



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: October 9, 2019
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VanRIMS No.: 08-2000-21
Meeting Date: November 5, 2019

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Lease of Premises Located at 118 and 126 Keefer Street Between Wallgate Holdings Inc. and The 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

THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease (the "Lease") with Wallgate Holdings Inc. (the "Tenant") for the City-owned premises situated at 118 & 126 Keefer Street as shown on Appendix A and being a portion of the lands legally described as PID: 007-690-380, Lot 2 DL 196 and 2037 Group 1, NWD, Plan 15452, Except Right of Way Plan LMP 1823 and 1824, Statutory Right of Way LMP 14144, Order in Counsel No. 359 and Explanatory Plan of Right of Way over portions of Lot 2 Plan 25686 (the "Subject Property") on the following conditions:

Term:	8.67 years (8 years plus 8 months)
Lease Area:	3,727 square feet (the "Premises")
Total Rent:	Total rent, inclusive of common area maintenance and building insurance costs, (the "Total Rent") is based on the following rates. The Tenant is also responsible for HVAC maintenance within the Premises:

January 1, 2020 – February 29, 2020: s.17(1) per month
s.17(1) psf);
March 1, 2020 – June 30, 2020: s.17(1) per month
s.17(1) psf);
July 1, 2020 – December 31, 2021: s.17(1) per month
s.17(1) psf);
January 1, 2022 – December 31, 2023: s.17(1) per month
s.17(1) psf);
January 1, 2024 – December 31, 2025: s.17(1) per month
s.17(1) psf);
January 1, 2026 – August 31, 2028: s.17(1) per month
s.17(1) psf).

Total Rent for the eight years plus eight months (8.67) years term is s.17(1) plus GST(net of free rent).

All Total Rents to be credited to the Property Endowment Fund (PEF).

Fixturing
Period:

Tenant to be granted a rent free period of s.17(1) months in respect of the 126 Keefer Street portion of the Premises commencing January 1, 2020. The Fixturing Period shall be free of Total Rent in respect of that portion of the Premises. Tenant will be responsible for the Premises' utilities charges, HVAC maintenance and general liability insurance during the Fixturing Period.

Total Rent
Free Period:

Tenant shall be granted a Total Rent free period (the "Total Rent Free Period") of s.17(1) months in respect of the 126 Keefer Street portion of the Premises commencing April 1, 2020. Tenant shall be responsible for the Premises' utilities charges, HVAC maintenance, general liability insurance and Additional Rent on HVAC replacement costs during the Total Rent Free Period.

Option to
Renew:

None

Termination
Clause:

None

Use:

Medical walk-in clinic

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 Director 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.

REPORT SUMMARY

This report seeks Council approval for the lease of the Premises to Wallgate Holdings Inc. for a term of eight years plus eight months (8.67) years, commencing January 1, 2020. The proposed Total Rent is s.17(1) per square foot escalating to s.17(1) per square foot per annum over the term, for a Total Rent value of s.17(1) plus GST.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Director of Real Estate Services, Associate Director of Real Estate Services, and 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 rent 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 Lease exceeds the total value of \$750,000.00 which can be approved by staff 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 Subject Property, known as Chinatown Plaza, is held in the PEF. It is a multi-tenanted, commercial and retail mall in a three storey, concrete building with a multi-storey parking structure. The Premises consists of two contiguous retail units:

- (a) 118 Keefer Street is approximately 1,800 square feet; and
- (b) 126 Keefer Street is approximately 1,927 square feet for a total of 3,727 square feet.

The Tenant currently leases and operates 118 Keefer Street as a walk-in medical clinic. The current lease commenced September 1, 2017 with a termination date of February 28, 2023. The unit at 126 Keefer Street was formerly occupied by the Film and Special Events (“FASE”) group. In May 2019, 126 Keefer Street was damaged by water flooding

coming from the office unit above it and FASE was re-located to Marine Gateway. It was subsequently decided that FASE would not be returning to their offices at Chinatown Plaza. Real Estate Services approached the Tenant with an invitation to expand their business operations into the adjacent unit and after much consideration, they agreed. The Tenant's current lease will be terminated December 31, 2019, and will be replaced with the new Lease for the two combined units, effective January 1, 2020. The Tenant will be responsible for deconstructing the existing tenant improvements and demising wall, and constructing their new leasehold improvements for the expanded clinic in the 126 Keefer portion. The proposed tenant improvement works will be reviewed and approved by the Landlord's Facilities Project Manager for submission to the City of Vancouver's regulatory permitting group for final approval and occupancy permit. The walk-in medical clinic will continue to operate at 118 Keefer Street while the deconstruction and renovation work takes place next door.

Strategic Analysis

The new Lease provides a good business opportunity for both the Tenant and the City as landlord. The Tenant is an existing tenant at Chinatown Plaza. In addition to leasing 118 Keefer Street, the Tenant also leases an office space on the second floor at Chinatown Plaza as a radiology clinic. The Tenant has a history of good conduct and operations, and has a good credit history. The expansion is beneficial for the Tenant, for Chinatown Plaza, and for the community as a whole. Chinatown Plaza tenancies include other health-related businesses: physiotherapy, radiology, diagnostic testing, dental, pharmaceutical and medical services. The expansion of the medical walk-in clinic is a good fit for the Chinatown Plaza property and provides street activation to the neighbourhood. The Lease and rental payments provide a secure rental stream to the City.

