



IN CAMERA

REPORT

Report Date: July 1, 2021
Contact: Jerry Evans
Contact No.: 604-873-7430
RTS No.: 14480
VanRIMS No.: 08-2000-21
Meeting Date: July 20, 2021

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease of City-owned property at 345 Robson Street (Library Square) to Pizza Pizza Limited.

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 Pizza Pizza Limited (the "Tenant") for City-owned premises located at 103 – 345 Robson Street, legally described as LOT A BLOCK 56 PLAN LMP19600 DISTRICT LOT 541 NWD GROUP 1, EXCEPT PLAN AIR SPACE PL LMP22595, LIBRARY SQUARE PLAZA ("the "Premises"), on the following terms and conditions:

Term: 10 years commencing April 1, 2022
Area: 1,261 square feet
Minimum Rent: Years 1-3 s.17(1) annually s.17(1) per square foot
Years 4-7 s.17(1) annually s.17(1) per square foot
Years 8-10 s.17(1) annually s.17(1) per square foot
Operating Costs: Year 1 s.17(1) per square foot increasing annually by City of Vancouver Consumer Price Index

Use:	Sale of on and off premises consumption of pizza, chicken and Italian foods and other foods sold from time to time in Pizza Pizza stores in BC
Fixturing Period:	s.17(1) days anticipated to begin no later than February 1, 2022, for the purposes of constructing its tenant improvements
Cash Allowance:	s.17(1) inclusive of GST
Minimum rent free Period:	s.17 months (value of s.17(1)), Tenant to pay Operating Costs during this period
Brokerage Commission:	s.17(1) plus GST
Exclusive:	Landlord shall not lease other premises in the building to a business which sells pizza
Option to renew:	1 x 5 years at rent to be negotiated on exercise of Option to renew
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.

REPORT SUMMARY

The purpose of this report is to seek Council approval to lease the premises at 103 - 345 Robson Street (Library Square) for use as pizza delivery and take out service for a term of 10 years plus an option to renew for a further term of five years.

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 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 COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

345 Robson is the City of Vancouver's main library branch. As well as the library itself, the site also includes 14 retail premises spread over 2 floors. The upper level, or second floor, includes 10 retail locations – 3 with external only entrances, and 7 inside the Main Library Atrium. As well, there are 4 locations on the lower level at grade, with direct access from Robson Street. While the library portion of the building is held in the City's Capital Fund, the retail component is held in the Property Endowment Fund ("PEF"), and is intended to generate a fair market return to the City Of Vancouver.

Regular turnover of retail sites is a natural occurrence in most commercial settings. As a result of the previous tenant – a local Dollar store - choosing not to renew their lease of the Premises, Real Estate Services ("RES") undertook marketing to attract a new tenant. Lease terms have been negotiated with the Tenant, a national pizza chain, to occupy and build out the Premises to be open early in the second quarter of 2022.

Strategic Analysis

A recent retail study focused on Library Square suggested that commercial businesses with a destination focus would provide a strengthened merchandise mix for the property. Pizza Pizza, a Toronto based chain of over 600 locations, has extensive experience building and operating their concept in a variety of environments and is currently expanding in the Vancouver marketplace. With a strong marketing program and a recognizable brand and product, the concept is well positioned to be successful at Library Square.

As part of the agreement with Pizza Pizza, the current pizza operator, Library Square Pizza, located inside the atrium portion of the building, has agreed to be purchased, and will close its doors in August of 2021.

Current market rental comparable rates confirm that the rents negotiated for the proposed Lease are at the mid to higher end of market.

Financial

The source of funds for the s.17(1) Cash Allowance and s.17(1) Brokerage Commission will be the approved 2021 PEF Capital and Operating Budget.

Finance has reviewed the proposal and confirmed that the initially proposed 10-year term would result in s.17(1) revenue credited to the PEF should Council approve the Recommendation.

