



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: October 28, 2014
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Meeting Date: November 25, 2014

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease Renewal of City Owned Property at 1670 West 5th Avenue

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 renewal (the "Lease") with Bordignon Marble & Granite Ltd. (the "Tenant") for City owned premises situated at 1670 West 5th Avenue, as shown on Appendix A, legally described as PID: 015-220-893 and 015-220-915 Lots 17 & 18 except the Vancouver and Lulu Island Railway R.O.W. shown on miscellaneous Plan 218, block 269, DL 526, Plan 590 and PID: 015-221-059 and 015-221-075 Lots 3 & 4, Block 269, DL 526, Plan 590 (the "Subject Property") on the following terms and conditions;

Term: Two (2) years and nine (9) months, commencing April 1, 2015.

Rentable Area: Approximately 10,467 square feet (the "Premises").

Total Rent: Year 1: s.17(1) gross rent per annum (s.17(1) per square foot) plus applicable GST;

Year 2: s.17(1) gross rent per annum (s.17(1) per square foot) plus applicable GST;

Year 3: s.17(1) gross rent for 9 months (s.17(1) per square foot) plus applicable GST.

Rent is inclusive of building insurance.

Taxes: No taxes are collected as the property is exempt.

Use: Office/Showroom and Manufacturing/Warehouse.

Option to Renew: None

Termination Clause: Both the Landlord or the Tenant has the right to terminate the lease upon giving three (3) months 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 of a lease renewal of City-owned warehouse premises located at 1670 West 5th Avenue to Bordignon Marble & Granite Ltd, for a term of two (2) years and nine (9) months commencing April 1, 2015. The lease term is limited due to the City's intention to develop the entire block into a new park in 2018.

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 cannot 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 March 1982 for future park purposes. This IC-1 industrial zoned property is approximately 16,200 square feet. The subject premises consist of 10,467 square feet of office/showroom and manufacturing/warehouse space. The building is inefficient by present day market warehouse / showroom standards.

Bordignon Marble & Granite Ltd. has leased the premises from the City since October 1987 and has maintained a good working relationship with the City. The current rent is s.17(1) gross per annum (s.17(1) per square foot) plus applicable GST. The Tenant is responsible for maintenance of the Premises. The City's expenses include structural repair, maintenance of the base building and annual building insurance. The 2014 annual building insurance is s.17(1) and the structural building repair and base building maintenance is s.17(1) (repair and maintenance costs have typically been in the range of s.17(1) to s.17(1) annually due to the age of the building).

Strategic Analysis

The Park Board intends to develop the subject property and other assembled properties in the block as a neighbourhood park in 2018. Accordingly, the strategy for this property and other City-owned properties held in this same block is to continue to collect revenue and minimize further expenditure until demolition occurs in 2018.

Following negotiations, Bordignon Marble & Granite Ltd has agreed to enter into a two (2) year and nine (9) month lease for the Premises commencing April 1, 2015 and ending December 31, 2017 at the following rate: Year 1: s.17(1) gross rent per annum (s.17(1) per square foot); Year 2: s.17(1) gross rent per annum (s.17(1) per square foot); Year 3: s.17(1) gross rent for 9 months (s.17(1) per square foot). The proposed total rental value for the two year and nine month term is s.17(1) gross rent, plus applicable GST. The current gross market rents for similar types of warehouse/office in the surrounding area range from s.17(1) to 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 building, built in the 1950s, is in fair condition. The Building Condition Assessment Report conducted by Ameresco on behalf of the City has identified immediate expenditures of s.17(1) which includes a replacement of new roof (s.17(1)) and exterior windows (s.17(1)); however these items will not be budgeted given the 2018 proposed demolition date.

Implications/Related Issues/Risk (if applicable)

Financial

The subject premises consist of 10,467 square feet and the current gross rent is s.17(1) per annum (s.17(1) per square foot) plus applicable GST. Total rent for the two (2) year and nine (9) month term, effective April 1, 2015, will be s.17(1) plus applicable GST. The rent is to be credited to the PEF.

Given the short lease term and in order to manage the risk of future repairs, the City and the Tenant have agreed that should any building improvements/repair arise that are the responsibility of the Landlord, the City can elect to terminate the Lease rather than incur costs of upgrading that cannot be recovered from future rents.

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.

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Subject Property





