit cooperative ownership; www.bcca.coop. As well, there are a number of initiatives and funds that support the specific development of the cooperative sector; http://coop.gc.ca.

Benefits	Challenges	Financing	Appendices
Collaboration is built into the ownership structure	Complex ownership	Banks loans- mortgages	*Guide to Incorporating a Cooperative Association in British Columbia*
Each organization/ tenant has equal investment in property	Decision-making process may be difficult and slow	Private investors/ lenders	
Tenants are directly accountable for building and success	Membership engagement can be time-consuming and difficult to obtain	Tax credits	
Democratic engagement	Organizations may not have adequate resources to participate fully	Community loan funds	
Building social capital	Viewed externally as not a strong business model- may be difficult to access either funding or financing	Foundation grants	
Building stays in trust for future generations		Organizational revenues	
		Existing assets	

Partnership- generally for-profit

Developing a partnership organization can range from creating informal alliances to merging operations. In assessing partnership options for ownership, it is more likely that the following four integreted partnership operations will apply:

- A **management service organization (MSO)** is an integration that includes the creation of a new organization in order to integrate administrative functions, and thus to increase the administrative efficiency of participating organizations.

- A **joint venture corporation** is an integration that includes the creation of a new organization to further a specific administrative or programmatic end of two or more organizations. Partner organizations share governance of the new organization.

- A **parent-subsidiary** structure is an integration that integrates some administrative functions and programmatic services. The goal is to increase the administrative efficiency and program quality of one or more organizations through the creation of a new organization(s) or designation of an existing organization(s) (parent) to oversee administrative functions and programmatic services of other organization(s) (subsidiary). Although the visibility and identity of the original organizations often remain intact in a parent-subsidiary relationship, some organizations involved in such restructurings consolidate to the point where they look and function much like a merged organization.

- A **merger** is an integration that includes the integration of all programmatic and administrative functions to increase the administrative efficiency and program quality of one or more organizations. Mergers occur when one or more organizations dissolve and become part of another organization's structure. The surviving organization may keep or change its name. A merger also occurs when two or more organizations dissolve and establish a new structure that includes some or all of the resources and programs of the original organizations.

Benefits	Challenges	Financing	Appendices
- can attract wider range of investors	- entity becomes primarily accountable to investors	Banks loans-mortgages	
-risk is shared between investors	- Return on Investment may be the priority	Private investors/ lenders	*Starting a Small Business in British Columbia*
- may make market rents more affordable	- multi investors may have different goals and	Tax credits	

	priorities (fewer may be better)		
- big backers can bring a certain level of security	- power lies with investors who may have influence to dictate community and culture of space	Organizational revenues	
- can choose investors with similar values	- reduction of community buy-in	Existing assets	
	- building is not a community asset in perpetuity		

Condominium/ Strata Ownership

Strata title property is a form of ownership in which a property owner owns their individual unit, plus a share of the common areas of the site, or "common property". Residential, commercial, industrial and other types of buildings may be subdivided by way of a strata plan.

Each development is managed by its own "strata corporation", although some strata corporations may choose to hire a property manager. The owner of each strata lot has one vote in the strata corporation, and generally pays monthly maintenance fees to cover shared expenses related to common property and to provide for a contingency fund, used for repairs and maintenance of common property. The strata corporation can pass strata by-laws (building regulations), and must hold a general meeting of all owners at least once a year, when the annual budget is approved, the "strata council" is elected, and special resolutions, if requested, are voted on.

The governing legislation regarding strata title property is the British Columbia *Strata Property Act*.

