Business Case
Transition Place Renewal

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A. Executive Summary

enCompass owns a four-story office building in downtown Edmonton. The building has enjoyed full occupancy for the past two decades, mainly including enCompass, two social service agencies (Aboriginal Counselling Services and CMHA-Edmonton) and a property management firm (Laidley). These tenants have remained consistent for at least the past decade and longer for some. Other smaller tenants have come and gone over the years. As of March 2025, the building remains at full occupancy but this will change in August 2025 with the departure of the largest tenant – CMHA-Edmonton.

The building's main uses are office use and program delivery by social service agencies. Clients come and go daily as do staff and volunteers, including a 24-7 call center (24-7 use of the building will cease with the departure of CMHA-Edmonton).

Maintenance and repairs have kept pace and the building is in good condition. A long-term capital plan has not been in place for the building (enCompass leadership is working to create one). There are three main issues/risks facing enCompass as the owner and landlord of Transition Place in downtown Edmonton:

1. enCompass growth requires more use of Transition Place
2. enCompass must find tenant(s) to replace CMHA-Edmonton
3. Capital upgrades are required for enCompass' growth and to attract new tenants

A sub-issue is that the current tenant leases are dated and favour the tenants (e.g. no termination clause for Laidley). Laidley occupies a separate portion of the building that is street level and prime growth space for enCompass, including a potential social enterprise. Unfortunately, enCompass does not have the ability to exit Laidley per the existing lease.

Without a capital plan and funding for the plan, including the ability to over tenant improvements, it will be difficult to upgrade the building and to find tenants in the current downtown commercial leasing market.

This business case outlines potential options to mitigate the issues/risks outlined above.

B. Background & Current Situation

- enCompass purchased Transition Place in 2001 and disposed of the mortgage in 2016
- 49,000 sq. ft. of office space and 8,700 sq. ft. in parking
- CMHA is largest tenant in Transition Place ($200,000+ in annual lease income and 11,000+ sq. ft.)
    - Lease is set to expire in August 2025
- A copy of current tenants and lease summaries is included in **Appendix B**
- enCompass engaged CMHA in discussions in 2023 about creating a community hub at Transition Place to:
    - maintain CMHA as a tenant
    - enhance the building – aesthetically and operationally
    - contribute to downtown revitalization
- CMHA was interested and discussions continued for about a year, including shared ownership of Transition Place

- CMHA changed course and decided to issue an RFP (Sept 2024) to a small number of landlords (including enCompass)
    - Discussions about a community hub and shared ownership ceased with the issue of the RFP
- CMHA provided (official) notice in March 2025 that they would be exiting Transition Place upon expiration of their lease (July 31, 2025)
- In order to attract good tenants, Transition Place must be an attractive and welcoming building to do business
- enCompass has not kept pace with the capital upgrades required at Transition Place
- While the expiration of the CMHA lease was the impetus for a community hub, enCompass will be intentionally exploring the opportunity regardless to:
    - attract good tenants
    - meet enCompass' own growth needs
    - contribute to downtown revitalization
    - deliver enhanced programming including employment opportunities for clients, etc.
- There is high availability of downtown office/programming space (in buildings more attractive than Transition Place)
- If enCompass is to attract new tenants, facility upgrades will be required

Preliminary Steps

Recognizing the need to renew Transition Place, enCompass completed the following initiatives:

- Engaged Civida (spring 2024), through a MOU, to provide facility management and capital planning services
- Compiled an inventory of existing capital and facility grants
    - CFEP grant applied for in Sept 2024
    - More applications being considered
- Engaged Avison Young informally in 2024 and now looking to make this more formal
- Engaged Next Architect (2025) to complete a space needs assessment for enCompass
    - Current and future space needs
- Completed a formal appraisal of Transition Place
    - Appraised at $3.35M
- Completed a hazard/asbestos assessment through Civida
    - The assessment identified 3-4 areas of imminent action required
- Hired an internal Facilities Coordinator
- Engaged in discussions with Laidley (through Avison Young) to discuss other space options for Laidley

C. Issue

enCompass is the owner and landlord of a downtown office building, which will soon experience its first major vacancy in over a decade. Coupled with this vacancy, enCompass is growing and requires more space. The building is dated and requires capital upgrades in order to have suitable space for enCompass growth and to also compete in the current commercial real estate market (vacancy remains high in downtown Edmonton for similar spaces and other buildings have the ability to offer tenant incentives). A capital plan must be developed and funded.

D. Opportunity

enCompass is in a good position strategically, financially, and reputationally to grow and to pursue a capital plan for Transition Place.

1. Determine enCompass growth needs first
    a. Space needs assessment underway
    b. Laidley discussions underway to take over full main floor
    c. Capital grant inventory underway to determine best funding fit
    d. Consider leveraging against the building

2. Avison Young to begin discussions with potential tenants
    a. Without renos/improvements
    b. With tenant improvement allowance (through financing?)
    c. ??