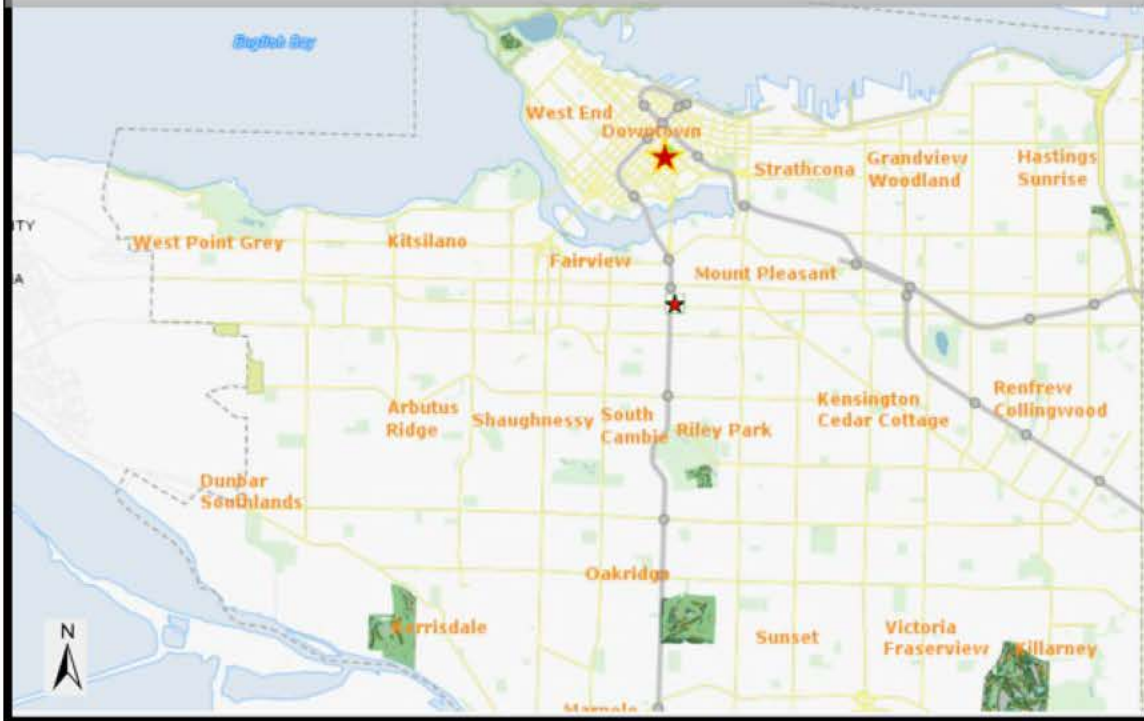
Operating Costs (which include the Tenants' proportional share of Common Area Maintenance, Tax, Insurance and Utilities) are in addition to the Base Rent and will be paid by the Tenant.

CONCLUSION

The Director of Real Estate Services is of the opinion that the rent negotiated is representative of current market rental value for the type, location and age of the Premises and recommends approval of the forgoing.

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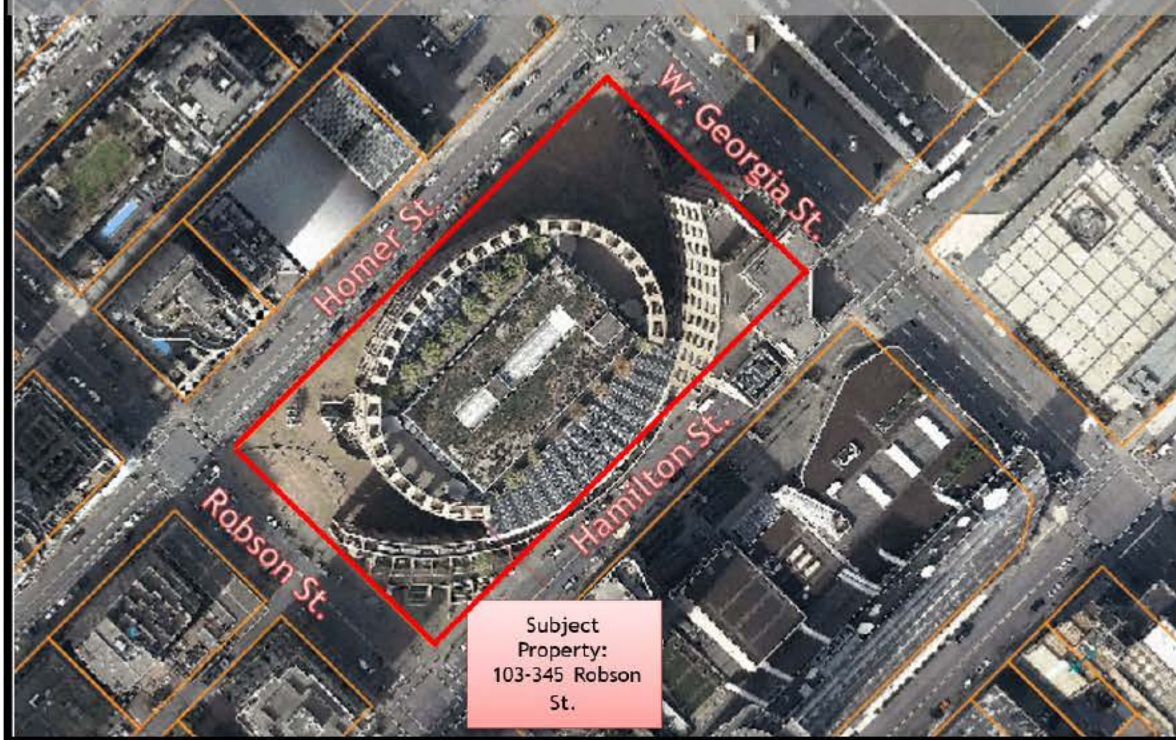
City-Wide Ortho



