



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: June 10, 2016
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Meeting Date: July 12, 2016

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease of City-owned Premises Located at 458 West Broadway

IN CAMERA RATIONALE

This report is recommended for consideration by Council on 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 Hsuen Kun Chow (dba: A & L Market) (the "Tenant") for a portion of the City owned property situated at 454-458 West Broadway, legally described as PID: 014-688-123, Lot A (Explanatory Plan 5498) Block 360A District Lot 526 Plan 1277 (the "Property"), more specifically being the western portion of the ground floor of the Property with civic address 458 West Broadway, as shown on Appendix "A" (the "Premises"), on the following terms and conditions:

Term: Two (2) years commencing as of January 1, 2017.

Area: Rentable Area of approximately 6,130 square feet.

Total Rent: Years 1-2: s.17(1) per annum (s.17(1) per square foot), plus applicable GST;

Rent is inclusive of building insurance, operating costs and utilities.

Taxes: No taxes are collected as the property is exempt.

Use: Produce store/market.

Option to Renew: None

Early Termination: The City may terminate the Lease upon giving the Tenant twelve (12) months prior written notice of such termination. The City shall not pay the Tenant any compensation due to such termination.

Rent Free Period: The Tenant shall be granted a total of two (2) months free rent: on January 1, 2017 and January 1, 2018. The Tenant shall be responsible for all utilities and operating expenses during the Rent Free Period. The estimated value of the Rent Free Period is **s.17(1)**.

Other Terms and Conditions: The Lease is to be granted on the City's current standard form of lease for commercial tenants. Terms and conditions of the Lease are to be drawn to the satisfaction of the Directors of Legal and Real Estate Services, it being noted that no legal right or obligation shall arise until the Lease is fully executed by both parties.

The rent will be credited to the Property Endowment Fund (PEF).

REPORT SUMMARY

The purpose of this report is to seek Council approval to lease the Premises to the Tenant for a term of two (2) years commencing January 1, 2017, at a total rent of **s.17(1)**, net of two (2) months free rent provided as a tenant inducement. The Lease will contain a twelve (12) month termination clause. The leasehold tenure offered is limited due to the City's plan to redevelop the block.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The General Manager of Real Estate and Facilities Management can approve leases and lease renewals if:

1. The total value does not exceed the sum of \$750,000; and
2. The term is no longer than ten (10) years (including renewal options).

Larger lease values or longer lease terms require Council approval.

The proposed lease exceeds \$750,000 in total value over the term, and cannot be approved by the General Manager of Real Estate and Facilities. Accordingly, the proposed Lease is submitted to Council for approval.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management recommends approval of the foregoing.

REPORT

Background/Context

The City purchased the Property in September 1981 for redevelopment to include the future Vancouver City Hall Campus. The Property is held in the PEF. While redevelopment of the future City Hall Campus is a long-term project in preliminary stages of planning only, the Property is anticipated for use in the more immediate future as a staging area for the Broadway Rapid Transit Project (the "RT Project"), subject to confirmation of the RT Project's funding and approval.

The Property is zoned C-3A with a total site area of approximately 18,563 square feet, including 148.5 feet of frontage on West Broadway and a site depth of approximately 125 feet. It has good exposure on Broadway and Cambie Street. The Premises are located in an older, three (3) storey wood-frame constructed mixed-use office and retail building. It was constructed circa 1950's and contains approximately 37,134 square feet of leasable space. There are approximately eleven (11) surface parking stalls on site. The building is leased to both private businesses and various City departments.

The Tenant operates a produce store/market and has been leasing the Premises since April 2004, with the current lease expiring on December 31, 2016.

Strategic Analysis

The Property is located at the intersection of Broadway and Cambie Street, adjacent to the Broadway Canada Line Skytrain Station. Subject to funding and confirmation announcements for the RT Project, the interim plan for this block is a construction and staging area related to the RT Project and to this end, a lease tenure to December 31, 2018, is supportable.

The Tenant is in good standing with their rental account and it would be beneficial for both parties to enter into the Lease during this interim period leading up to an anticipated confirmation of the RT Project. The Lease will provide the City with strong holding income until such time as the site is required for construction staging.

Building Description/Maintenance

The building is estimated to be in poor to fair condition. There are no expected capital expenditures required over the next three (3) to five (5) years while planning and design of the RT Project is underway.

Implications/Related Issues/Risk (if applicable)

Financial

The total rent for the two (2) year term effective January 1, 2017, will be s.17(1), plus applicable GST, after deducting the value of the Rent Free Period.

All rental proceeds will be credited to the PEF.

CONCLUSION

The Director of Real Estate Services is of the opinion that the total rent negotiated is representative of the current market rental value for the type, location, age and condition of the Premises, and therefore recommends Council approval of the foregoing.

* * * * *

The Premises



