



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: September 14, 2010
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Meeting Date: September 21, 2010

TO: Vancouver City Council

FROM: Director of Real Estate Services in consultation with the General Manager of Community Services

SUBJECT: Surrender of Leases of Premises Located at 215 and 225 W. 2nd Avenue

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 approve the surrender of the lease of City-owned premises located at 215 and 225 West 2nd Avenue with an effective date of January 31st, 2011 with a surrender payment of \$125,000 (plus applicable taxes) by the City to Wyngold Management Ltd. (the "Tenant") at the surrender date in consideration for the agreement to the early surrender of their leasehold interests in the premises; source of funding to be:

- [...] from the 2008 Capital Budget allocation to the Affordable Housing Fund; and
- [...] payable to the City by BC Housing under the City/Province Social and Supportive Housing Memorandum of Understanding.

AND that Council authorize the Director of Legal Services to execute the necessary legal documentation for the surrender of lease on terms and conditions to her satisfaction, noting that no legal rights or obligations shall arise or be created until all the necessary legal documentation has been prepared and executed to the satisfaction of the Director of Legal Services.

GENERAL MANAGER'S COMMENTS

The General Managers of Business Planning and Services and Community Services recommend approval of this report.

COUNCIL POLICY

On December 19, 2007, Council approved the Memorandum of Understanding (MOU) dated October 29, 2007 between the BC Housing Management Commission (BC Housing) and the City of Vancouver (the City) regarding the development of City owned sites for social and supportive housing attached as Appendix "A" to the Administrative Report *City/Province Social and Supportive Housing Partnership*.

PURPOSE

The purpose of this report is to obtain Council's approval for the surrender of leases for tenancies at 215 and 225 West 2nd Avenue and associated surrender costs, to enable construction of the social and supportive housing project proposed for the site to commence in 2011.

BACKGROUND

The premises at 215 and 225 West 2nd Avenue were purchased by the City on July 3, 2007 as a non-market housing site. The City granted the vendor a lease back of their premises for 4.5 years expiring June 30, 2011. The premises were purchased as a capital asset with funding from the SEFC Community Amenity Contributions and interim financing from the emerging neighbourhood reserve.

This site is one of the 12 non market housing sites forming part of the City/Provincial Social and Supportive Housing Partnership approved by Council on December 19, 2007.

Following a Public Hearing on January 20, 2009 Council approved with conditions, the rezoning of this site for the development of 147 units of social and supportive housing.

DISCUSSION

Section 20 of the City/Province Social and Supportive Housing MOU stipulates that ". . . for tenancies on the Sites where the leases do not allow for early termination, the City will initiate discussions with the tenants to determine the conditions under which the tenants would agree to early termination, and BC Housing and the City will jointly consider whether to proceed with early termination and the costs to be borne by each".

The Tenants' lease expires on June 30, 2011. BC Housing has indicated their desire to obtain early possession of the premises to allow for site preparation work to commence by February 2011. The Tenant has agreed, subject to a payment of [...] and execution of a surrender of lease agreement, to surrender the leases effective January 31, 2011.

BC Housing are willing to make a contribution of [...] plus applicable taxes towards the costs associated with the surrender of lease agreement. That contribution amount is made up of a half share [...] of the agreed surrender payment of [...] to the Tenant, plus a half share

[...] of the foregone lease rent of [...] that the City would have received if the lease had run its full term.

Currently the City receives an annual rent of [...] plus rent in lieu of property taxes of [...] per year. This represents a combined total of [...] annually, with net revenues going to the Property Endowment Fund.

The outcome of negotiations for a surrender of lease agreement are very much determined by the motivations of the landlord and tenant. The surrender payment represents the best deal struck to persuade an unmotivated tenant to vacate the premises several months prior to the end of their lease term. From the City's perspective, the surrender payment will allow this 147 unit supportive housing project to be completed five month's earlier than currently anticipated. Commencing the project earlier than expected will allow excavation and preliminary site works to commence during normally better working conditions of the spring and summer months, and will also avoid anticipated construction cost escalations which may impact the project if construction commenced later in 2011.

FINANCIAL IMPLICATIONS

The City will pay the Tenant [...] plus applicable taxes as a surrender of lease payment with the source of the City's share of the payment to the Tenant of [...], to be funded from the Affordable Housing Fund. The City will be reimbursed by BC Housing for its agreed proportion of the total surrender costs being an amount of [...] plus applicable taxes, payable at the date of surrender.

CONCLUSION

Early surrender of the leases of 215 and 225 West 2nd Avenue will enable demolition and site preparation for the project to commence in early 2011. This will mitigate anticipated construction costs escalations and allow excavation and preliminary site works to commence during the optimal spring and summer months thereby providing significant cost savings for the City/ Provincial Social and Supportive Housing Partnership and allow for earlier than anticipated completion of this housing project.

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