



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: January 7, 2019
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VanRIMS No.: 08-2000-21
Meeting Date: January 15, 2019

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease of City-owned property at 120-8383 Manitoba Street.

IN CAMERA RATIONALE

This report is recommended for consideration by Council in 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 Kent Metal Products Ltd. (the "Tenant") for premises at 120-8383 Manitoba Street as shown on Appendix A (the "Premises"), located at a City-owned property situated at 8383 Manitoba, legally described as

PID: 009-165-096
Legal: Block 15 District Lot 311 Plan 11689

on the following terms and conditions:

Lease Area: Approximately 17,500 square feet plus exterior ground space surrounded by an existing fence.

Term: Seven (7) years commencing July 1, 2019, and ending on June 30, 2026.

Possession Date: March 1, 2019

Fixturing: s.17(1) rent free (with the exception of utilities, maintenance, and insurance charges) commencing on the Possession Date, in which to install its Tenant's fixtures.

Total Rent: Total Rent inclusive of operating costs is as follows:

Year 1	s.17(1)	/ month	(s.17(1))	PSF / year)
Year 2	s.17(1)	/ month	(s.17(1))	PSF / year)
Year 3	s.17(1)	/ month	(s.17(1))	PSF / year)
Year 4	s.17(1)	/ month	(s.17(1))	PSF / year)
Year 5	s.17(1)	/ month	(s.17(1))	PSF / year)
Year 6	s.17(1)	/ month	(s.17(1))	PSF / year)
Year 7	s.17(1)	/ month	(s.17(1))	PSF / year)

plus GST.

Use: Manufacturing, fabrication and finishing of metal products, storage, and ancillary office.

Renewal Option: Two (2) further options to renew for four (4) years each (the "First Renewal Term" and "Second Renewal Term", respectively) on the same terms and conditions save and except the Total Rent, to be negotiated at market rates.

Termination: The Landlord may terminate the lease at any time and for any reason after the 18th month of the First Renewal Term, upon providing the Tenant with 18 months' notice.

Other Terms

and Conditions: The Lease will be based on the City's current standard form of lease for commercial tenants. Terms and conditions of the Lease are to be to the satisfaction of the Directors of Legal and Real Estate Services, it being noted that no legal right or obligations shall arise or be created 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 to lease the Premises at 120-8383 Manitoba Street to Kent Metal Products Ltd. (the "Tenant") for a Term of seven (7) years, commencing July 1, 2019, plus two (2) further renewal options of four (4) years. The total rental value of the Lease over the initial seven (7) year term is s.17(1)

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 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. Total rental value of the Lease and the Renewal Term exceed 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 & Facilities Management recommends approval of the foregoing.

REPORT

Background/Context

8383 Manitoba Street (the “Subject Property”) was purchased by the Property Endowment Fund (PEF) in May 1996 as a holding property and is strategically located adjacent to the City's Manitoba Works Yard. The Subject Property is zoned Industrial (I-2) and is approximately 3.27 acres (142,433 square feet). The Subject Property is improved with an approximate 37,040 square foot concrete and steel frame building consisting of two (2) combined warehouse/office spaces of approximately 17,500 and 18,440 square feet each, and a separate office space of approximately 1,100 sq. ft.

Strategic Analysis

The proposed Tenant has been in business for over 50 years and currently operates in the City of Richmond. The Tenant is offering to enter into a Lease with the City of Vancouver for the 17,500 square foot combined warehouse/office premises (the “Premises”). As the Tenant will incur substantial charges to move their heavy machinery and to improve the Premises, the Tenant is requesting a longer initial Term of seven (7) years commencing July 1, 2019, and two (2) further Renewal Options of four (4) years each.

The Tenant is aware that the Subject Property was purchased for strategic reasons and has agreed to a termination provision of eighteen (18) months' written notice, exercisable only after the eighteenth (18th) month of the First Renewal Term. Both Engineering and Facilities Planning have confirmed that there are no plans for civic use proposed within the next ten (10) years.

Current market rental rates for comparable industrial space in the vicinity, inclusive of operating costs, range from s.17(1) to s.17(1) per square foot depending on the size, age, physical attributes, and condition of the facility. As the Premises are in fair-to-poor condition, the negotiated Total Rent is considered to be fair market rental value.

Building Description / Maintenance

A Facilities Condition Assessment Report was conducted in March 2014 on the Subject Property. The Subject Property's improvements function as an older multi-tenanted industrial building in fair to poor condition.

All general maintenance of the Subject Property's building and grounds follows a regular schedule. The building roof was replaced in 2016. There are no major capital improvements planned over the next 5 years.

Implications/Related Issues/Risk (if applicable)

Financial

The total rental value over the seven (7) year initial term is s.17(1), plus applicable GST. The Total Rent is to be credited to the PEF.

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

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