



**IN CAMERA**

**ADMINISTRATIVE REPORT**

Report Date: August 31, 2018  
Contact: Jerry Evans  
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RTS No.: 12770  
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 of office premises – 500 West Broadway OR 525 W 8<sup>th</sup> Avenue,  
Vancouver, B.C. 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 legally binding lease agreement for a ten (10) year term (the "Lease") on material terms to be approved by the General Manager of Real Estate & Facilities Management, including the maximum annual operating budget costs (including Net Rent, Operating Costs and Taxes) set out in Appendix A hereto (the "Maximum\_Rent Envelope"), for approximately 41,000 sq. ft. of office accommodation within the City Hall Precinct at either:

**1) 500 West Broadway**

the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, and 7<sup>h</sup> floors of the Building that is to be constructed and located at 500 West Broadway, Vancouver, B. C., legally described as PID: 030-482-402, Lot 1, Block 360, District Lot 526, Group 1, New Westminster District Plan EPP78329 (the "500 Premises"), on substantially the terms and conditions as outlined in Appendix "A".

**(the "500 Lease")**

**OR;**

## **2) 525 West 8<sup>th</sup> Avenue – CityLink**

the 2<sup>rd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>h</sup>, and 6<sup>th</sup> floors of the CityLink Building that is to be constructed and located at 525 West 8th Avenue, Vancouver, B. C., legally described as PID: 030-553-806, Lot 1, Block 320, District Lot 526, Group 1, New Westminster District, Plan EPP82839 (the “CityLink Premises”), on terms and conditions as outlined in Appendix “B”.

### **(the “CityLink Lease”)**

Funding for the Lease will be brought forward as part of the 2020 operating budget process.

- B. THAT, subject to approval of Recommendation A, Council approve a capital project and corresponding multi-year capital project budget of up to s.17(1) (the “Maximum TI Envelope”) for the Tenant Improvements, furniture, IT, and moving costs at either 500 Premises or CityLink Premises; source of funding to be the Capital Facilities Reserve, to be added to the 2015-2018 Capital Plan. Expenditures for this project in 2018 will be managed within the current approved 2018 Annual Capital Expenditure Budget; expenditures for subsequent years will be brought forward as part of the annual Capital Budget process.

## **REPORT SUMMARY**

This report seeks Council’s authority to negotiate and execute a single office Lease on the terms and conditions as outlined in this report, to be approved by the General Manager of Real Estate & Facilities Management, including the Maximum Rent Envelope and Maximum TI Envelope. With many recent emerging priorities, there is a need for additional office space within the City Hall Precinct to accommodate staffing growth and the upcoming loss of other City-owned office premises.

## **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

The Director of Real Estate Services, Associate Directors of Real Estate Services, or Supervisor of Property Negotiations can execute License 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 case 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 500 Lease or CityLink 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**

#### **Background/Context**

s.17(1)



Staff became aware of two proposed developments:

- 500 West Broadway at Cambie Street, located just north of the West Annex (the "500 Premises"); and
- 525 West 8<sup>th</sup> Avenue at Cambie Street, located just north of Crossroads (the "CityLink Premises")

Both premises offer similar floor areas at 41,000 square feet, and estimated completion dates of fall 2020. Staff remain in negotiations at present with both the 500 Landlord and CityLink Landlord, and will finalize and approve a single lease which offers the best value and locational advantages to the City, subject to Council's approval of Recommendations A & B.

**Strategic Analysis**

s.17(1)



s.17(1)



s.17(1)

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

***Financial***

Operating:

The Net Rent for the newly leased premises, whether it be the 500 Premises or CityLink Premises, shall be a maximum of s.17(1) (s.17(1) sf) per annum, for Years 1 to 5, plus an estimated s.17(1) per annum operating costs and taxes (s.17(1) per square foot of Operating Cost and Taxes for upcoming Fiscal Year 2020). It is expected that these operating costs will increase slightly each lease year, as billed by the Landlord. The Net Rent for years 6 to 10 in the newly leased premises shall be a maximum of s.17(1) per annum s.17(1) per square foot), plus operating cost and taxes.

