



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: July 17, 2013
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Meeting Date: July 23, 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 premises situated at 1688 Main Street - Unit B, to Raydon Rentals 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 Raydon Rentals Ltd. (the "Tenant") for the City-owned premises situated at 1688 Main Street - Unit B, as shown on Appendix A, legally described as PID: 006-208-975, Lot C Block 3, District Lot 200A and of District Lot 2037, Plan 21111 (the "Subject Property"), on the following terms and conditions:

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

Area: Rentable area of approximately 4,033 square feet (the "Premises").

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

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

A large grey rectangular redaction box covers the text below the reference to sections 17(1) and 21(1).

Use: The Premises are to be used for the sale, lease and repair of industrial equipment.

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 and provision of a one-year demolition clause should the property be required for municipal purposes.

Other Terms
And

Conditions: 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 and Real Estate Services, it being noted that no legal right or obligation shall arise or be created until execution of the Lease.

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 1688 Main Street - Unit B to Raydon Rentals Ltd. for a term of five (5) years commencing on September 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:

- 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 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 Subject Property was purchased in November 2003 for the future realignment of Industrial Avenue with 1st Avenue, where it meets Main Street. This realignment is needed to provide transit access into the False Creek Flats, and potentially, a Downtown Streetcar line.

This I-2 industrial-zoned, irregular-shaped property is approximately 16,285 sq. ft., with a frontage of 27.3 feet along Main Street and a depth of 275 feet along Industrial Avenue. The Subject Property is improved with two automotive industrial buildings:

- 1) Unit A - comprised of a single-storey building with a mezzanine, totalling approximately 4,120 square feet; and
- 2) Unit B - comprised of a single-storey building plus mezzanine, totalling approximately 4,033 square feet.

The Premises are situated at the eastern end of the Subject Property along Industrial Avenue. The Tenant has leased the Premises from the City since November 2003 and is currently paying an s. 17(1) (d) (e) & (f) and s. 21(1)

They have maintained a good working relationship with the City and would like to continue at the present location by securing a new five (5) year lease plus one - five (5) year renewal option.

Strategic Analysis

Following negotiations, Raydon Rentals Ltd. has agreed to enter into a new five (5) year lease for the Premises commencing September 1, 2013 and ending August 31, 2018, plus a five (5) year option to renew. The total gross rental value of the lease for the five (5) year term is s. 17(1) (d) (e) & (f) and s. 21(1)

The current gross rental rate for similar types of industrial spaces in the surrounding area ranges from \$15.00 to \$20.00 per sq. ft. per annum. The rent negotiated for the Premises is considered to be fair market value.

Building Description/Maintenance

The buildings appear to be structurally sound and in good condition.

The subject improvements constructed in the mid 1990's comprise a concrete slab on grade floor, concrete block walls and tar and gravel roof over steel decking. The improvements used for light industrial purposes appear to be structurally sound and offer average to good functionality for their age and condition. It is expected that roof replacement will be required within the next two year, at an estimated cost of

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

Implications/Related Issues/Risk (if applicable)

Financial

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

The rent is to 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 this type, location and age of the Premises.

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