



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: September 2, 2014
Contact: Jerry Evans
Contact No.: 604.873.7430
RTS No.: 10717
VanRIMS No.: 08-2000-21
Meeting Date: October 28, 2014

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Lease of City owned property at 2605 Kaslo Street to South Van Bottle Depot (Zim's) Ltd.

IN CAMERA RATIONALE

This report is recommended for consideration by Council on 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 South Van Bottle Depot (Zim's) Ltd. (the "Tenant") for City owned premises situated at 2605 Kaslo Street, as shown on Appendix A, legally described as PID: 009-551-581; Lot 2 South ½ of Section 35 THSL Plan 9744 (the "Subject Property") on the following terms and conditions:

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

Rentable Area: Approximately 6,280 square feet (the "Premises").

Total Rent: Rent is **s.17(1)** per annum (**s.17(1)** per square foot) plus applicable GST.

Use: Recycling and Bottle Depot.

Option to Renew: One (1) option to renew for a further term of five (5) years on the same terms and conditions except rent, which is to be negotiated at the then current market rates.

Termination Clause: The Landlord may terminate the Lease or any renewal upon providing the Tenant with a one (1) year written notice of termination.

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 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 2605 Kaslo Street to South Van Bottle Depot (Zim's) Ltd. for a term of five (5) years commencing September 1, 2014, plus one (1) option to renew for a further term of five (5) years.

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, including renewal options 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 August 1999 as an investment holding property for the Property Endowment Fund. This I-2 industrial zoned property is approximately 3.42 acres with a frontage of 284.5 feet and a depth of 525 feet. The entire building premises consist of approximately 62,226 square feet of warehouse space and 38,740 square feet of office space. The Premises leased to South Van Bottle Depot are situated at the east side of the building facing Kaslo Street.

South Van Bottle Depot has leased the Premises since June 1997 and has maintained a good working relationship with the City. The Premises consists of 6,280 square feet and the current rent is s.17(1) per annum (s.17(1) per square foot) plus applicable GST.

Strategic Analysis

Following negotiations, South Van Bottle Depot have agreed to enter into a new five (5) year lease for the Premises commencing September 1, 2014, with a further five (5) year renewal option. The proposed annual total rent is s.17(1) (s.17(1) per square foot). The proposed total rental value for the five year term is s.17(1), plus applicable GST. The current rental rate inclusive of property taxes 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 is considered to be at fair market rental value.

Building Description / Maintenance

The property is in fair condition. Expenditures will include a new roof to be completed in two phases in 2014 and 2015. Phase one commenced in August 2014 and is anticipated to be completed in October at an estimated cost of s.17(1), funded from within the approved 2014 PEF Capital Budget. Phase two will be brought forward as part of the 2015 PEF Capital Budget and is estimated at s.17(1).

Implications/Related Issues/Risk (if applicable)

Financial

The recycling and bottle depot consists of 6,280 square feet and the current rent is s.17(1) per annum (s.17(1) per square foot) plus applicable GST. Total rent for the five (5) year lease term, effective September 1, 2014, will be s.17(1), plus applicable GST (s.17(1) per annum; s.17(1) per square foot). The rent is to be credited to the PEF.

The entire building premises consist of approximately 62,226 square feet of warehouse space and 38,740 square feet of office space, and currently provide annual net revenue to the PEF in the amount of s.17(1) (2013).

Capital maintenance expenditures include a new roof to be completed in two phases in 2014 and 2015. Phase one commenced in August 2014 and is anticipated to be completed in October at an estimated cost of s.17(1), funded from within the approved 2014 PEF Capital Budget. Phase two will be brought forward as part of the 2015 PEF Capital Budget and is estimated at s.17(1).

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 the current market rental value for the type, location, age and condition of the Premises, and therefore recommend Council's approval of the foregoing.

* * * * *

Subject Property





