



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: July 28, 2016
Contact: Jerry Evans
Contact No.: 604.873.7430
RTS No.: 11603
VanRIMS No.: 08-2000-21
Meeting Date: September 20, 2016

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease Renewal - Premises Located at 525 West 10th 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 "Renewal Term") between 591833 B. C. Ltd. ("B. C. Principals and Vice-Principals Association" (BCPVPA), or the "Landlord") and the City of Vancouver (the "Tenant") for the property located at 525 West 10th Avenue, as shown on Appendix A and legally described as PID: 015-017-796, known as Lot 16, Block 360, Plan 991, District Lot 526 (the "Subject Property"), on the following general terms and conditions:

Term: Five (5) years from November 1, 2016.

Rentable Area: Approximately 4,618 square feet on the first floor (the "Premises").

Total Rent: Years 1 - 5: s.17(1) per annum (s.17(1) per square foot rental rate) plus GST

Rent is inclusive of operating costs and property tax. Operating costs include: repairs, maintenance, landscaping and supplies,

janitorial and recycling, common area utilities, administration and management fees, security, elevator maintenance and repairs, and insurance.

Parking: Ten (10) parking stalls in the parkade at a total of s.17(1) per annum, or s.17(1) per month plus applicable taxes. The monthly parking rate is s.17(1) per stall plus applicable taxes for Year 1, and rents are subject to market rate increases.

Option to Renew: Five (5) options to renew of one (1) year each, on the same terms and conditions, except for rent, which is to be negotiated at the then market rates. If fair market rates cannot be settled by mutual agreement, then the parties may elect to arbitrate the issue to determine the market rental value of the Premises.

Other Terms and Conditions: Such other terms and conditions of the Renewal Term 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 the lease renewal document is fully executed by both parties.

Total rents and parking charges will be funded from the annual Operating Budget.

REPORT SUMMARY

This report seeks Council approval for the Director of Real Estate Services to negotiate and execute a Renewal Term, between the Landlord and the Tenant for the Premises, for civic offices. With many recent emerging priorities there is a need for additional office space in close proximity to the City Hall campus.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On June 12, 2006, Vancouver City Council (RTS 5971), authorized staff to enter into a ten (10) year lease (2006-2016) plus one (1) five (5) year renewal term (2016-2021).

The Directors of Finance and Real Estate Services can approve leases and lease renewals if:

- 1) The total value is less than \$750,000; and
 - 2) The term is no more than ten years (including renewal options).
- Larger and longer leases require Council approval.

The proposed Rental Term plus additional renewal terms exceed the total value of \$750,000 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

In 2006, staff entered into a ten (10) year lease plus one (1) five (5) year term to lease the Premises for the Vancouver Police Department's (VPD) Professional Standards Branch. As VPD's operation is relocating to Graveley Street by the end of the term, staff saw the opportunity to retain the premises by renewing the lease for the five (5) year term plus five (5) additional terms of one (1) year each, for use as office accommodation for civic purposes.

Strategic Analysis

The City has leased the Premises since 2006 to 2016. The Professional Standards Section of the VPD is being consolidated into space at Graveley and no longer requires the Premises after the lease expires in October 2016. However, given that a number of recent initiatives are underway, including staff additions within the Broadway Transit, Arbutus Corridor, Green Infrastructure, VAHA, NEFC project office, Engineering PM Office, Permits and Licensing and other miscellaneous staff increases, there is a need to retain the Premises for civic use. Using existing City leased space in such close proximity to the existing City Hall campus has several advantages, including cost as the space is already fitted out for the City's use. Accordingly, this report seeks Council approval for the Director of Real Estate Services to negotiate and execute the Renewal Term between the Landlord and the Tenant, for the Premises, for civic offices.

Implications/Related Issues/Risk (if applicable)

Financial

The current total rent is s.17(1) per annum (s.17(1) per square foot) inclusive of operating costs and taxes, plus s.17(1) per annum for parking (s.17(1) per stall per month, plus applicable taxes).

The new annual total rent, starting November 1, 2016, is s.17(1) (s.17(1) per square foot) inclusive of operating costs and taxes, plus s.17(1) per annum per parking (s.17(1) per stall per month, plus applicable taxes).

The total rent for the five (5) year renewal term, effective November 1, 2016, will be s.17(1) (rent, operating costs, property tax, and parking) plus GST. The source of funding is the annual Operating Budget.

The total capital funding estimated for the five (5) years term is minimal, as it only includes minor renovation costs, since space is already fitted out. Cost is not expected to exceed **s.17(1)** .

CONCLUSION

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

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