Total operating budget costs include Net Rent, Operating Costs and Taxes (the "Operating Budget"), but exclude Parking. The estimate of the total Operating Budget cost in Year 1 is anticipated to be s.17(1), which falls just below the Maximum Rent Envelope set out in Appendix A and applicable to Year 1. 2020 Costs will be managed as part of the 2020 Operating Budget Process.

Tenant Improvement & Fit-Out Costs:

Landlord shall be responsible for a maximum amount per square foot of leasable area (still under negotiation), but not to be less than s.17(1) /sf (the "Tenant Improvement Allowance"), in connection with the construction and completion of the Tenant Improvements, which shall be undertaken by the Landlord on behalf of the Tenant. The Landlord will provide written notice of expenses incurred to deliver the Tenant Improvements (the "Actual Tenant Improvement Costs") to the Tenant, and the Tenant will be required to reimburse the Landlord for the amount of the Actual Tenant Improvement Costs that exceed the Tenant Improvement Allowance. The Actual Tenant Improvement Costs payable by the Tenant, net of the Tenant Improvements Allowance, is estimated to be approximately s.17(1), including contingency. Related costs for FF&E (fit-out including furniture, IT and moving costs) are estimated to be s.17(1). Funding of s.17(1) for the Tenant Improvement and FF&E will be from the Capital Facilities Reserve, to be added to the 2015-2018 Capital Plan. Expenditures for this project in 2018 will be managed within the current approved 2018 Annual Capital Expenditure Budget; expenditures for subsequent years will be brought forward as part of the annual Capital Budget process.

## **CONCLUSION**

Both the 500 Lease and CityLink Lease, within close proximity to the City Hall Precinct, offer strong opportunities for the City to lease much-needed office space at pre-determined rents over the next decade, and for departments to address immediate and long term office accommodation needs.

With the 500 Lease and CityLink Lease still under negotiations, the General Manager of Real Estate and Facilities Management recommends approval of Recommendation A and Recommendation B.

\* \* \* \* \*

## THE 500 Lease

Tenant: City of Vancouver

500 Landlord: Cambie and Broadway Limited Partnership and Yorkson Investment Company Ltd.

500 Premises: The 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, and 7<sup>th</sup> floors of the Building that is to be constructed and located at 500 West Broadway, Vancouver, B. C., legally described as PID: 030-482-402, Lot 1, Block 360, District Lot 526, Group 1, New Westminster District Plan EPP78329 (the "500 Premises")

Term: Ten (10) years.

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

Lease Area: Approximately 41,262 square feet on the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, and 7<sup>th</sup> floors.

Net Rent: Years 1 – 5: Up to a maximum of s.17(1) per annum s.17(1) /SF rental rate) plus GST.

Years 6 – 10: Up to a maximum of s.17(1) per annum s.17(1) /SF rental rate) plus GST.

Parking: Up to 53 available parking stalls at a market rate of s.17(1) per stall plus 21% Transit Levy.

Parking Rent: Tenant will confirm the exact number of stalls required prior to the commencement of the Term. Parking rent is subject to market rate adjustments over the term of the Lease.

Operating Costs & Taxes: s.17(1) per square foot (estimated for 2020) per annum. Operating Costs include: repairs, maintenance, office security, supplies, janitorial and recycling, landscaping, and Landlord's insurance.

*[Estimate of total MAXIMUM occupancy costs in Year 1 = s.17(1) inclusive of Net Rent, Operating Costs & Taxes, EXCLUDES Parking.]*

**Maximum Rent Envelope request for Recommendation A includes the estimated Operating Budget Costs for each lease year of the Term (which for Years 1-5 is estimated to be s.17(1) annually, and for Years 6-10 is estimated to be s.17(1) annually**



Tenant Inducements:

Tenant Improvement Allowance: Landlord to provide a contribution to Tenant Improvements in the amount of s.17(1) per square foot (s.17(1)), subject to final negotiations.

Fixturing  
Period:

s.17(1) free of Net Rent, Operating Costs and Taxes starting on the Possession Date. Tenant will be responsible for the costs of its separate utilities during the Fixturing Period.

Possession Date: Ten (10) days after the Landlord delivers to the Tenant a copy of the Occupancy Permit for the Premises, written notice that the Tenant Improvements are complete and after the Tenant has accepted the condition of the Premises and Tenant Improvements following a walk-through with the Landlord.