Benefits	Challenges	Financing	Appendices
- governance is participatory and democratic	- complex financing to purchase a single building- each organization would need to get	Banks loans- mortgages	*BC Strata Property Act Table of Contents*

	a mortgage		
- individual organizations can build assets and equity	- each group needs to come up with capital and financing; same funders may be approached by variety of organizations	Private investors/ lenders	*BC Strata Property Guides Table of Contents*
- depending on investors or downpayment, could be an affordable option	- requires certain level of sophistication and resources from individual organizations; may be difficult for smaller orgs	Tax credits	
- ownership is real and tangible	- only entities with existing assets can participate	Organizational revenues	
- clear boundaries around what is shared and individually owned	- model is exclusionary and may not help organizations that actually need co-location	Existing assets	
- risk is spread			

Third party developer/ owner

The third party developer/ owner model is when a NFP secures a long-term lease and manages the building. This is the most viable option outside of ownership. The owner can be private developers, foundations or city-owned properties. The owner may provide financing or property, but does not necessarily physically participate in space or property management. The owner may still play a role in ownership and governance.

Benefits	Challenges	Financing	Appendices
- lease can be long-term and stable	- no assets or equity are being built by tenants	Banks loans-mortgages	
- can build some capital if lease is low and rents are higher	- NFP may not want to do management	Private investors/ lenders	

- NFP needs to only be responsible for managing services and property	- may still need to do extensive renovations or upgrades	Tax credits	
- low risk	- property may increase in value due to lease-hold improvements, but this benefits owner not tenants/ manager	Organizational revenues	
- foundations can support NFP directly by providing incubation space/ grants can be used to subsidize rents	- NFP may be reluctant to enter into a tighter dependency role with funders	Existing assets	

<u>Operations/ Management Models</u>

As mentioned above, joint ownership does not equal creating a collaborative workspace. For many MTNC, collaboration and community-building is found in the management and governance structure of the shared space. An essential aspect of building collaborative space is providing the ability for contribution towards and 'ownership' of the space's culture.

In creating a governance structure for MTNC, the following questions need to be answered:

Who governs it?
Who staffs it?
Who programs it?
Who maintains it?
In-house or contract for an external property manager?
Who provides the services?

a) Central management
b) Outside contractor
c) Tenants for each other
d) Tenants groups to advise building governance

Who pays for the services?

a) Part of the rent
b) Fee for service

c) Pro-bono (usually supported by a foundation)
d) No rent, but monthly associate fee that covers operating costs

Some issues to consider in making these decisions are:

- How much time are tenants willing/ able to contribute beyond the regular work of their organization?
- What is the connection between decision-making and finances?

This section will look at several options and tools for governance, including:

- Participatory Governance
- Tenant Selection
- Leases
- Rules, Regulations & Building Policies
- Property Management
- Insurance
- Budgeting
- Staffing

Participatory Governance

When looking at fostering in-centre collaboration, three types of collaboration have been identified: center-led and supported, tenant-driven collaboration, and tenant/non-tenant or external collaborations.

Collaboration is mainly focused on the provision of shared services and building relationships between tenants. There is collaboration around centre decision making, communication and information, organizational and staff development, service delivery and community relationships. Deeper collaborations include:

- **Administrative consolidation** assists in the sharing, exchanging, or contracting of administrative functions to increase the administrative efficiency of one or more of the organizations.
- **Joint programming** is the joint launching and managing of one or more programs to further the programmatic mission of the participating organizations.

Considerations to take in nurturing a collaborative workspace are:

Effective governance process	**Develop and support membership**	**Create and nurture diversity**	**Develop and nurture effective leadership**
• outline clear criteria for membership in the	• outline clear criteria for	• recruit a diverse	• develop a shared vision

collaboration • create clear operating procedures regarding decision-making, communications and accountability • create fair and equal representation/participation in the governance process • create specific rules of conduct • ensure responsive leadership	membership in the collaboration • articulate clear descriptions of expectations of members • articulate the benefits of being a member • build mutual understanding among member organizations • take actions that meet the needs of member organizations • implement concrete projects with broad member participation	membership • focus on issues related to diversity in a proactive way • develop responsive leadership • commit resources to diversity • develop core operating principles • share information in a transparent way • provide cross-training among member organizations	• build strong relationships • create leadership development opportunities, including mentoring • rotate leadership roles • develop a culture of shared accountability

Tenants are most likely involved in determining types and terms of shared services.

