



REPORT

Report Date: April 16, 2021
Contact: Jerry Evans
Contact No.: 604-873-7430
RTS No.: 14470
VanRIMS No.: 08-2000-20
Meeting Date: May 18, 2021

TO: Vancouver City Council
FROM: Director of Real Estate Services
SUBJECT: Lease of City-Owned property located at 2215 Commissioner Street to SAAM Towage Canada Inc. and SAAM Towage Vancouver Inc.

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") to SAAM Towage Canada Inc. and SAAM Towage Vancouver Inc. for City-owned property situated at 2215 Commissioner Street, legally described as That Part of the Bed and Foreshore of Burrard Inlet shown as Block D (Reference Plan 2347) Group 1 New Westminster District lying in front of Lots 1 and 2, District Lot 184, Plan 178 as shown on Appendix A (the "Premises"), on the following terms and conditions:

Term: Ten (10) years commencing June 1, 2021.
Rent: Basic Rent + Rent in Lieu of Property Tax ("RILPT") + applicable taxes
Year 1: s.17(1) + s.17(1)
Year 2: s.17(1) + RILPT
Year 3: s.17(1) + RILPT
Year 4: s.17(1) + RILPT
Year 5: s.17(1) + RILPT
Year 6: s.17(1) + RILPT

Year 7: Rent Review (Basic Rent + RILPT
Year 8: Basic rent in Year 7 + ^{s.17(1)} + RILPT
Year 9: Basic rent in Year 8 + ^{s.17(1)} + RILPT
Year 10: Basic rent in Year 9 + ^{s.17(1)} + RILPT

Use: Parking, tow boat and barge operations.

Renewal Option: None

Other Terms and Conditions: The Lease is to be provided on the City's Standard Commercial Lease and upon such terms and conditions satisfactory to the Directors of Legal and Real Estate Services, it being noted that no legal right or obligation shall arise until the Lease is executed by both parties.

This is a City-owned site which is held within the Property Endowment Fund (PEF). As such, rent collected is to be credited to the PEF.

REPORT SUMMARY

The existing lease between the City and SAAM Smit Marine Canada Inc. ("SAAM Smit") expires on May 31, 2021. SAAM Smit has requested to change the legal entity on the lease to include both SAAM Towage Canada Inc. and SAAM Towage Vancouver Inc. (collectively "SAAM Towage"). Following negotiations SAAM Towage has agreed to a new ten (10) year Lease of the Premises commencing on June 1, 2021.

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 licensee 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 City Manager recommends approval of the foregoing.

REPORT

Background/Context

The Premises is one of only two properties situated on the Burrard Inlet that provide water access to the City which are not controlled by the Port of Vancouver; the other being Roger's Street End. The Premises was purchased by the City in the 1960s for the purpose of ensuring water access for the City.

The Premises is located on the Burrard Inlet between Victoria Drive and Nanaimo Street; it consists of 4,957 sq. ft. of land, which is used for vehicle parking, and 94,176 sq. ft. of water, which is used by SAAM Towage for their tow boat and barge operations.

SAAM Towage has occupied the Premises under its previous name (SAAM Smit) since 2006 and has been a good tenant with a strong covenant.

Strategic Analysis

Following negotiations, SAAM Towage has agreed to a new ten (10) year Lease of the Premises commencing June 1, 2021 at an annual rent of s.17(1) which escalates annually to s.17(1) in year six. The negotiated annual rent for the Premises is considered to be at fair market rental value. A rent review will be carried out in year seven, followed by annual increases of s.17(1) for the final three (3) years of the term.

In addition, SAAM Towage has agreed to pay an amount in-lieu of property taxes (RILPT) to be calculated annually.

GST will be added to all rent payments excluding the RILPT.

Implications/Related Issues/Risk

Financial

Finance has reviewed the proposal and confirmed that over the initial 6 year period of the 10 year term would result in s.17(1) revenue credited to the PEF should Council approve Recommendation A.

Revenue in years 7 through 10 is subject to the rent review to be carried out in year 7, followed by annual increases of s.17(1) for the final 3 years of the term.

In addition to the base rent, the tenant is responsible for paying operating costs and an amount in-lieu of property taxes (RILPT). The RILPT will be calculated annually.

CONCLUSION

The Director of Real Estate Services is of the opinion that the rent payable for the ten (10) year term is representative of current market rental value for this portion of upland and the adjacent water lot, and recommends approval of the foregoing.

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The Premises