Legal Lot Ortho



Area-Wide Ortho



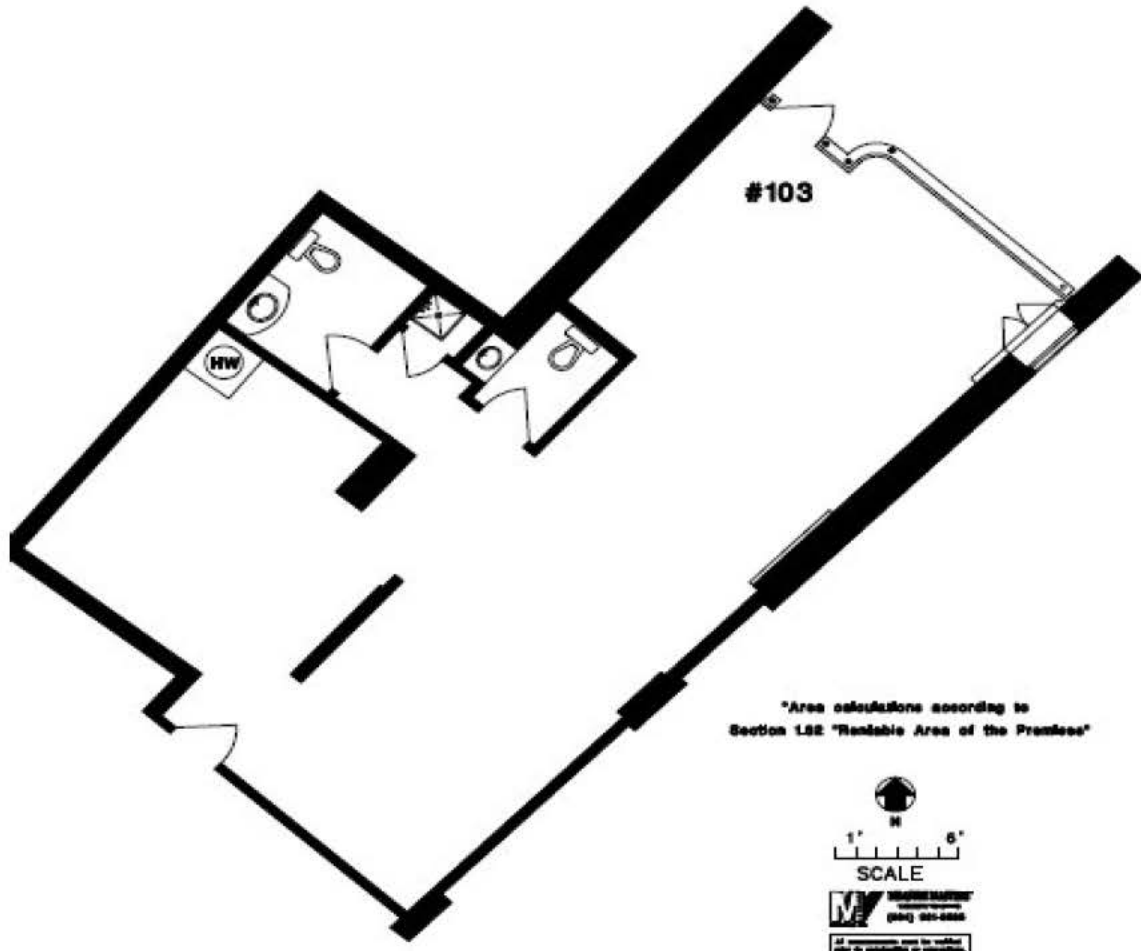
Street View



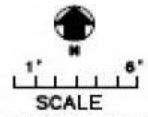


LIBRARY SQUARE
345 ROBSON ST.,
VANCOUVER, B.C.

#103 - GROUND FLOOR
*RENTABLE 1281 SQ.FT.



*Area calculations according to
Section 1.82 "Rentable Area of the Premises"



M METRIC SURVEYING
CONSULTANTS
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All measurements were by field
and by satellite or geomatics.