Tenants are least likely to participate in issues around rents and lease terms and tend to have limited involvement in the oversight of daily operations and determination of rents and lease terms.

MTNC have used these methods in fostering collaboration and participatory governance:

- Tenant meetings
- Tenant councils
- Rotating board participation
- Surveys

- Site website
- Working groups
- Suggestion boxes

Tenant Selection

Creating a certain culture within a space starts with the selection criteria for tenants. The type of centre identified may create a selection criteria in itself, yet other factors also need to be considered such as need, financial stability, size of tenant, mission-compatable to Centre (Centre achieves its mission through acceptance of client) and mission- harmony to Centre (societal/ programmatic mission match).

Hope Centres used the following process in developing their selection criteria:

Step 1: Develop ground rules that establish…
- Purpose of the selection process.
- The scope of issues that need to be addressed with potential center partners.
- The range of possible arrangements that can be offered.
- Define what is and is not negotiable.

Step 2: Develop selection criteria to help determine which organizations get "invited to the table".
- Define the types of organizations and list potential organizations that may wish to be involved in the process.
- Use word of mouth, references and open community meetings to identify potential center partners other than the "usual suspects."

Step 3: Manage a formal application and selection process.

Step 4: Negotiate with preferred center partners.

Here are the selection criteria and process of 5 other MTNC:

By application; prospective residents must be nonprofit organizations whose primary purpose is cultural.

By application; criteria – artistic merit, innovation of programs, evidence of solid income and human resource bases, commitment to organizational development, fiscal accountability

By application; process tests readiness to fully utilize space, minimum budget of $25,000, minimum staff of 20 hours per week

By application or staff support grant through Arts Council' criteria – commitment to organizational development, fiscal accountability and readiness to fully utilize opportunity

By individual interview; criteria – commitment to incubation process

Leases

NFP with less that $1 million in annual expenditures face infrastructure challenges and may have more difficulty in participating in management and governance of the MTNC. As well, leases and rents may want to take into consideration the percentage of organizational budget dedicated to administration and rents in determining rates and services provided.

Centers create supportive environments for new organizations, those undergoing change, or those most subject to fluctuations in funding. Yet, they also provide long-term stability to established organizations, enabling them to plan soundly for longer periods, ensure stability to employees and clients and create a place-based identity that enhances awareness of their work.

Over two-thirds of MTNC employ a mix of lease lengths ranging from month-to-month to ten years. This approach to mixed leasing helps create a dynamic and flexible mix for collaboration, learning, mentoring, and resource exchange. Approximately 30% of Centers require that tenants collaborate with each other as a condition in their lease terms.

The rates that Centers are charging on average per square foot are as much as 75% lower than the standard market rate for their communities. 16 of 31 Centers actually have a stated policy to keep rents below the standard market rent in their areas.

When developing the lease terms, you will need to determine what is included within the rent/ lease:

- Triple net
- Full service
- What expenses are covered
- Rent escalator
- Expense escalator
- How much common area is included? Is this free or a shared cost?
- Janitorial, etc

Due to the legal nature of leasing agreements, it is highly recommended that professional legal assistance is obtained to develop the MTNC lease and that each tenant is covered in a lease agreement. The Hanan Lease template has been included as a sample MTNC lease.

Rules, Regulations & Building Policies

Beyond leases, or in some instances, included in leases, are a the rules, regulations and building policies that govern the community within. These can include collabortation clauses, community charters, participation agreements, health and safety guidelines and so on. The development and updating of rules and regulations is furtile ground for collaboration. Included here are a number of examples of other MTNC policies:

- Tenant emergency guidelines
- Building Rules and Regulations
- Thoreau Centre Community Charter
- Elements of a Collaboration Agreement

Property Management

NFP can choose to manage the property themselves or contract out the work. Either way, facility operations include:

- Repairs and maintenance
- Accounting
- Insurance
- Long-term capital improvement planning
- Tenant selection
- Lease negotiation and terms
- Marketing
- Tenant improvements
- Janitorial (optional)

The advantages to obtaining property management services is the company's ability to use their economies of scale to gain optimal prices, use of best practices, accompanying expertise, avoidance of mission-drift/ tapping of existing organization's resources, and trained staff.

