



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: December 12, 2017  
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RTS No.: 12292  
VanRIMS No.: 08-2000-21  
Meeting Date: December 12, 2017

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Lease of Premises located at 555 & 575 West 8<sup>th</sup> Avenue, Vancouver, BC by City of Vancouver

### 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") between Cressey Properties Corporation (the "Landlord") and the City of Vancouver (the "Tenant") for the premises located at 300 & 600 - 575 W 8<sup>th</sup> Avenue and 500 - 555 W 8<sup>th</sup> Avenue, Vancouver, BC, V5Z 1C6, within property legally described as PID: 017-030-871, Lot L, Block 320, District Lot 526, Plan VAP23163, as shown in Appendix A (the "Premises") on the following general terms and conditions:

Term: Ten (10) years.

Option to Renew: Two (2) options to renew for terms of five (5) years each.

Lease Area: Approximately 14,296 square feet on the 3<sup>rd</sup> floor and approximately 6,237 square feet on the 6<sup>th</sup> floor of 575 W 8<sup>th</sup> Avenue; and approximately 7,821 square feet on the 5<sup>th</sup> floor of 555 W 8<sup>th</sup> Avenue (for a total of 28,354 square feet across the Premises).

Net Rent: Years 1 - 5: s.17(1) per annum s.17(1) /SF rental rate) plus GST.  
Years 6 - 10: s.17(1) per annum s.17(1) /SF rental rate) plus GST.

Parking: Eleven (11) reserved parking stalls will be leased at s.17(1) per stall per month plus 21% Transit Levy

Parking Rent: The annual cost of the eleven (11) parking stalls at current market rates is s.17(1) (Year 1), subject to market rate adjustments over the term of the Lease, plus 21% Transit Levy.

Operating Costs & Taxes: s.17(1) per square foot (estimated for 2017) per annum. Operating Costs include: repairs, maintenance, office security, supplies, janitorial, waste disposal/recycling, landscaping/snow, utilities, administration charges and Landlord's insurance.  
*[Estimate of total occupancy costs in Year 1 = s.17(1) inclusive of Net Rent, Operating Costs & Taxes, Parking and Storage plus GST and Transit Levy.]*

Tenant Inducements: Tenant Improvement Allowance: Landlord to provide a contribution to Tenant's Works in the amount of s.17(1) per square foot (s.17(1)). Should the Tenant's work cost less than the Tenant Improvement Allowance, the difference (the "Difference") will be applied as a reduction in the first monthly Net Rent payment due under the Lease, and any subsequent Net Rent payments until the Difference is zero.

Possession Date: June 1, 2018 for 600 - 575 W 8<sup>th</sup> Avenue and September 1, 2018 for the 300 - 575 W 8<sup>th</sup> Avenue and 500 - 555 W 8<sup>th</sup> Avenue.

Fixturing Period: From the Possession Date until the Commencement Date, the Tenant shall not be required to pay any Net Rent or Operating Costs & Taxes, but shall be bound by all other provisions of the Lease.

Commencement Date: October 1, 2018.

Indemnity by  
Tenant:

To indemnify and hold harmless the Landlord from and against any demand, claim, cause of action, judgement and expense, and all loss and damage ("Claims") arising from:

- (i) any injury (including death) or damage to the person or property of the Tenant, any other tenant in the Premises or to any other person rightfully in the Premises, where the injury or damage is caused by negligence or misconduct of the Tenant, its agents, servants or employees, or of any other person entering upon the Premises under express or implied invitation of the Tenant, or results from the violation of any law, ordinance or governmental order of any kind or of any provision of the Lease by any of the foregoing;
- (ii) any loss or damage, however caused, to books, records, files, money, securities, negotiable instruments or papers in or about the Premises;
- (iii) any loss or damage resulting from interference with or obstruction of deliveries to or from the Premises; and
- (iv) any injury (including death) or damage not specified above to the person or property of the Tenant, its agents, servants or employees, or any other person entering upon the Premises under express or implied invitation of the Tenant,

where the injury or damage is caused by any reason other than the gross negligence or gross misconduct of the Landlord.

Other Terms and  
Conditions:

Such other 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 rights or obligations shall arise or be created until the lease document is fully executed by both parties.

