



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: August 23, 2018  
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RTS No.: 12769  
VanRIMS No.: 08-2000-21  
Meeting Date: September 18, 2018

TO: Vancouver City Council  
FROM: General Manager of Real Estate and Facilities Management  
SUBJECT: Lease Renewal of City-Owned Premises at 205 – 618 Quebec 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 the lease renewal (the "Lease") with Wallgate Holdings Inc. (the "Tenant") for City-owned premises situated at 205- 618 Quebec 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 Years, commencing August 1, 2018

Option to Renew: One – Five (5) Year Renewal Term

Lease Area: Approximately 3,024 square feet (the "Premises")

Total Rent:

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.

In addition to the Total Rent, the Tenant will reimburse the Landlord for the cost of the replaced heat pumps effective from February 1, 2014 within the Premises, amortized over seven years (84 instalments) which equates to monthly instalments of s.17(1) plus GST. The final payment will be January 1, 2021.

Total Rent is inclusive of building insurance.

**Tenant Allowance:** The Landlord will provide renovation assistance to the Tenant to improve the Premises in the form of free base rent, up to a maximum of s.17(1) months base rent (excluding GST).

**Use:** A Medical Radiology, X-ray and Ultrasound Laboratory

**Other Terms And Conditions:** The Lease is to be provided on the City's form of lease for commercial tenants at the Subject Property. 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 of the lease renewal of a 3,024 square foot City-owned office space located at 205 – 618 Quebec Street to Wallgate Holdings Inc. for a term of five (5) years, retroactive to August 1, 2018, with an additional five (5) year renewal option. The proposed Total Rent for the five year term is s.17(1) plus GST.

## **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

The Director of Real Estate Services, Associated 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.

Further, 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.

The total rental value of the Sub-sublease and the Renewal Term exceeds the total value of \$750,000 which can be approved by the General Manager of Real Estate and Facilities Management or the Director of Finance, 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 parkade development, known as the Chinatown Mall, is located at Keefer and Columbia Street (the "Subject Property"). It is a prominent building, a landmark in the Chinatown area and a key asset of 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, 47,000 square feet of commercial space including the 17,600 square feet 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 consist of 3,024 square feet of office space.

Wallgate Holdings Inc. has been a tenant in the Subject Property since 2010. They have been providing essential services to the Chinatown community as a medical, x-ray and ultrasound laboratory.

#### **Strategic Analysis**

The Subject Property is in the heart of Chinatown. The Premises is a second floor office unit. s.17(1)

s.17(1) As recently as September 2017, they also opened a new walk-in clinic within the Subject Property where they identified a demand for such services in the community. Following negotiations, the Tenant has agreed to enter into a five (5) year lease renewal for the Premises retroactive to August 1, 2018 and ending July 31, 2023, at 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.

As part of the renewal, the Landlord will provide renovation assistance for the Tenant to improve the Premises in the form of free rent, up to a maximum of s.17(1) months base rent s.17(1) (excluding GST), once proof of the renovation's completion has been provided to the satisfaction of the Landlord. The Tenant will be responsible for their share of operating costs and taxes in lieu during that time. The improvement/renovation must be reviewed and approved by the Landlord prior to any works being done. It must be enduring in nature, be integral to the Premises and be of benefit to the Landlord and Tenant. In the event that the proposed renovation has not commenced by February 1,

2019, the s.17(1) months free base rent allowance will be forfeited. The proposed rental rate for the five (5) year term is s.17(1) plus GST. The current market rents for similar types of office space in the surrounding area range from s.17(1) to s.17(1) total rent per square foot per annum. The negotiated total rent for the Premises is considered to be at fair market rental value.