Commencement  
Date:

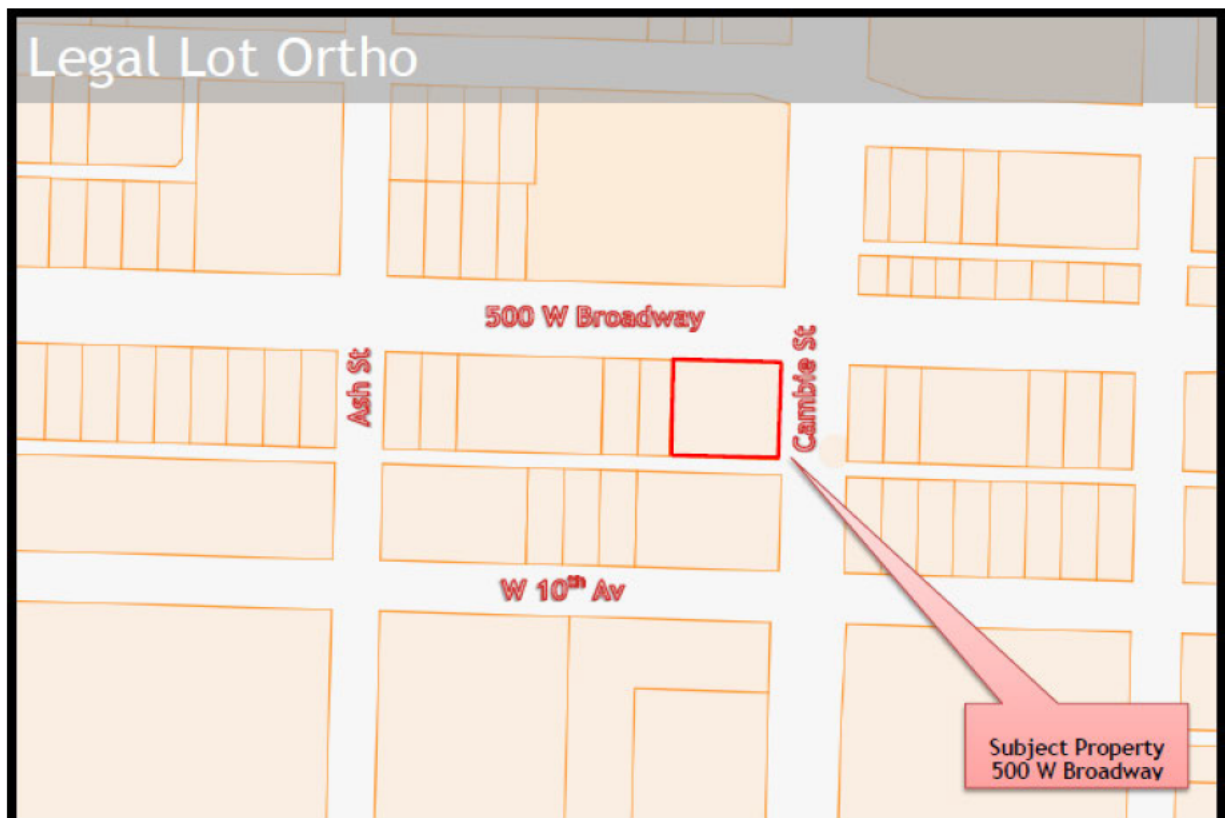
The day next following the expiry of the Fixturing Period, as herein described, to begin no earlier than July 1, 2020, and no later than October 1, 2020, subject to final negotiation.

