



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: October 26, 2017
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VanRIMS No.: 08-2000-21
Meeting Date: November 28, 2017

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease of City-Owned Property at 128 Keefer 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

THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease (the "Lease") with Viola & Vishniakoff Physiotherapist Corporation (the "Tenant") for City-owned property situated at 128 Keefer Street as shown on Appendix A, and legally described as PID 007-690-380, Block 2, DL 196 & 2037, Plan 15452, Group 1 (the "Subject Property") on the following terms and conditions:

Term: Five (5) Years, commencing August 1, 2018

Option to Renew: One (1) option to renew for a further Five (5) Year Term

Lease Area: Approximately 2,550 square foot commercial retail unit (the "Premises")

Total Rent: Total rent, inclusive of common area maintenance and building insurance costs (the "Rent") is based on the following rates:

Year 1:	s.17(1)	per annum	s.17(1)	psf) plus GST;
Year 2:	s.17(1)	per annum	s.17(1)	psf) plus GST;
Year 3:	s.17(1)	per annum	s.17(1)	psf) plus GST;

Year 4: s.17(1) per annum s.17(1) psf) plus GST;
 Year 5: s.17(1) per annum s.17(1) psf) plus GST.

Total rental value (without deducting Tenant Inducements) is s.17(1) for the initial five (5) year term.

In addition to the Rent, the Tenant will pay for the replacement cost of three (3) existing heat pumps for the Premises, which were installed in 2016. The costs of the remaining amortization of the three (3) heat pumps is s.17(1) plus GST, which will be amortized over fifteen (15) years (180 instalments) and equate to s.17(1) per month plus GST. In the event the Tenant does not exercise the option to renew the Lease, the amortization will be carried on by the next tenant. The payments will be in effect as of the commencement date.

Tenant Inducements: Cash Allowance - NIL

Fixturing Allowance: s.17(1) rent free period in which to install tenant improvements.

Free Rent: s.17(1) free rent period in lieu of a cash tenant improvement allowance.

Parking: The Landlord shall not provide any free parking.

Use: Health Care Centre offering Physiotherapy, Rehabilitative Pilates and Registered Massage Therapy. Retail sales of physiotherapy exercise equipment and supplies, small group exercise and education/workshops.

Termination

Clause: None

Other Terms

And Conditions: The Lease is to be provided on the City's current standard form of lease for commercial tenants in this building. 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.

REPORT SUMMARY

The purpose of this report is to seek Council approval for the lease of a 2,550 square foot City-owned commercial space located at 128 Keefer Street (the "Premises") to Viola & Vishniakoff Physiotherapist Corporation (the "Tenant") for a term of five (5) years, commencing August 1, 2018, with an additional five (5) year option. The proposed Rent for the five (5) year term is s.17(1), not including Tenant Inducements. The Rent for the Lease term plus the additional renewal term exceeds the total value of \$750,000, which can be approved by

the General Manager of Real Estate and Facilities Management, and is therefore submitted to Council for approval.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Director of Real Estate Services, Associate Director 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 license fee value is less than \$750,000 and the term (including renewal options) is no more than ten (10) years.

The General Manager of Real Estate and Facilities Management or the Director of Finance approve the material terms of each Commercial Lease, which, in cases where the City is the licensee or lessee, may include a commercially reasonable indemnity in favour of the licensor or lessor.

Total rental value of the Lease (including the renewal option) exceeds 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

The Chinatown Plaza and Parkade development (the "**Subject Property**") is located at Keefer Street and Columbia Street. It is a prominent landmark in the Chinatown area, and a key asset of the Property Endowment Fund (the "**PEF**"). The City purchased the Subject Property in 2005 for an assured parking supply to sustain the Chinatown heritage area. The Subject Property consists of 952 parking spaces, almost 47,000 square feet of commercial space (including the 17,600 square foot Floata restaurant), 10,400 square feet of office, 10,800 square feet of street retail and 7,800 square feet of retail space in a small enclosed mall area. The Premises consists of a 2,550 square foot street front retail unit.

The Tenants have been practicing in Vancouver as private physiotherapists since 2006 and will be using the Premises to operate a health care centre offering physiotherapy, rehabilitative Pilates and registered massage therapy.

Strategic Analysis

The Tenants, who are also the principals of the company, are physiotherapists. The Tenants recognize the need for professional health care services to serve the growing residential population in and close to Chinatown and they are proposing to operate a health care centre offering physiotherapy, rehabilitative Pilates and registered

massage therapy, as well as retail sale of physiotherapy exercise equipment and supplies. The Tenants are proposing to convert previously occupied office space for the centre and are investing over s.17(1) in improvements to the space. Once completed, the Tenants will have an easily accessible street front presence in the community.

Implications/Related Issues/Risk (if applicable)

Financial

The Premises consist of a 2,550 square foot commercial retail unit and the proposed Total Rent for the five (5) year term (net of tenant inducements) will be s.17(1) plus applicable GST. While no cash allowance is being provided as is customary to assist new tenants, the Tenant will be provided a s.17(1) period free of rent in order to complete renovations (the "Fixturing Period"). The Tenant will also receive s.17(1) free rent in lieu of a cash contribution. The Rent is to be credited to the PEF.

CONCLUSION

The Director of Real Estate Services is 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 recommends Council's approval of the foregoing.

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