



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: April 18, 2013  
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Meeting Date: May 16, 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 situated at 455 Industrial Avenue to 590275 B.C. Ltd. dba Recycling Alternative

**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 590275 B.C. Ltd. dba Recycling Alternative for a portion of the City-owned premises situated at 455 Industrial Avenue, as shown on Appendix A, legally described as PID: 005-497-141, Lot A (Statutory Right of Way Plan 18236) Except: Part in Plan LMP33893; of Lot H, District Lot 2037, Group 1, Plan 7729 (the "Subject Property"), on the following terms and conditions:

Term: Ten (10) years commencing January 1, 2014.

Area: Rentable area of approximately 10,979 square feet (the "Premises").

Gross Rent: Rent, inclusive of property taxes as if levied:

Years 1-5: s.17(1) per annum, plus GST; and  
Years 6-10: s.17(1) per annum, plus GST.

(Total rent may be adjusted based on confirmation of square footage of the Premises).

- Free Rent: Tenant shall be granted Free Gross Rent the s.17(1) of the Term commencing on the 2<sup>nd</sup> year of the Term.
- Improvement Allowance: Tenant shall be provided a Tenant Improvement Allowance of s.17(1) s.17(1) per square foot, which the Tenant shall utilize to offset their cost of improving the Premises, in the form of reduced Gross Rent during the 1<sup>st</sup> year of the Term.
- Fixturing Period: Tenant shall be granted a Fixturing Period commencing s.17(1) s.17(1) in which to undertake its Tenant Improvements. Tenant is not responsible for payment of Gross Rent during the Fixturing Period but is responsible for payment of all utilities.
- Operating Costs and Utilities: Tenant is responsible for paying its proportionate share of all operating costs and utilities.
- Option to Renew: Two - five (5) year options to renew on the same terms and conditions except rent, which is to be negotiated at market rates, and the Landlord shall have no obligation to pay or provide the Tenant any free rent or inducement of any nature.
- Use: The Premises are to be used for a multi-level recycling depot, and any related or associated functions.
- 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 to 590275 B. C. Ltd. dba Recycling Alternative (the "Tenant") for a term of ten (10) years commencing January 1, 2014, plus two five (5) year renewal options.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

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

- 1) the total value does not exceed the sum of \$250,000; and
- 2) 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, and the term is more than ten (10) years (including renewal options), 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 Tenant, a private waste reduction/diversion/recycling company, has been undertaking informal discussions with United We Can ("UWC") since 2005 on the concept of a co-location model. The Tenant has over 20 years of experience of innovative partnership development in the recycling industry, including collaboration with UWC since 2005. This collaboration includes UWC and the Tenant co-locating at the Subject Property with the Tenant delivering refundables to UWC and UWC delivering non-refundables to the Tenant.

The increased value of the proposed co-location model as stated by the Tenant and UWC include:

- creation of operational efficiencies and economies of scale through collaborative synergies;
- increased opportunities and capacity through co-location logistics;
- demonstration of a model for non-profit and private enterprise collaborations;
- expansion of the spectrum of materials collected and processed close to the city core; and
- increased financial stability through shared or common facilities.

In addition, both organizations have a well-established history of employing individuals with barriers to employment and expect to have human resource efficiencies with the ability to "cross-train" individuals. Both organizations are also authorized collectors of Encorp Pacific (Canada), a federally incorporated not-for-profit product stewardship organization with beverage container management as its core business.

### ***Strategic Analysis***

The Subject Property is located in the I-3 zoned area of the False Creek Flats. A Recycling Depot is a conditional approval use within I-3 zoning and is subject to the approval of the Director of Planning. The proposal by the Tenant and UWC is to share the warehouse building (the "Building") located on the Subject Property and the majority of the yard space at the front of the Building with the existing tenant, All Tech. Transport Ltd. dba Busters Towing ("Busters Towing"), which is retaining the upper floor office space, basement space and all of the yard space at the west and north sides of the Building for City-contracted towing services, provided that Busters Towing continues to provide such towing services to the City.

The Tenant and UWC will enter into a co-location and operating agreement that will govern their relationship, how the facility will operate, and provide a dispute resolution mechanism. The co-location and operating agreement is intended to be attached to, and form part of, the Lease.

The City will enter into a separate lease with UWC on similar terms and conditions, except for rent. This lease will be the subject of a separate report to City Council.

This is a unique operating model combining a not-for-profit with a for-profit in a City-owned building. Each business, the Tenant and UWC, will maintain its autonomy financially and operationally. The spirit of the co-tenancy arrangement will be to encourage and explore opportunities, to share equipment such as balers and forklifts, and to co-ordinate the use of common areas such as loading bays, washrooms and staff rooms.

It is expected this unique model will provide significant benefits and economies of scale to both parties and allow them to deliver enhanced and additional services to the local market.

### ***Building Description/Maintenance***

The City will undertake base building improvements and upgrades and each tenant will be responsible to complete their specific improvements required to suit their business model.

A full independent building condition assessment was conducted under the direction of the Director of Facilities Planning and Development, in order to determine what base building upgrades are required for the Building. The funding for that work was approved under a City Manager's Minute on February 20, 2013 for **s.17(1)**. The base building upgrade work is currently underway in order to meet the expected occupancy date.

It is expected that upon completion of the base building upgrades, the Building will require little capital investment for many years. It will require regular and routine ongoing maintenance, which, with the exception of structural repairs, will be the responsibility of the Tenants occupying the Building.

*Implications/Related Issues/Risk (if applicable)*

*Financial*

Total gross rent for the entire term of the lease, effective January 1, 2014, will be s.17(1) , including property taxes as if levied.

The rent, inclusive of an amount in lieu of property taxes, will be credited to the Property Endowment Fund (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 the Subject Property.

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