Implications/Related Issues/Risk (if applicable)

Financial

The Premises is approximately 3,727 square feet. The proposed Total Rent for the 8.67 years will be s.17(1) plus GST. The total market rental rate for similar types of commercial space within the surrounding area ranges from s.17(1) gross per square foot per annum. The Total Rent for the Premises commences at s.17(1) per square foot, escalating to s.17(1) per square foot in the last year of the Term. The Director of Real Estate Services considers the Total Rent negotiated for the Premises to represent fair market value, based on its size and location. The Total Rent is to be credited to the PEF.

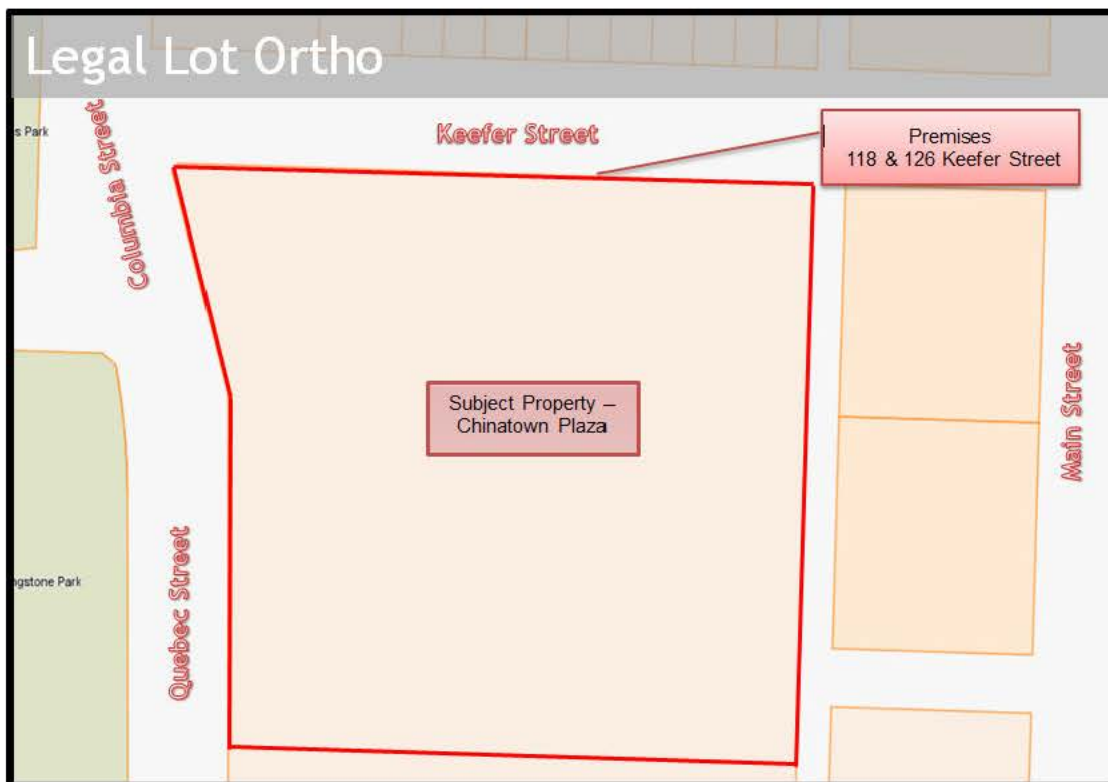
The Landlord will be providing a s.17(1) month rent free Fixturing Period and a s.17(1) month Total Rent Free Period for the 126 Keefer portion of the Premises. The Tenant will be responsible for the deconstruction of the existing improvements and construction of the new leasehold improvements to the 126 Keefer portion, including removal of the existing demising wall to combine the two units into one larger space.