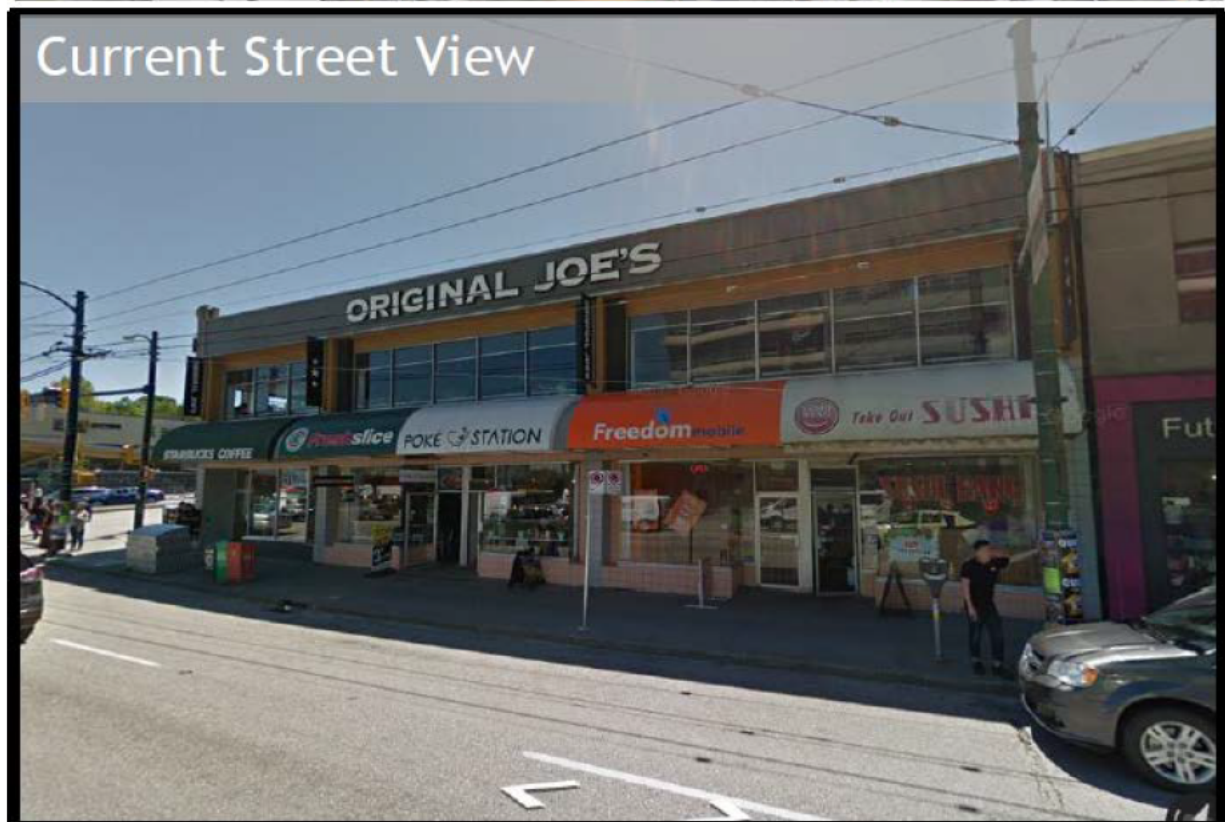
Indemnity by  
Tenant:

Tenant's standard commercial indemnity, generally to indemnify and hold harmless, the Landlord from and against any and all claims, losses, actions, suits, proceedings, causes of action, demands, damages, fines, duties, judgments, executions, costs, charges, payments and expenses including any professional consultant and legal fees (on a solicitor and his/her own client basis) (collectively, the "Claims") arising out of or in connection with certain events, substantially as described in Appendix C to this report .

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's being noted that no legal rights or obligations shall arise or be created until the Lease is fully executed by both parties.







## New Street View



## New Street View



## The CITYLINK LEASE

Tenant: City of Vancouver

CityLink Landlord: Vanlux Developments Ltd.

CityLink Premises: The 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> floors of the CityLink Building that is to be constructed and located at 525 West 8<sup>th</sup> Avenue, Vancouver, B. C., legally described as PID: 030-553-806, Lot 1, Block 320, District Lot 526, Group 1, New Westminster District, Plan EPP82839 (the "CityLink"), as shown on Appendix "B"

Term: Ten (10) years.

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

Lease Area: Approximately 41,000 square feet on the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> floors.

Net Rent: Years 1 – 5: Up to a maximum of s.17(1) per annum  
s.17(1) /SF rental rate) plus GST.

Years 6 – 10: Up to a maximum of s.17(1) per annum  
s.17(1) /SF rental rate) plus GST.

Parking: Up to 60 available parking stalls at a market rates plus 21% Transit Levy.

Operating Costs & Taxes: s.17(1) per square foot (estimated for 2020) per annum.  
Operating Costs include: repairs, maintenance, office security, supplies, janitorial and recycling, landscaping, and Landlord's insurance.

