IN CAMERA

CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date:	June 10, 2015
Contact:	Jerry Evans
Contact No.:	604.873.7430
RTS No.:	10991
VanRIMS No.:	08-2000-21
Meeting Date:	July 7, 2015

TO:	Vancouver City Council
FROM:	General Manager of Real Estate and Facilities Management
SUBJECT:	Lease of City-owned Property located at 2633 Kaslo Street to Trinity Fashions 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 Trinity Fashions Ltd. (the “Tenant”) for City- owned premises situated at 2633 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:	Two (2) years commencing as of April 1, 2015.
Area:	Rentable Area of approximately 21,080 square feet as shown on Appendix “A” attached hereto (the “Premises”).
Rent:	A total rent, inclusive of operating costs and utilities, of s.17(1) per annum s.17(1) per sq. ft.) for Year 1 and s.17(1) per annum s.17(1) per sq. ft.) for Year 2.
Free Rent:	Total rent shall be waived for the s.17(1) as a rental incentive to the Tenant.

Use:	The Premises are to be used for garment manufacturing and related uses.
Option to Renew:	One (1) option to renew for a further term of two (2) years on the same terms and conditions except total rent, which is to be negotiated at the then current market rates.
Termination Clause:	The Landlord shall have the right to terminate the Lease upon providing the Tenant with a twelve (12) month written Notice of Termination at any time during the term.
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 2633 Kaslo Street to The Tenant for a term of two (2) years commencing April 1, 2015, with one (1) option to renew for a further term of two (2) 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 (10) years (including renewal options).
   Larger or longer leases require Council approval.

The total lease value exceeds $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 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 consists of approximately 62,288 square feet of warehouse space, and 37,797 square feet of office space. The Premises leased by the Tenant is situated at the rear level of the multi-tenanted, City-owned building at 2633 Kaslo Street. The Tenant has leased the Premises from the City since April 2005 and has maintained a good working relationship with the City. The Tenant's lease expired as of March 31, 2015 and this report recommends entering into a new lease with the Tenant effective as of April 1, 2015. The Premises consists of 21,080 square feet and the Tenant's rent under the expired lease was s.17(1) per annum s.17(1) per sq. ft.), plus applicable GST. The Tenant would like to continue business operations at the present location by securing a new two (2) year lease term commencing as of April 1, 2015 with an option to renew for a further two (2) year term. The rent negotiated for the Premises is on the lower end of the market rental rates due to inferior access and loading for the Premises.

Strategic Analysis

Following negotiations, the Tenant has agreed to enter into a new two (2) year lease for the Premises commencing as of April 1, 2015, with a further two (2) year renewal option. The proposed total rental value for the two (2) year term is s.17(1) net of rental incentives of s.17(1) including operating costs and utilities, plus applicable GST. This will generate for the City an average total rent of s.17(1) per annum s.17(1) per sq. ft.) and allow the Tenant to remain as a tenant in the Premises. The current total market rental rates, including operating costs for similar types of commercial warehouse space within the surrounding area range from s.17(1) per square foot per annum. The rent negotiated for the Premises is considered to be at fair market rental value.

Building Description / Maintenance

The Subject Property is in fair condition. An energy audit is currently being conducted. Expenditures include a new roof which is being completed in two (2) phases. Phase one (1) was completed in 2014 at a cost of approximately s.17(1) and Phase two (2) commenced in April 2015 at an estimated cost of s.17(1), funded from within the approved 2015 PEF Capital Budget. In addition, the replacement of four (4) to ten (10) rooftop HVAC units and direct digital control upgrades, estimated to cost between s.17(1) to s.17(1), is currently being assessed by the Capital Maintenance group.

Implications/Related Issues/Risk (if applicable)

Financial

The current annual total rent paid by the Tenant is s.17(1) (inclusive of operating costs and utilities) plus applicable GST. The difference in rent will be adjusted for the months of April, May, June and July 2015, during the over-holding lease period. Annual total rent for the new lease, effective April 1, 2015 will be s.17(1) (net of rental incentive of s.17(1) s.17(1), inclusive of operating costs and utilities, plus applicable GST for Year 1, and s.17(1) (net of rental incentive of s.17(1) s.17(1), inclusive of operating costs and utilities, plus applicable GST for Year 2, for a total rental value for the two (2) year term of s.17(1). These numbers take into consideration the s.17(1) s.17(1) The rent is to be credited to the PEF.