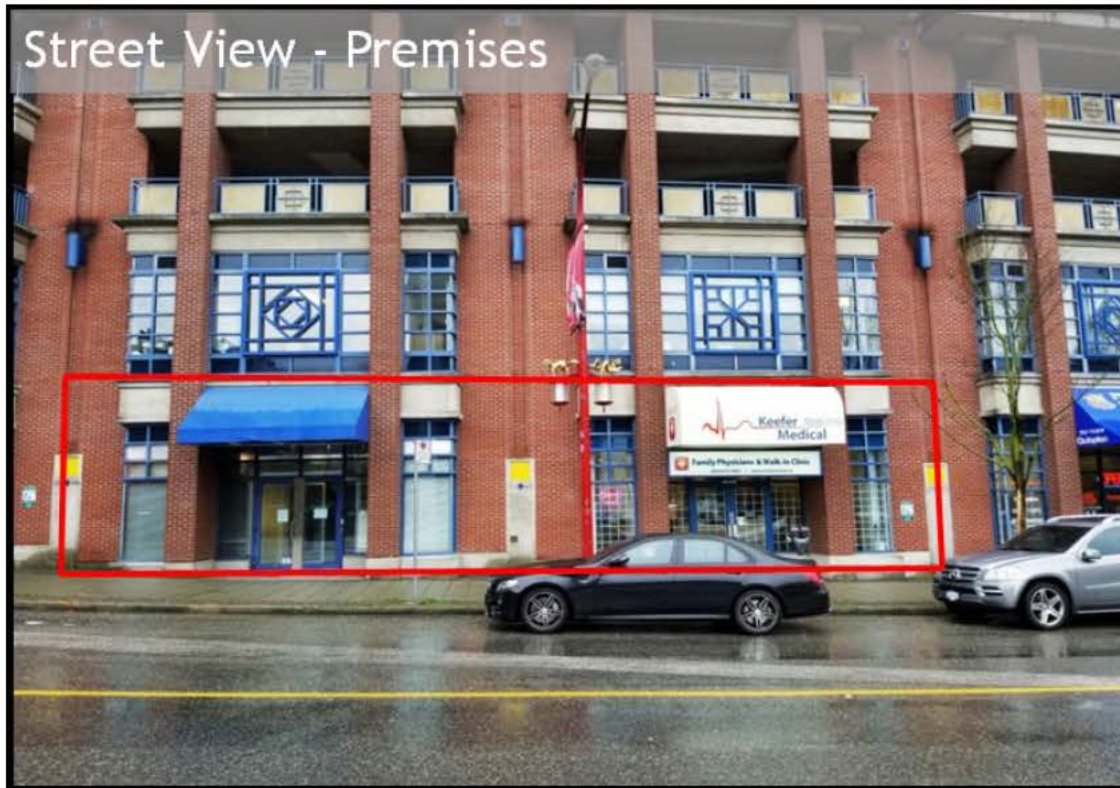
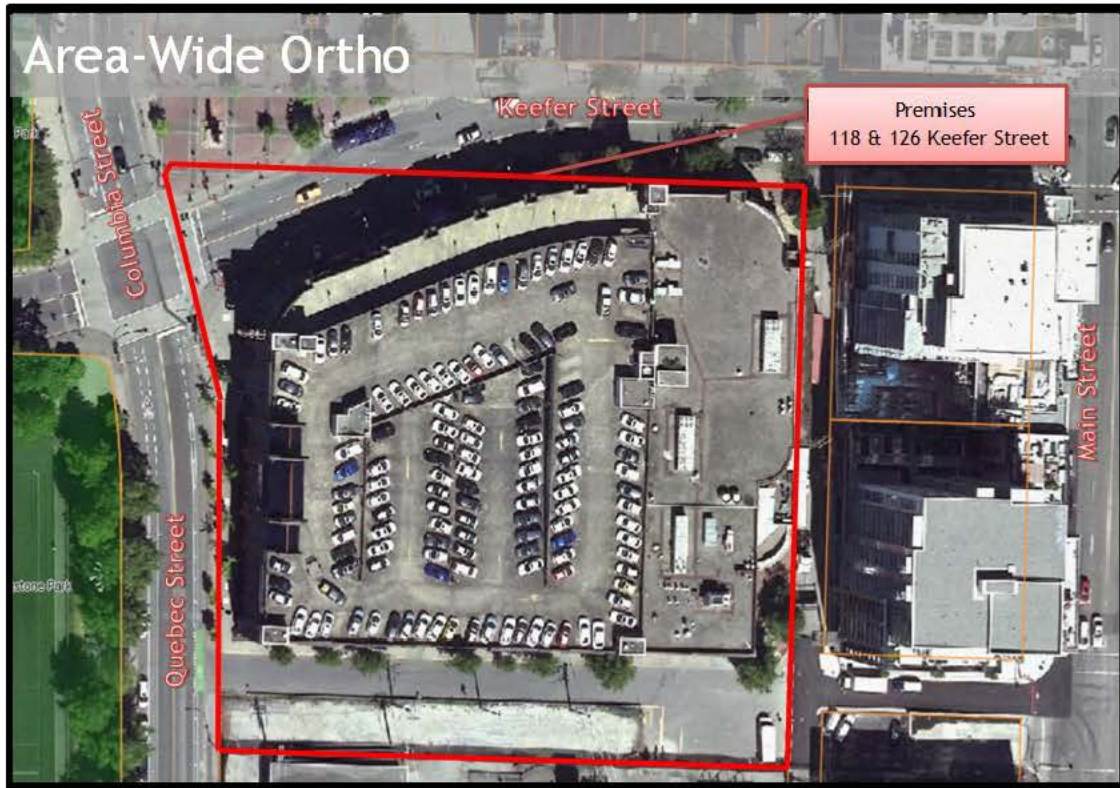
All legal documents are to be completed to the satisfaction of the City's Director of Legal Services and Director of Real Estate Services.

CONCLUSION

The Director of Real Estate Services is of the opinion that the Total Rent negotiated is representative of the current market rental value of the type, location, age and condition of the Premises, and therefore, recommends Council's approval of the foregoing.

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Area of Premises

