



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: June 8, 2018
Contact: Jerry Evans
Contact No.: 604.873.7430
RTS No.: 12653
VanRIMS No.: 08-2000-21
Meeting Date: July 10, 2018

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management in consultation with the General Manager of Arts, Culture and Community Services

SUBJECT: Lease of City-owned Premises at 2631 Kaslo Street to Brilliant Cabinets 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

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease (the "Lease") with Brilliant Cabinets Ltd. (the "Tenant") for City-owned premises situated at 2631 Kaslo Street, legally described as PID: 009-551-581, Lot 2 South ½ of Section 35, THSL Plan 9744, as described in Appendix "A" (the "Premises"), on the following terms and conditions:

Term: Ten (10) years commencing October 1, 2018 and ending on September 30, 2028.

Area: Rentable area of approximately 10,450 square feet.

Total Rent: Total Rent, before deducting free rent allowance, is as follows:

Years 1-5: s.17(1) per annum (s.17(1) per sq. ft.); and
Years 6-10: s.17(1) per annum (s.17(1) per sq. ft.);

plus GST. Rent is inclusive of operating costs.

- Parking:** The Tenant shall have the use of ten (10) reserved parking stalls, at no additional cost.
- Fixturing:** For the purposes of planning and constructing, the Tenant's improvement work and moving in, the Tenant shall have access to the Premises September 1, 2018.
- Free Rent:** The Tenant shall be granted the equivalent of s.17(1) free rent from s.17(1) (the "Free Rent").
- Use:** The Premises are to be used for kitchen cabinet manufacturing and distribution.
- Renewal:** One (1) further option to renew for five (5) years with twelve (12) months written notice.
- Improvement:** At the Tenant's sole cost and expense, the Tenant shall have the right to widen one (1) of the existing loading door openings by a maximum of 2 feet.
- 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 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 for the lease of a 10,450 square foot City-owned industrial space located at 2631 Kaslo Street (the "Premises") to Brilliant Cabinets Ltd. (the "Tenant") for a term of ten (10) years, commencing October 1, 2018, and expiring September 30, 2028 (the "Term"), with one (1) further renewal option of five (5) years. The proposed rent for the Term is s.17(1), including the Free Rent period.

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.

On September 20, 2016, Council Approved the Child, Youth and Family Social Service Hub located at 2780 East Broadway under (RTS NO. 11616).

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate & Facilities Management recommends approval of the foregoing.

REPORT

Background/Context

The Premises are situated at 2631 Kaslo Street, and consist of approximately 10,450 square feet in the lower-level of a multi-tenanted building on the corner of East Broadway and Kaslo Street.

The building consists of two (2) levels with a combined area of approximately 62,226 square feet of warehouse space and 38,740 square feet of office space. This I-2 industrial zoned site is approximately 3.42 acres with a frontage of 284.5 feet and a depth of 525 feet.

The building was purchased by the City in August 1999 as a long-term holding property for the PEF. The building is in fair condition; however, seismic upgrades as well as a revised parking plan and resurfacing improvements are being implemented in 2018.

The upgrades were triggered by the Council approved tenant improvements for the planned Child, Youth and Family Social Service Hub located at 2780 East Broadway under (RTS NO. 11616) who will occupy the upper-level of the building in 2020. The Hub is overseen by Shared Services BC and leased by the Ministry of Technology, Innovation and Citizen's Services and the Child, Youth and Family Innovation Centre Co-operative, all of whom have been granted a twenty (20) year lease with the City.

The Premises are conducive to light manufacturing, warehousing and distribution uses with ancillary office, making them ideally suited for the Tenant's proposed use of the space.

Strategic Analysis

The Tenant has been in business for over twenty (20) years, building, installing and distributing kitchen cabinetry in Vancouver. The Tenant wishes to have a long-term tenancy and is willing to enter into a ten (10) year lease for the Premises commencing October 1, 2018, and ending September 30, 2028, with the option of one (1) further renewal options of five (5) years each (the "Lease").

Staff have completed due diligence on the Tenant's credit worthiness, the proposed Lease deal and the Tenant's proposed use within the Premises and are satisfied that the Tenant is a strong fit within the building and the PEF.

Implications/Related Issues/Risk

Financial

Total Rent for the ten (10) year term (net of Free Rent) will be s.17(1) plus applicable GST. The Total Rent is to be credited to the PEF. The Director of Real Estate

Services is of the opinion that the Total Rent negotiated (equivalent to s.17(1) per square foot gross for years 1-5 and s.17(1) per square foot gross for years 6-10) is representative of current market rental value for the type, location, age and condition of the Premises.

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 and age of Premises, and therefore recommends Council's approval of the foregoing.

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