



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: February 1, 2013
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Meeting Date: February 12, 2013

TO: Vancouver City Council

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

SUBJECT: Lease of City-owned property at 875-925 Terminal Avenue to The Vancouver Trolley Company (1996) 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 with The Vancouver Trolley Company (1996) Ltd. (the "Tenant") for the City-owned premises situated at 875-925 Terminal Avenue, legally described as PID: 008-433-399, Lot 5, except part in Plan 8304, Block E, District Lot 2037, Plan 8122; and PID: 004-111-508, Amended Lot A (Explanatory Plan 5052) of Lot E, District Lot 2037, Plan 8304 (see Appendix "A"); on the following terms and conditions:

Term: Five (5) years commencing May 1, 2013.

Area: Approximately 22,400 square feet of rentable area.

Minimum
Net Rent:

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

- Taxes and Operating Costs: Tenant shall pay in addition to the Minimum Net Rent, property taxes as if levied, and HST or similar. The Tenant is responsible for his own operating costs including all charges, rates and levies including heat, electricity, gas, water, garbage collection, telephone, cablevision and internet, and all other expenses and outgoings relating to the premises.
- Use: Trolley and tour bus storage facility, with ancillary offices.
- Option to Renew: One - five (5) year option to renew on the same terms and conditions save and except rent, which is to be negotiated at market rates. If fair market rates cannot be settled by mutual agreement, then the parties may elect to arbitrate the issue to determine the market rental value of the Premises.
- Other: The lease will be based 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 Services and Real Estate Services, it being noted that no legal right or obligation shall arise or be created until the execution of the lease.

REPORT SUMMARY

The purpose of this report is to seek Council approval to lease the premises at 875-925 Terminal Avenue to the Tenant for a term of five (5) years commencing May 1, 2013, plus one five (5) year renewal option.

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;
- The term is no more than ten years (including renewal options);
- Larger or longer leases require Council approval.

The proposed lease exceeds the total value of \$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 and Facilities Management RECOMMENDS approval of the foregoing.

REPORT

Background/Context

The Vancouver Trolley Company (1996) Ltd. has been a tenant of the premises since 1998 and is currently paying s. 17(1) (d) (e) & (f) and s. 21(1) [REDACTED], plus property taxes, and HST. s. 17(1) (d) (e) & (f) and s. 21(1) [REDACTED]. The Tenant occupies a floor area of approximately 22,400 square feet plus yard. The premises are used for a trolley and tour bus storage facility with ancillary offices.

The Tenant would like to continue business operations at the present location by securing a new five (5) year lease plus one five (5) year renewal term. The security of tenure will enable the Tenant to add additional fleet vehicles to their existing inventory, and embark on new marketing plans at the current location. The current location provides the Tenant with convenient access to downtown and proximity to major transportation arterials.

Strategic Analysis

Following negotiations, the Tenant has agreed to enter into a new five (5) year lease for the premises commencing May 1, 2013 and ending April 30, 2018, plus a five (5) year option to renew, which is to be negotiated at market rents. The total net rental value of the lease for the five (5) year term is s. 17(1) (d) (e) & (f) and s. 21(1) [REDACTED] plus property taxes as if levied, and GST. The current market rental rate for similar types of commercial space in the surrounding area ranges from \$7.00 to \$12.00 per square foot per annum. In 2012, Council approved a new five (5) year lease plus a five (5) year option to renew for an adjacent tenant, Butler Box & Storage Inc., at 925 Terminal Avenue s. 17(1) (d) (e) & (f) and s. 21(1) [REDACTED]. The rent negotiated for the premises is considered to be at fair market rental value.

Implications/Related Issues/Risk (if applicable)

Financial

Current annual rent is s. 17(1) (d) (e) & (f) and s. 21(1) [REDACTED] s. 17(1) (d) (e) & (f) and s. 21(1) [REDACTED].

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

CONCLUSION

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

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