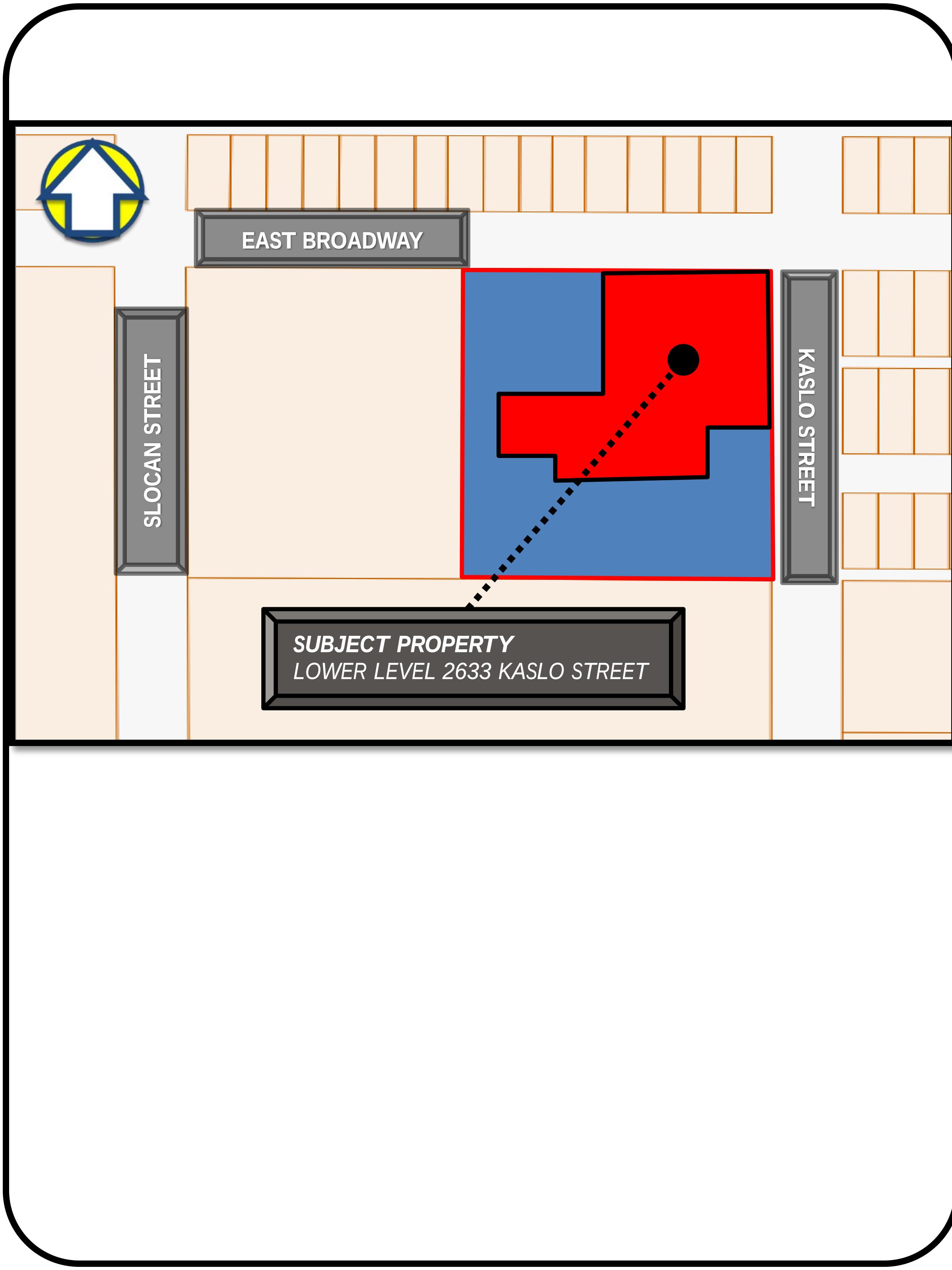
The entire building consists of 17 units and 11 tenants, and currently provides annual net revenue in the amount of s.17(1) (2014).

