



ADMINISTRATIVE REPORT

Report Date: October 21, 2013
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VanRIMS No.: 08-2000-21
Meeting Date: November 6, 2013

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease of City-owned property at 1065 Seymour Street to Royalty Group Realty Inc.

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 Royalty Group Realty Inc. (the "Tenant") for the City-owned premises situated at 1065 Seymour Street, as shown on Appendix A, legally described as PID: 014-388-456; Lot C Block 83 District Lot 541, Plan VAP 22353 Land District 36 (the "Subject Property"), on the following terms and conditions:

Term: Five (5) years commencing February 1, 2014.

Rentable Area: Approximately 2,137 square feet (the "Premises").

Gross Rent: Rent, inclusive of an amount in lieu of property taxes and operating costs, as if levied, s.17(1) per annum s.17(1) plus applicable GST.

Use: The Premises are to be used as a Real Estate Brokerage Office.

Fixturing Period: The Tenant shall receive a s.17(1) month rent free fixturing period to construct its tenant improvements prior to the commencement of the Lease. During this period, the Tenant will be responsible for maintaining insurance coverage and the payment of all utilities.

Free Rent:	The Tenant will receive s.17(1) months free rent following the Fixturing Period (commencing on the first day of the lease term) as a tenant inducement. During this period, the Tenant will be responsible for maintaining insurance coverage and the payment of all 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 the then current market rates.
Brokerage Commission:	The City to waive one month rent in the amount of s.17(1) plus applicable GST to Royalty Group Realty Inc.
Other Terms and Conditions:	The Lease is to be provided 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 will be created and none shall arise until the Lease 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 at 1065 Seymour Street to Royalty Group Realty Inc. for a term of five (5) years commencing February 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 proposed lease is longer than ten years 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 Subject Property is zoned Downtown District and is approximately 20,970 square feet with a frontage on Seymour Street of approximately 175 feet and a depth on Helmcken Street of approximately 120 feet. The site is improved with a 17-storey reinforced concrete building constructed in 1992. It is occupied by the New Continental Residence and the Gathering Place Community Centre. The Premises being leased are located on the ground level.

The Premises have been vacant since August 2012. The premises have been difficult to rent in part because of the location on a largely residential part of the Seymour. The Tenant will be incurring approximately s.17(1) of tenant improvement costs which will be a benefit and in negotiating, we have provided a s.17(1) month fixturing period and s.17(1) months of free rent to offset some of their improvements and to entice them to these Premises. Real feels that this is a good market transaction. The Tenant is currently located at 1057 Seymour Street and must relocate due to the redevelopment of the property.

Strategic Analysis

Following negotiations, Royalty Group Realty Inc. have agreed to enter into a five (5) year lease for the Premises, about 2,137 square feet, commencing February 1, 2014. The total gross rental value of the lease for the five (5) year term is s.17(1) inclusive of operating costs and property taxes as if levied, plus applicable GST. The current market rental rate, inclusive of property tax of similar types of commercial space in the surrounding area, ranges from s.17(1) gross per square foot per annum. The rent negotiated for the Premises, s.17(1), is considered to be at fair market rental value.

Building Description/Maintenance

The Landlord is responsible for all regular maintenance of the building. The building is estimated to be in good condition and a Facilities Condition Assessment Report is currently being conducted.

Implications/Related Issues/Risk (if applicable)

Financial

Gross rent for the five (5) year lease term, effective February 1, 2014, will be s.17(1) inclusive of operating costs and property taxes as if levied.

The rent is to be credited to the PEF.

CONCLUSION

The General Manager of Real Estate and Facilities Management and the Director of Real Estate Services are of the opinion that the rent negotiated is representative of current market rental value for the type, location and age of the Premises.

