



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: February 26, 2013
Contact: Michael Flanigan
Contact No.: 604.873.7422
RTS No.: 10013
VanRIMS No.: 08-2000-21
Meeting Date: April 9, 2013

TO: Vancouver City Council

FROM: Director of Real Estate Services and the General Manager of Real Estate and Facilities Management

SUBJECT: Lease of City-owned property at 2635 Kaslo Street to Discovery Islands Organics Ltd.

IN CAMERA RATIONALE

This report is recommended for consideration by Council in the In Camera agenda as it relates to Section 165.2(1) of the Vancouver Charter: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city.

RECOMMENDATION

THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease (the "Lease") with Discovery Islands Organics Ltd. (the "Tenant") for City-owned premises situated at 2635 Kaslo Street, legally described as PID: 009-551-581, Lot 2 South ½ of Section 35, THSL Plan 9744 (see Appendix "A"), on the following terms and conditions:

Term: Two (2) years commencing January 1, 2013.

Area: Rentable area of approximately 12,610 square feet.

Gross Rent: s. 17(1) (d) (e) & (f) and s. 21(1)

Use: The premises are to be used for food storage and distribution warehouse.

Termination: The Landlord shall have the right to terminate the Lease upon twelve (12) months written notice at any time during the Term.

Other Terms and Conditions: The lease is to be provided on the City's Standard Lease Agreement, drawn to the satisfaction of the Directors of Legal and Real Estate Services, it being noted that no legal right or obligation will be created and none shall arise until the lease document is fully executed by both parties.

All rents to be credited to the Property Endowment Fund (PEF).

REPORT SUMMARY

The purpose of this report is to seek Council approval to lease the premises at 2635 Kaslo Street to Discovery Islands Organics Ltd. for a term of two (2) years commencing January 1, 2013.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Directors of Finance and Real Estate Services can approve leases and lease renewals if:

the total value does not exceed the sum of \$250,000; or
the term is no more than ten years (including renewal options).
Larger or longer leases require Council approval.

The total lease value exceeds \$250,000 which can be approved by the Directors of Finance and Real Estate Services and is therefore submitted to Council for approval.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate & Facilities Management RECOMMENDS approval of the foregoing.

REPORT

Background/Context

The subject premises are situated at the rear level of the multi-tenanted City-owned building at 2635 Kaslo Street. The subject premises were purchased in August 1999 as a holding property for the Property Endowment Fund. This I-2 industrial zoned site is approximately 3.42 acres with a frontage of 284.5 feet and a depth of 525 feet. The entire building premises consist of approximately 62,226 square feet of warehouse space and 38,740 square feet of office space.

The premises are in fair condition and a Facilities Condition Assessment report is currently being conducted.

Discovery Islands Organics Ltd. is an independently owned Canadian distributor of Certified Organic and Fair Trade produce. They have leased the premises from the

City since May, 2004 and have maintained a good working relationship with the City. Discovery Islands Organics Ltd. premises consists of 12,610 square feet and their s. 17(1) (d) (e) & (f) and s. 21(1)

The Tenant would like to continue business operations at the present location by securing a new two (2) year lease term.

Strategic Analysis

Following negotiations, Discovery Islands Organics Ltd. has agreed to enter into a new two (2) year lease for the premises commencing January 1, 2013 and ending December 31, 2014. The total gross rental value of the lease for the two (2) year term is s. 17(1) (d) (e) & (f) and s. 21(1)

The current gross market rental rate for similar types of commercial space in the surrounding area ranges from \$7.50 to \$13.00 per sq. ft. per annum. The rent negotiated for the premises is considered to be at fair market rental value.

Implications/Related Issues/Risk (if applicable)

Financial

Current annual gross rent is s. 17(1) (d) (e) & (f) and s. 21(1). Annual gross rent for the new lease, effective January 1, 2013 will be s. 17(1) (d) (e) & (f) and s. 21(1).

The rent to be credited to the PEF.

CONCLUSION

The Director of Real Estate Services is of the opinion that the rent negotiated is representative of current market rental value for the type, location and age of premises.

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