*[Estimate of total MAXIMUM occupancy costs in Year 1 = s.17(1) inclusive of Net Rent, Operating Costs & Taxes, EXCLUDES Parking.]*

Tenant Inducements:

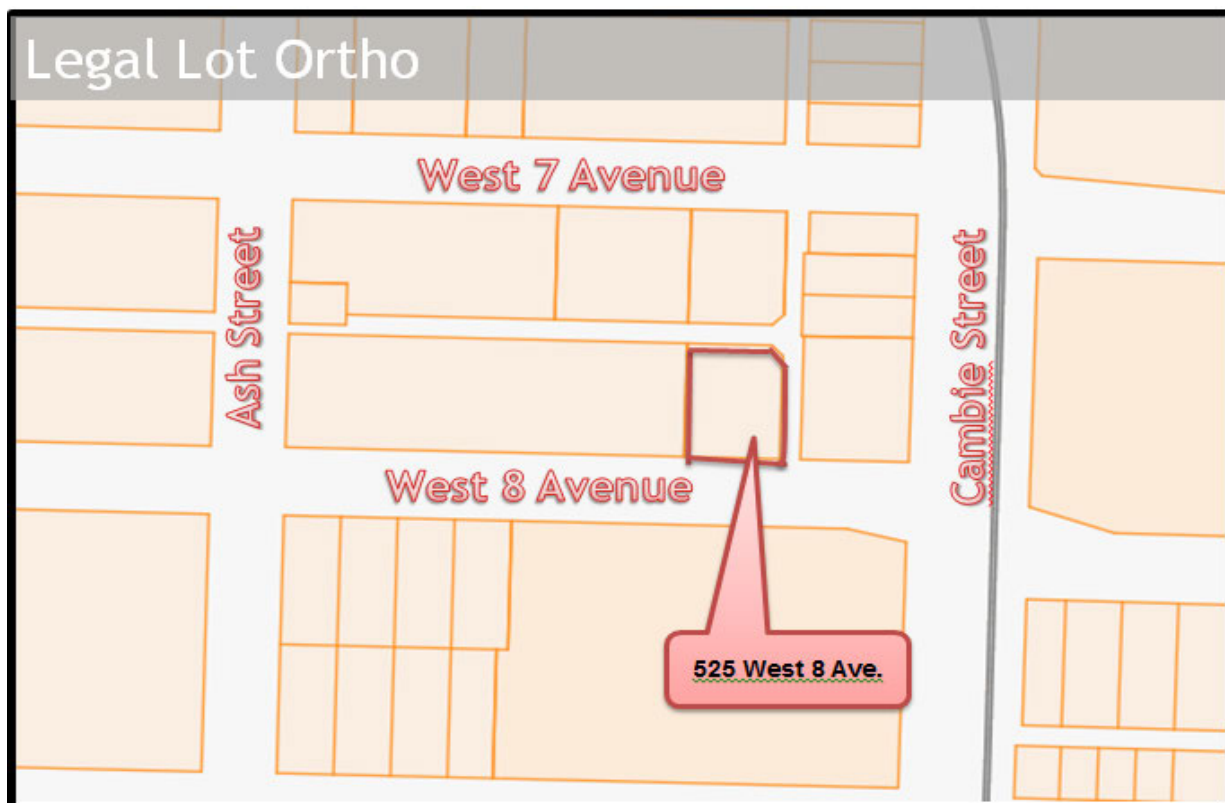
Tenant Improvement Allowance: CityLink Landlord to provide a contribution to Tenant Improvements in the amount of s.17(1) per square foot s.17(1).

Fixturing Period: Subject to final negotiation.