The disadvantages are lack of control, may be expensive, company may under-perform and liability for building is that of owner.

Overall, the advice from MTNC already established is:

Managing a building is managing a separate business-
most recommend hiring a property manager-
put effort into hiring a management company,
not learning how to manage

See the Appendices for a sample Property Management Agreement.

Insurance

Generally, there are two types of insurance: insurance carried by the building owner and insurance carried by the tenant. Insurance carried by the building owner is fairly standard, but insurance carried by tenants is variable and part of your selection criteria.

Carried by building owner:

- Catastrophic events – Earthquake, Flood, Terrorism
- Loss of Rental Income
- Policy conditions – valuation; deductibles;
- Coinsurance; policy warranties
- Liability limits – what limit is adequate?
- Security and Protection – card key entry, visitor passes, alarms, employee ID's, property manager
- Changes in building laws and codes
- New construction and renovations

Carried by tenant:

- All business personal property, tenants improvements and business income
- Liability coverage to comply with lease requirements (Landlord always an additional insured)
- Automobile coverage for, at a minimum, owned vehicles or employees use of non-owned vehicles
- Workers Compensation as required by province
- D&O liabilty/Employment Practices Liability
- Additional coverage as necessary based on program activities

Shop around for the best coverage, competative prices and company track record in paying out claims.

Final Thoughts

Lessons for Success:	Common Mistakes:	Future challenges:
• Organizational readiness is key: o Do you have the capacity to run an MTNC? To evaluation NFP colleagues as potential tenants- this is a new core skill, building management o Is management and staff supportive, programs strong and financial condition good? o Are you chasing money or an opportunity? o Is the board actively engaged in fundraising and planning? o How will this change your organization? o Projects always take longer and cost more than anticipated!	• facility > mission • falling in love with 'unique' real estate • starting before a network of support is in place • not exploring all the financial options • starting before financing is in place • starting before fundraising is in place • not having a financial cushion • expecting funders to bail you out • not updating costs throughout the project • not establishing a potential tenant base • not having your website at the outset	• expanding the centre • managing transition of centre leadership • improving services and operations • finding more space • addressing external pressures on NFP • developing/ improving tenant collaboration • completing renovations/ capital improvements • balancing financial sustainability with affordable rents

Co-location in Vancouver: Development Process

1. Conduct preliminary real estate survey. **[Completed November ‘07]**

2. Write up a simple feasibility study based on ‘06 survey responses and the real estate survey. **[Completed November ‘07]**

3. Compile a resource document that informs decisions about models of co-location that are possible. **[Completed November ‘07]**

4. Construct an advisory committee. Meet to inform and advise as necessary. **[In progress November ‘07]**

5. Meet with Vancity to update and garner support for moving ahead. **[December ‘07]**

6. Real Estate Search based on a firm set of criteria (location, size, etc.) **[Beginning December ‘07]**

7. Confirm anchor tenants are committed and begin drafting a purchase agreement. **[January ‘07]**

8. Upon finding an appropriate building, construct the purchasing arrangement and make an offer. **[TBD]**

9. Upon purchase of the building:

    I. satisfy subjects including inspections, financing, etc. **[TBD]**
    II. outreach for additional tenants as necessary **[TBD]**
    III. commission architectural, design, etc. professional services as necessary. **[TBD]**

10. Affirm respective roles of organizations in relation to the co-location.

    I. write and ratify a governing document that includes: vision, operating structure, services, etc. **[TBD]**
    II. hire and/or assign and/or contract for building, operations, and services management duties. **[TBD]**

11. Remodeling, renovations, moving in. **[TBD]**