



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: May 24, 2017
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Meeting Date: May 30, 2017

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Proposed Lease between the City of Vancouver and Majestic Furniture Ltd.
at 2141 Burrard Street

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

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease (the "Lease") with Majestic Furniture Ltd., (the "Tenant") for premises at 2141 Burrard Street, as shown on Appendix A (the "Premises"), located within a City owned property situated at 2141 - 2151 Burrard Street and 1830 - 1836 W 5th Avenue, legally described as

PID: 015-222-659, 015-222-675, 015-222-683, 015-222-705 & 015-222-926, Lots 7, 8, 9, and south 40 feet of Lot 10, Lot A (Explanatory Plan 5233), Block 267, Lot 14 except ROW shown of Misc. Plan 218, Block 267, District Lot 526, Plan 590, (the "Property") on the following terms and conditions:

Term: Five (5) years commencing June 1, 2017.

Option to Renew: One five (5) year option to renew on the same terms and conditions save and except the rent, which is to be negotiated at market rates.

Lease Area: Total lease area of 3,412 square feet (2,975 square feet of retail/showroom, plus 437 square feet of storage).

Total Rent: Years 1 - 5, s.17(1) per annum or s.17(1) per month plus GST.

(Averaged rate is s.17(1) per square foot of which 2,975 SF is retail/showroom at s.17(1) per square foot, plus 437 SF storage at s.17(1) per square foot).

Total rent is inclusive of Common Area Maintenance charges including utilities, janitorial and recycling, grounds and landscaping, general security, and insurance costs.

Tenant

Inducements: Cash Allowances - Nil.

s.17(1)

Use: Retail/showroom/storage.

Early

Termination: Twelve (12) months written notice by Landlord.

Other Terms: 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 to the satisfaction of the Director of Legal Services, it being noted that no legal right or obligations shall arise or be created until the execution of the lease.

All rents to be credited to the Property Endowment Fund (PEF).

REPORT SUMMARY

The purpose of this report is to obtain Council approval to lease the Premises at 2141 Burrard Street to Majestic Furniture Ltd. for a term of five (5) years commencing June 1, 2017, plus one, five (5) year renewal option. The value of the lease over the initial 5 year term is s.17(1) and is expected to exceed s.17(1) upon exercise of the option to renew.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Director of Real Estate Services, Associate Directors of Real Estate Services, or Supervisor of Property Negotiations can execute Licence Agreements, Month to Month Leases, Offers to Lease, and Leases (the "Commercial Lease"), where the City is either the lessor or lessee, or licensor or licensee, where the total rental or licensee fee value is less than \$750,000 and the term (including renewal options) is no more than ten (10) years.

Total rental value of the Lease and the Renewal Term exceed the total value of \$750,000 which can be approved by staff 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

Built in the 1950s, the Property is conveniently located on West 5th Avenue and Burrard Street, near the prime West 4th Avenue shopping area. The Property was purchased by the City in the early 1970s for transit purposes and is held in the Property Endowment Fund (PEF). The subject Premises are addressed at 2141 Burrard St. and are situated on the mezzanine floor of the building with Burrard Street frontage. The prospective Tenant proposes to lease approximately 3,412 square feet of retail/showroom and storage space. The Tenant operates a retail mattress and accessory store.

Strategic Analysis

Following negotiations, the Tenant has agreed to enter into a five (5) year lease for the Premises commencing June 1, 2017 and ending May 31, 2022, with a five (5) year Option to renew the Lease. Total rent for the five year Lease is s.17(1) inclusive of Common Area Maintenance charges including utilities, janitorial and recycling, grounds and landscaping, general security, and insurance costs.

Current market rental rates inclusive of operating costs for commercial space in the vicinity range from s.17(1) per square foot per annum, depending on the age of the facility, its retail attributes, size and available access and parking. The mezzanine level retail units at the Property are trending toward the lower end of range both because of the age of the building and impediments such as entry stairs. The rent negotiated for the Premises is considered to represent fair market rental value.

Building Description/Maintenance

The building on the Property is in fair condition and functions as an older multi-tenanted commercial building. Repairs in 2010 included HVAC maintenance and asbestos abatement. More immediate repairs to the building's exterior walls and posts, unit heater replacement and lighting will be completed in the next two years at an estimated cost of s.17(1). Total anticipated capital expenditure over the Renewal Term is s.17(1), inclusive of the s.17(1). These costs relate to a building with 12 tenancies. All general maintenance of the building and grounds follow a regular schedule and major capital improvements are not expected in the next five years.

Implications/Related Issues/Risk (if applicable)

Financial

The Total Rent is s.17(1) per annum inclusive of Common Area Maintenance charges including utilities, janitorial and recycling, grounds and landscaping, general security, and insurance costs, plus GST, with the resulting Total Rent for Years 1 to 5 of the lease term being s.17(1). All rents will be credited to the PEF.

Legal

The proposed Lease will be drawn up on the City's standard form of lease for commercial tenants.

CONCLUSION

The Director of Real Estate Services is of the opinion that the Total Rent negotiated is representative of current market rental value for the type, location, age and condition of the Premises, and therefore recommends Council's approval of the foregoing.

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