Operating budget costs include Net Rent, Parking Rent, Operating Costs and Taxes. Funding for this lease for 2018, estimated at s.17(1), will be funded from the 2018 Operating Budget, subject to Council approval in December 2017.

B. THAT, subject to approval of Recommendation A, Council approve up to s.17(1) s.17(1) for the Tenant's Works at the Premises.

- (i) The funding source for the s.17(1) will be the Capital from Revenue transferred from forecasted 2017 Operating surplus. Given

the urgency to proceed with the negotiation of the related lease contract, and the time limitation that the next quarterly capital budget adjustments will not go to Council until February 2018, staff request that the Council approve the use of such funding in advance of the budget increase.

- (ii) A multi-year project budget and annual expenditure budget increase of **s.17(1)** will be requested in the 2017 Q4 capital budget adjustments to be presented to Council in February 2018.

### ***REPORT SUMMARY***

The report seeks Council approval for the Director of Real Estate Services to negotiate and execute a lease, between the Landlord and the Tenant, for the Premises at 300 & 600 - 575 W 8<sup>th</sup> Avenue and 500 - 555 W 8<sup>th</sup> Avenue for civic offices. With many recent emerging priorities, there is a need for additional office space within the City Hall Precinct area for staff accommodations.

### ***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.

The General Manager of Real Estate and Facilities Management or the Director of Finance can 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 exceeds \$750,000 and the total term (including renewal options) exceeds ten (10) years; therefore, the terms of the Lease are being 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*

s.13(1)



s.17(1)



Details of the Tenant’s Works and Tenant Improvements (collectively, the “Total Project Cost”) for the Premises are as follows:

DESCRIPTION – TOTAL PROJECT COST	
<b>TENANT’S WORKS – hard and soft cost (as completed by Tenant)</b>	s.17(1)
Les s.17(1) sq. ft. Tenant Improvement Allowance	
FF & E (Furniture, IT and moves and PM costs)	
Contingencies 10%	
<b>TOTAL PROJECT COST</b>	

Area: 28,354 square feet

Total Tenant’s Works cost per square foot: s.17(1) (after deduction of s.17(1)/SF Tenant Improvement Allowance).

*Implications/Related Issues/Risk (if applicable)*

**Financial**

Operating: The Net Rent is s.17(1) per annum s.17(1)SF) for Years 1 to 5, plus an estimated s.17(1) per annum Operating Costs and Taxes s.17(1) /SF of Operating Cost and Taxes for Year 1). It is expected these operating costs will increase slightly each lease year, as billed by the Landlord. The Net Rent is s.17(1) per annum s.17(1)/SF) for Years 6 to 10, plus Operating Cost and Taxes. The Total Parking Rent is s.17(1) per annum plus 21% Transit Levy, subject to market rate increases.

Total operating costs include Net Rent, Parking Rent, and Operating Costs and Taxes. The estimate of the total operating costs in Year 1 is anticipated to be s.17(1)

The operating costs for 2018, estimated at s.17(1) will be funded from 2018 Operating Budget, subject to Council approval in December 2017. For 2019 onwards, funding for this new lease will be included in the 2019 Operating Budget and brought forward to Council for approval in December 2018.

Capital: The Total Project Cost (Echelon TI) is estimated at s.17(1), including workstations, furniture, and equipment, after deducting the Landlord's Contribution to Tenant's Improvements.

The Tenant's Improvements are estimated to cost up to s.17(1). The Tenant's Improvements are proposed to be funded as follows:

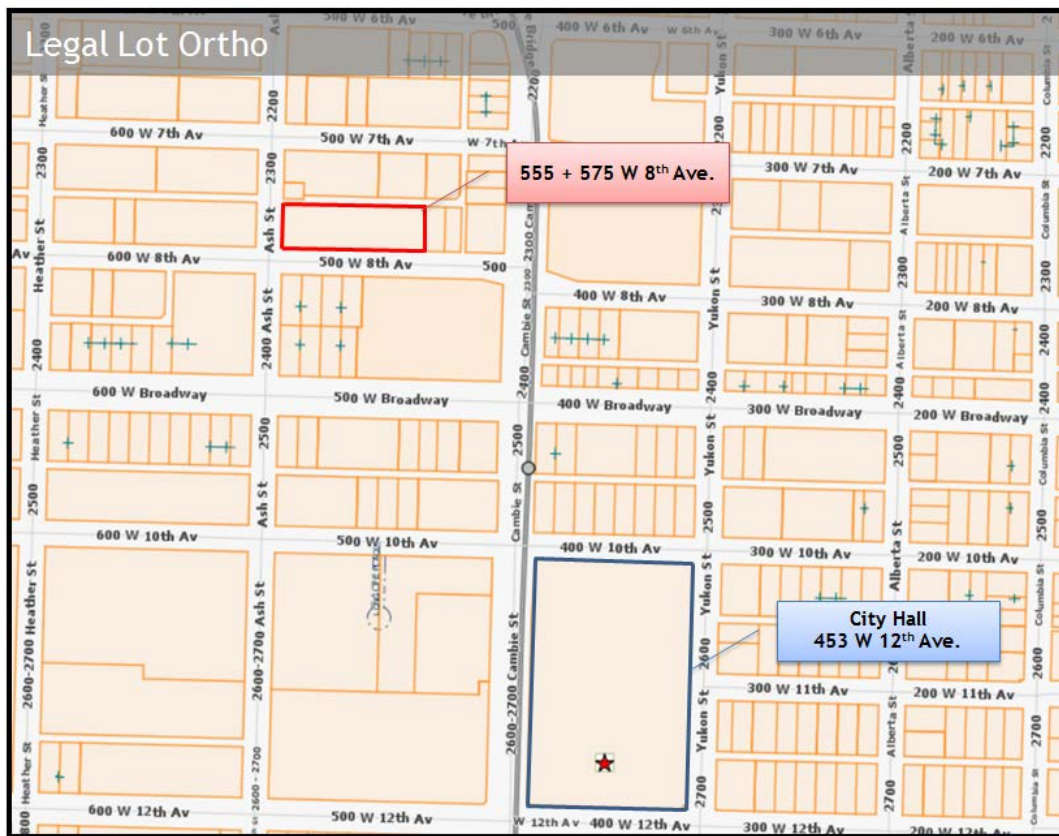
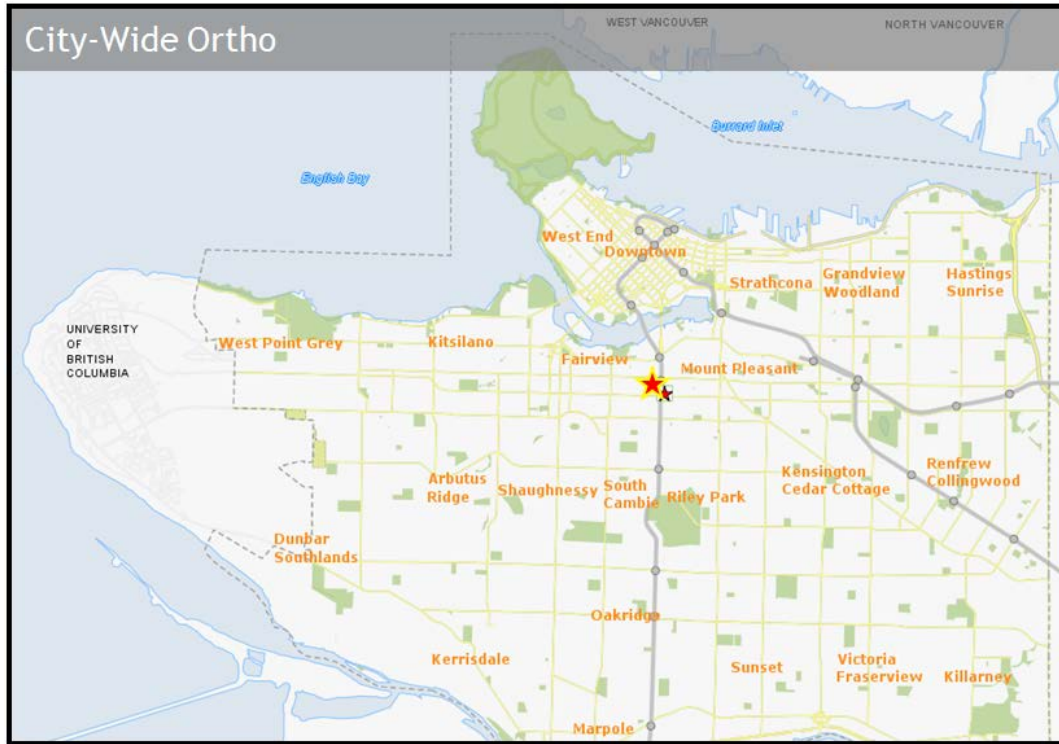
- (i) The funding source for the s.17(1) will be the Capital from Revenue transferred from forecasted 2017 Operating surplus. Given the urgency to proceed with the negotiation of the related lease contract, and the time limitation that the next quarterly capital budget adjustments will not go to Council until February 2018, staff request that the Council approve the use of such funding in advance of the budget increase.
- (ii) A multi-year project budget and annual expenditure budget increase of s.17(1) will be requested in the 2017 Q4 capital budget adjustments to be presented to Council in February 2018.