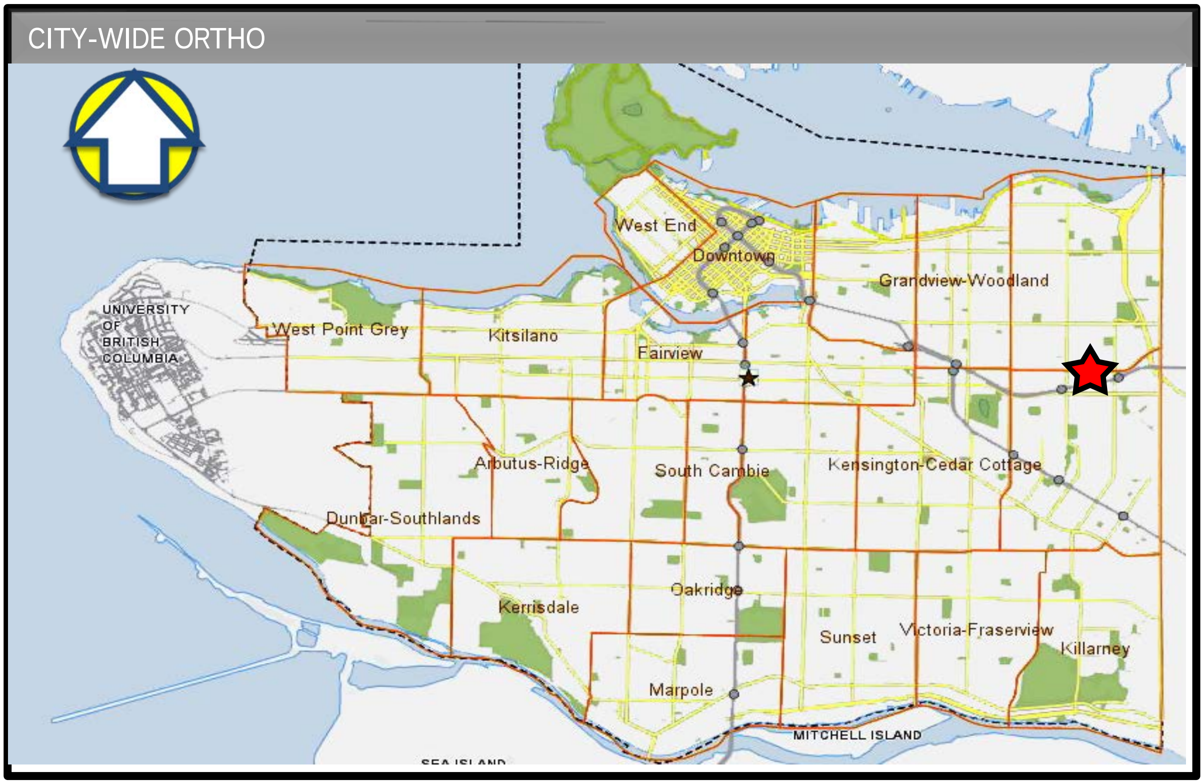
CONCLUSION

The Director of Real Estate Services is of the opinion that the rent negotiated is representative of the current market rental value for this type of older commercial-industrial warehouse, and therefore recommends Council's approval of the foregoing.