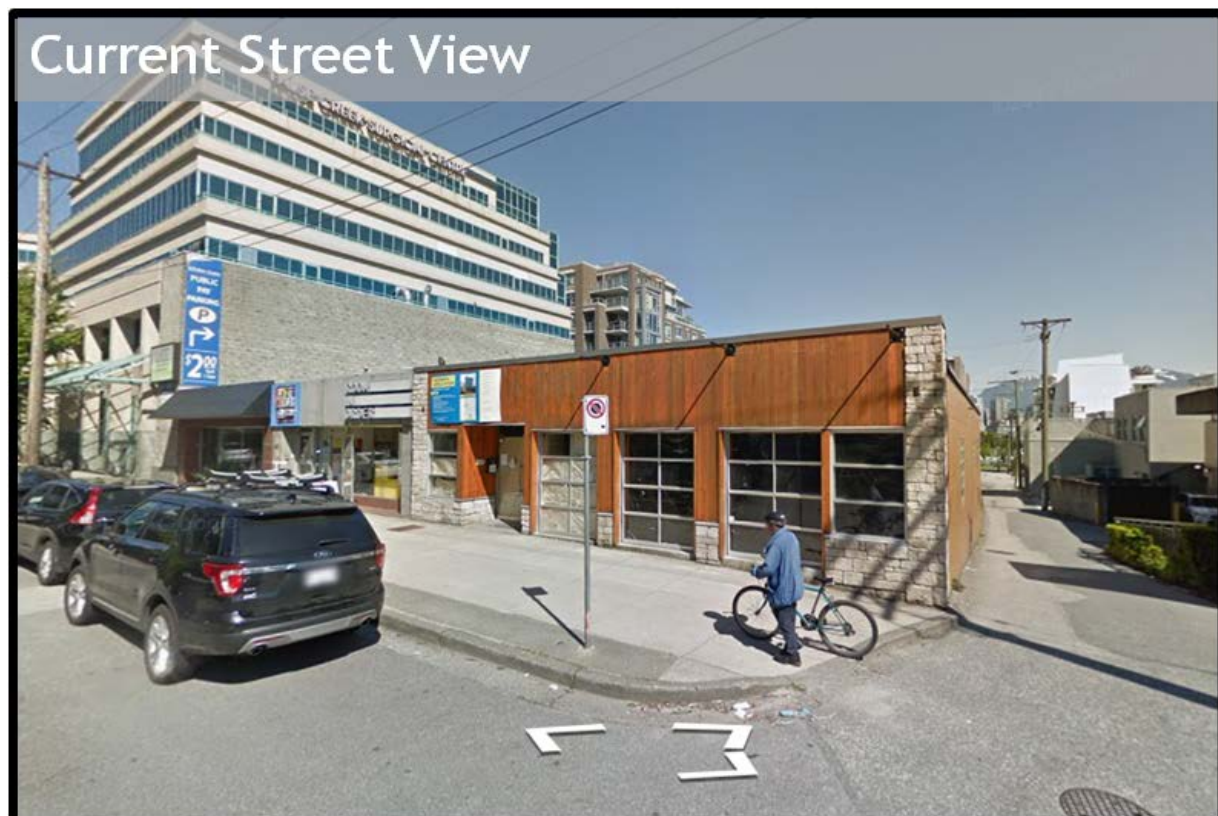
Commencement  
Date: Subject to final negotiation, but no later than October 1,  
2020.

Indemnity by  
Tenant: Tenant's standard commercial indemnity, generally to be  
finalized on terms satisfactory to the Directors of Legal and  
Real Estate Services, and material terms approved by the  
General Manager of Real Estate & Facilities Management  
or Finance.

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 is fully  
executed by both parties.









# New Street View

## INTRODUCING CITYLINK

The chance to connect future enterprise and lifestyle conveniences on the doorstep of a creative and vibrant commercial core has arrived.

Introducing exclusive leasing opportunities at CityLink, an 8-storey, state-of-the-art office building situated on West 8th Avenue in Vancouver's energetic Cambie Corridor District.

Up to ±64,500 square feet of modern workspace, unparalleled accessibility to urban rapid transit links and a plethora of lifestyle amenities are within a stone's throw. The perfect opportunity to secure space in one of the city's newest and most desirable workspaces – so how connected are you?

### JUST STEPS TO RAPID TRANSIT

170m  
TO BROADWAY-CITY HALL  
SKYTRAIN STATION &  
B-LINE BUS ROUTES

**525 West 8 Ave.**

WALK SCORE	TRANSIT SCORE	BIKE SCORE
WALKER'S PARADISE 96	EXCELLENT TRANSIT 87	VERY BIKABLE 88

New Street View

FOR LEASE

525 WEST 8<sup>TH</sup> AVENUE  
VANCOUVER, BC



CITYLINK

HOW CONNECTED ARE YOU?



s.17(1)



s.17(1)



s.17(1)