## CONCLUSION

The 28,354 square feet of office space provided at the Premises, in close proximity to the City Hall Precinct, presents a unique opportunity for departments to address immediate and long term office accommodation needs.

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, condition and age of the Premises, and supports the approval of Recommendations A and B.

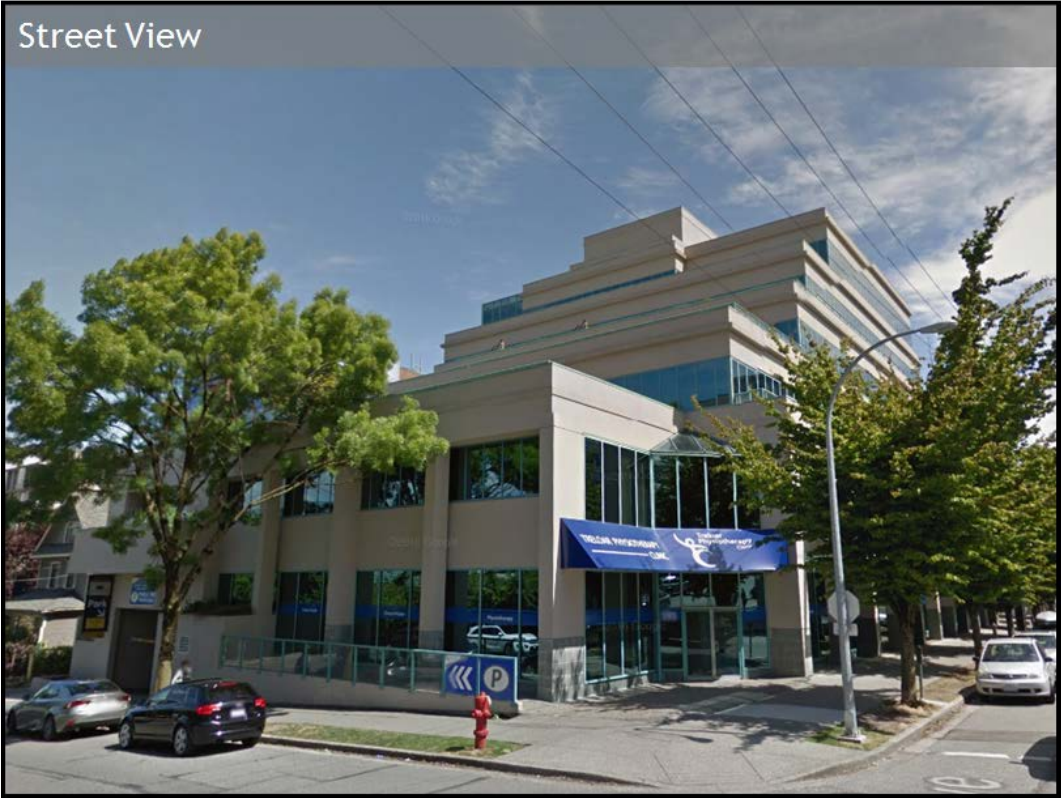
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Street View



Street View