3. Develop long-term capital plan and seek funding for same
    a. Community hub on main floor
    b. Exterior renewal (façade upgrades)
    c. Renovation and restacking of floors

E. Options

Options	Background
1. CMHA shared ownership of building and development of community hub	No longer viable; CMHA gave notice to vacate
2. Development of a community hub a) enCompass only b) enCompass and another community partner	Laidley would be required to vacate Capital funds required (financing and grants) Storefront with opportunity for social enterprise
3. Search for new tenants a) With renos b) Without renos	Sq. ft. cost for renos enCompass spaces needs to determine space available for lease (underway)
4. Sell	Will sell for less than appraised value Need to find other space to buy or lease Current location good from client perspective Downtown development has decreased (e.g. CWB)
5. Sell portion of building	Discuss with community minded developer (condoize 2 floors?)
6. Status Quo	Not an option if we want to continue generating revenue from the building enCompass out of admin and community programming space Cannot continue operating with an empty floor

F. Risk Management

1) ENCOMPASSS GROWTH					
RISK	**IMPACT**	**LIKELIHOOD**	**SEVERITY**	**MITIGATION**	**ADDITIONAL CONTEXT**
Capital funding to support the growth				•	
Macro environment (political and social)				•	
Laidley relocation					
Space needs				•	
Reduction in leased space available (revenue replacement)				•	

2) TENANT ATTRACTION & CAPITAL UPGRADES					
RISK	**IMPACT**	**LIKELIHOOD**	**SEVERITY**	**MITIGATION**	**ADDITIONAL CONTEXT**
Capital funding to support space upgrades				•	
Tenant Improvement allowances (finance?)				•	
Finding tenants					
Revenue replacement				•	
Shared ownership				•	

G. Communications Plan

Audience	Key Message	Who	When

H. Financial Implications

I. Non-Financial Implications

J. Strategic Fit

APPENDIX A

Facility Condition Index (FCI) Report Summary

- Completed by Altus Group (2024) and below are main takeaways from the report:
  - Generally, the subject property is in fair condition with an FCI of 0.91
  - There is an office space with a separate entrance, leased to a tenant
  - Majority of the building elements and systems have been adequately maintained
  - Fair means Functioning as intended; normal deterioration and minor distress observed; maintenance will be required within the next five years to maintain functionality
  - Short term projects include repairs to the exterior envelope, exterior steps and sidewalk. Modernization of Elevator. HVAC terminal units are recommended further into the report term. The capital plan also includes general budgeting allowances for plumbing, interior finishes, electrical system updates over the ten-year period
  - Replacement cost (Altus) - $17M (excludes development soft costs)
  - FCI report comments only on the existing condition of structural elements based on a random sampling, visually reviewed on the inspection date by the reviewer and makes recommendation for the repair / replacement of these elements based on the current age and visible condition for financial planning purposes only
  - No removal or testing of materials or components were carried out

Costs associated with the short- and mid-term capital projects are provided in Appendix C. The following projects are recommended within the next three years and addressed as Priority 3 (P3) - Imminent Breakdown:

Project	Fiscal Year	Cost
Repairs to concrete and foundations crack repair, investigate water penetration	2025	$20,000
Exterior Enclosure – Repairs Windows – Replace/Repair Caulking	2025/2026	$30,000
Plumbing Repair Allowance	2025	$5000
Concrete Steps, Sidewalks, Curbs, Electrical Outlet Stands - Repair/Replace	2025	$10,000
Elevator Modernization and Upgrade	2027	$100,000
Total		**$165,000**

Uniformat II Code	Recommendations	Total Estimated Budget (2024-2034)	Building CRV	2024 Year-0	2025 Year-1	2026 Year-2	2027 Year-3	2028 Year-4
		$265,000		$0	$40,000	$25,000	$100,000	$55,000
B10	Crack and foundation concrete repair, investigate Moisture Penetration	$20,000			$10,000	$10,000		
B20	Exterior Enclosure – Repairs Windows – Replace/Repair Caulking	$30,000			$15,000	$15,000		
C30	Interior Finish - Repairs Allowance	$30,000						$15,000
D10	Elevator Modernization and Upgrade	$100,000					$100,000	
D20	Plumbing Repair Allowance	$15,000			$5,000			
D20	HVAC Overhaul - Piping, Terminal Units	$25,000						$25,000
D50	Electrical Systems Renewal	$15,000						$15,000
D50	Fire Alarm Panels Upgrade/Renewal	$10,000						
G20	Concrete Steps, Sidewalks, Curbs, Electrical Outlet Stands - Repair/Replace	$10,000			$10,000			
G20	Asphalt Parking Repair Budget	$10,000						
FCI	**Facility Condition Index**		**$17,150,000**	**0.4%**	**1.0%**	**1.0%**	**1.0%**	**0.5%**

APPENDIX B – TENANT & LEASE SUMMARY (As of October 2024)

TENANT	LEASE DATES	Annual Lease Fees	Sq. Ft	Lease Rate	Parking	Parking fees	Storage Fees
Aboriginal Counseling Service	May 1, 2021 – April 30, 2026	$71,365	4,723	$15.11	2 Stalls	$3,600	N/A
Aboriginal Counselling Service	August 1, 2024 – July 31, 2025	N/A	N/A	N/A	N/A	N/A	$600
altView Foundation	January 1, 2024 – December 31, 2026	$3600	350	$10.29	N/A	N/A	N/A
CMHA – Edmonton	August 1, 2018 – July 31, 2025	$200,469.79 – August 1, 2024 – July 31, 2025	11,351.63	$17.66 – Aug 1, 2024 – July 31, 2025	11 Stalls	$19,800	N/A
Laidley	November 1, 2021 - October 21, 2026	$84,264.24 – November 1, 2023 – October 31, 2024 $85,959.96 – November 1, 2024 – October 31, 2025 $87,699.16 – November 1, 2025 – October 31, 2026	4,348	$19.38 – November 1, 2023 – October 31, 2024 $19.77 – November 1, 2024 – October 31, 2025 $20.17 – November 1, 2025 – October 31, 2026	7 Stalls	$10,800	$571.44