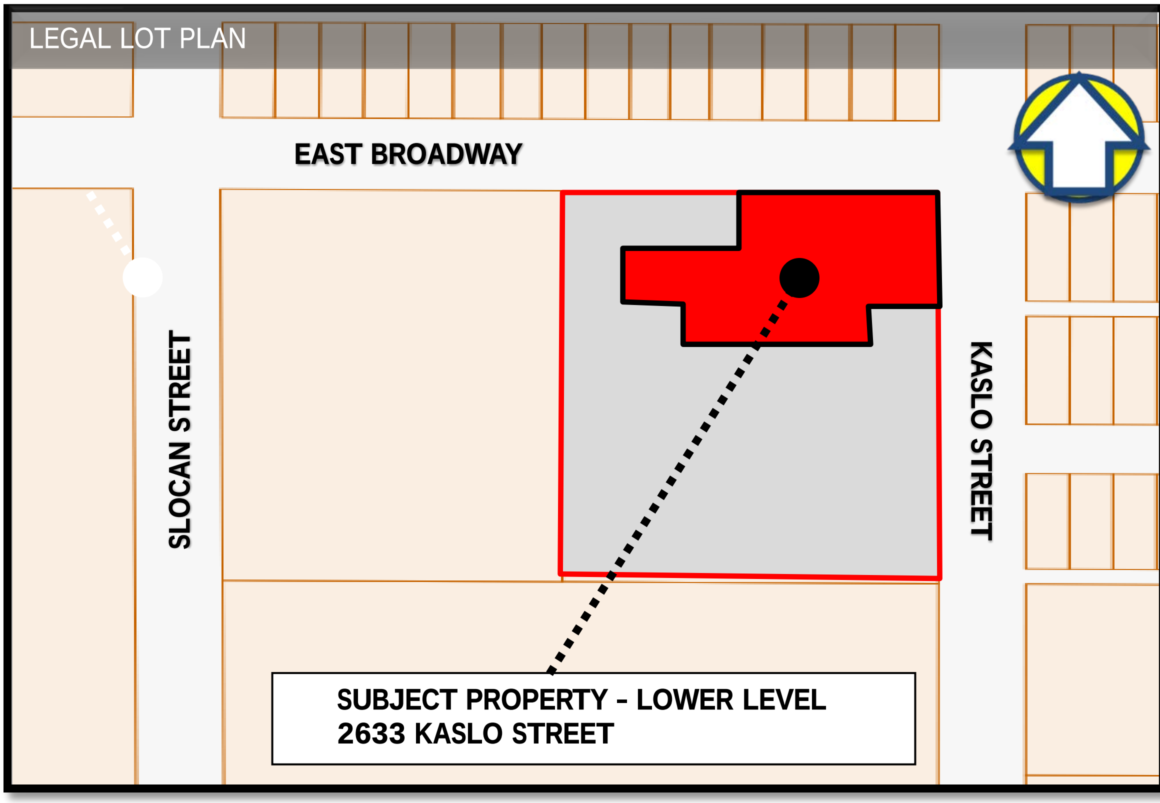
* * * * *

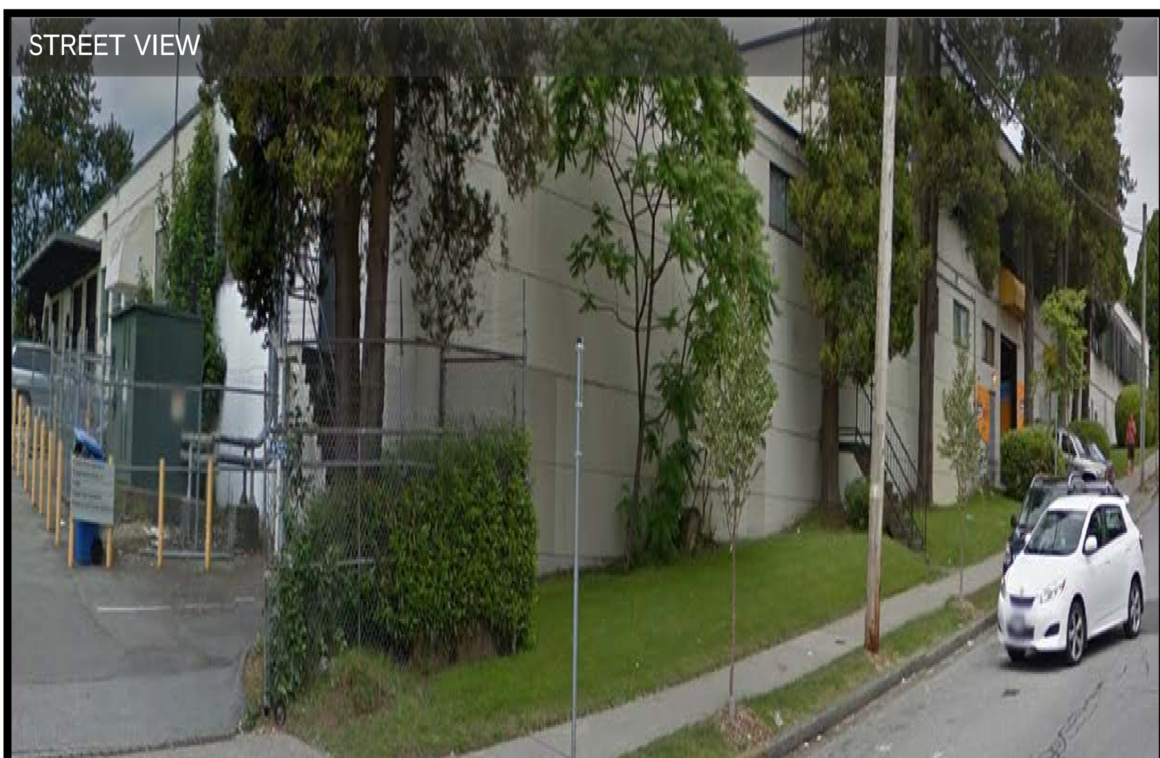
SUBJECT PROPERTY



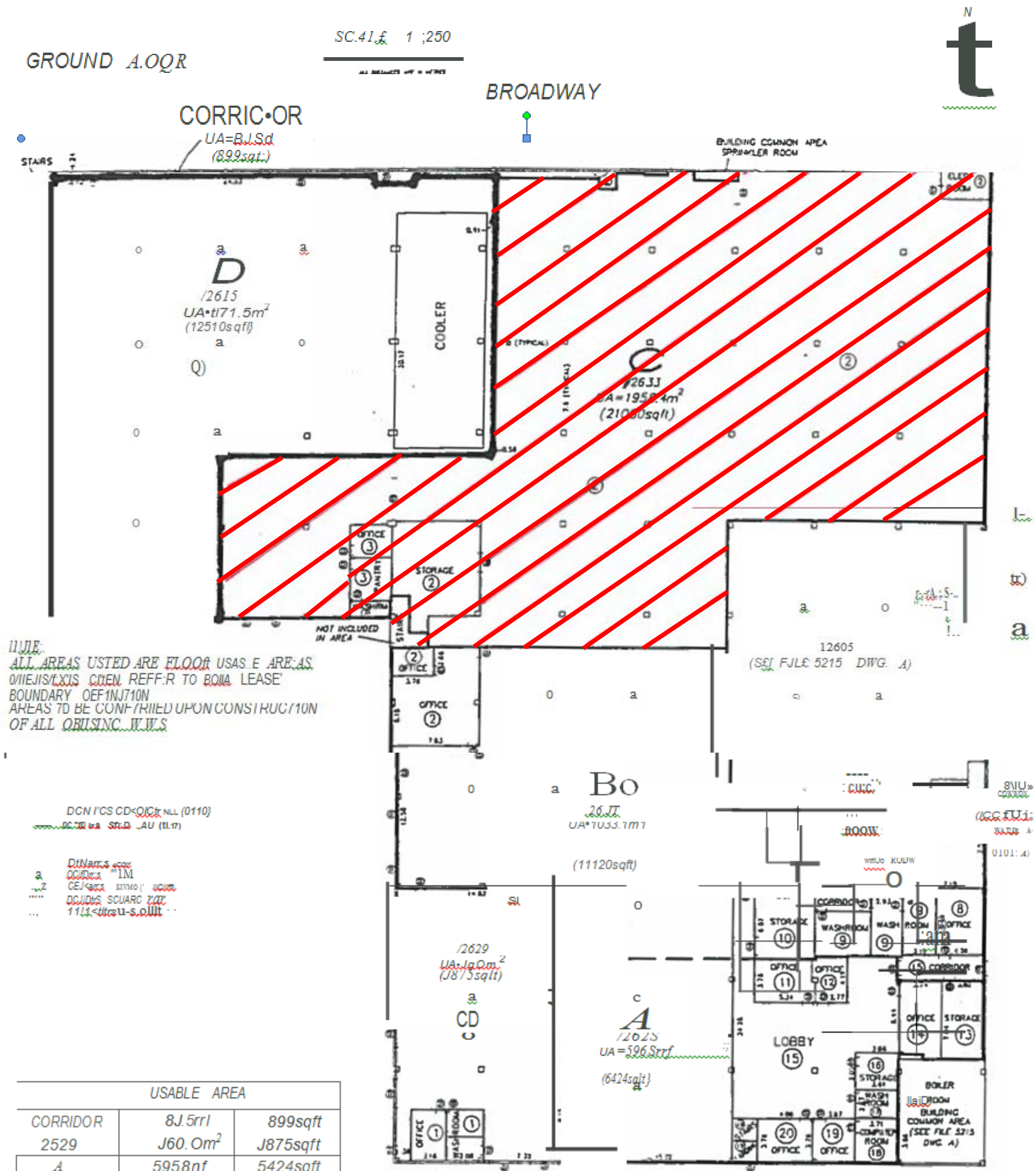

CITY-WIDE ORTHO
UNIVERSITY OF BRITISH COLUMBIA
West Point Grey
Kitsilano
West End
Downtown
Fairview
Grandview-Woodland
Arbutus-Ridge
South Cambie
Kensington-Cedar Cottage
Dunbar-Southlands
Kerrisdale
Oakridge
Sunset
Victoria-Fraserview
Killarney
Marpole
MITCHELL ISLAND


AREA-WIDE ORTHO
EAST BROADWAY
SLOCAN STREET
KASLO STREET
SUBJECT PROPERTY - LOWER LEVEL
2633 KASLO STREET


LEGAL LOT PLAN
EAST BROADWAY
SLOCAN STREET
KASLO STREET
SUBJECT PROPERTY - LOWER LEVEL
2633 KASLO STREET


STREET VIEW

PLAN oF GROUND FLOOR oF\ 25 KASLO STREET, VANCOUVE[(



USABLE AREA		
CORRIDOR	8J.5rrl	899sqft
2529	J60.Om²	J875sqft
A	5958nf	5424sqft
8	1031.1m²	11120sqft
C	1958.4m²	21080sqft
D	11715m²	12510sqft
• TO TAL =	520J Jm²	55008sqft

• NOT INCLUDING #2605