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

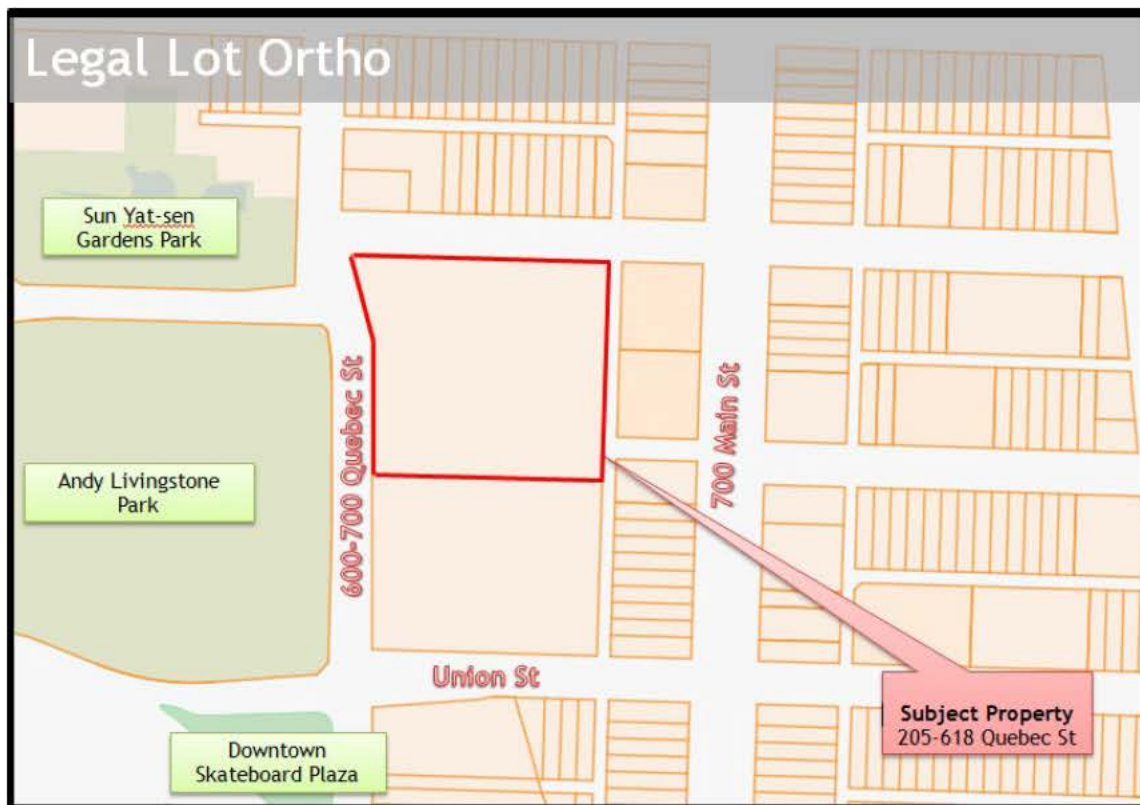
***Financial***

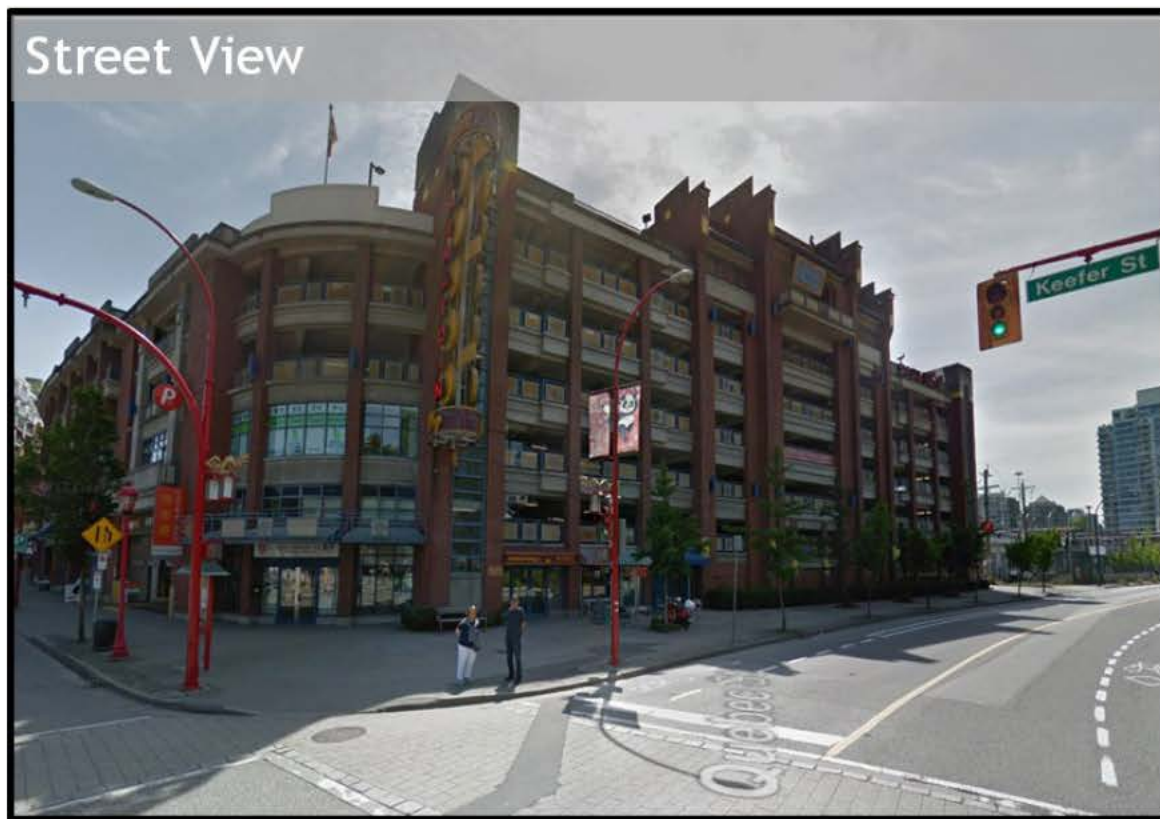
The subject premises consist of 3,024 square feet of office space and the proposed rent for the five (5) year term will be s.17(1) plus GST. The rent is to be credited to the PEF. As part of the renewal, the Landlord will provide renovation assistance for the Tenant to improve the Premises in the form of free rent, up to a maximum of s.17(1) months base rent s.17(1) excluding GST), The Tenant will be responsible for their share of operating costs and taxes in lieu during that time.

***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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205 – 618 Quebec Street – Wallgate Holdings Plan of Premises

