



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: October 28, 2013
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VanRIMS No.: 08-2000-21
Meeting Date: December 3, 2013

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease of City-owned premises situated at 1688 Main Street - Unit A to Maych Automotive 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 Maych Automotive Ltd. (the "Tenant") for the City-owned premises situated at 1688 Main Street - Unit 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"), as shown on Appendix A on the following terms and conditions:

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

Area: Rentable area of Unit A is approximately 4,120 square feet (the "Premises").

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

Years 1 & 2: s.17(1) per annum (s.17(1) psf), plus GST;
Year 3: s.17(1) per annum (s.17(1) psf), plus GST;
Year 4: s.17(1) per annum (s.17(1) psf), plus GST; and
Year 5: s.17(1) per annum (s.17(1) psf), plus GST.

Use: The Premises are to be used for automotive repair and servicing.

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 (1) 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 rights or obligations shall arise or be created until execution of the Lease 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 situated at 1688 Main Street - Unit A to Maych Automotive Ltd. for a term of five (5) years commencing on January 1, 2014, 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 (leased to Raydon Rentals Ltd.) - comprised of a single-storey building plus mezzanine, totalling approximately 4,033 square feet.

The Premises are situated at the western end of the Subject Property along Main Street. The Tenant purchased the automotive repair business from Midas Muffler in March 2013. In addition to the purchase price for the business, the Tenant has also spent s.17(1) in leasehold improvements. To help amortize these costs, the Tenant has requested the current annual gross rent of s.17(1) including property taxes as if levied, plus GST, remain fixed for the first two (2) years of the lease.

Strategic Analysis

Following negotiations, the Tenant has agreed to enter into a new five (5) year lease for the Premises commencing January 1, 2014 and ending December 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) including property taxes as if levied, plus GST. The current gross rental rate for similar types of industrial spaces in the surrounding area ranges from s.17(1) to s.17(1) 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 of 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 for both rental units within the next two years, at an estimated cost of s.17(1), to be funded from the PEF.

Implications/Related Issues/Risk (if applicable)

Financial

Annual gross rent for the new lease, effective January 1, 2014, will be s.17(1) including property taxes as if levied, plus GST, for the first two years and will increase incrementally over the rest of the five (5) year lease term. The expected total revenue for the 5-year term is s.17(1) inclusive of property taxes if levied, plus GST.

The rent, inclusive of an amount in lieu of property taxes, will be credited to the PEF.

CONCLUSION

The General Manager of Real Estate and Facilities Management and Director of Real Estate Services are 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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