



REPORT

Report Date: August 11, 2021
Contact: Jerry Evans
Contact No.: 604-873-7430
RTS No.: 14660
VanRIMS No.: 08-2000-21
Meeting Date: September 21, 2021

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Lease of City-Owned property located at 6405 Knight Street to Vancouver Coastal Health

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 lease (the "Lease") to Vancouver Coastal Health ("VCH") for City-owned property situated at 6405 Knight Street, having the PIDs 009-628-151, 009-628-169, 009-628-177, 009-628-185, 009-628-193, 009-628-207, 009-628-223, 009-628-240 and legally described as Lots 9 to 16, Block 5, District Lot 730, Plan 9586 as shown outlined in bold on Appendix A (the "Premises"), on the following terms and conditions:

Term: Four (4) years commencing August 1, 2021
Premises: The 15,000 square foot building and surface parking lot shown outlined in bold on Appendix A attached hereto.
Rent: Gross rent, inclusive of rent-in-lieu of property taxes:

Table with 3 columns: Year, \$ per SF/Annum, \$/Annum. Rows for years 1-2 and 3-4.

Operating Costs: VCH to pay for the costs of all operating costs and repairs and maintenance, including capital maintenance. The City shall reimburse VCH to a maximum of **s.17(1)** of these costs, payable upon receipt of paid invoices for work completed. The source of these funds will be the PEF.

Use: Operation of an office for the administration of the delivery of public health care services, such services may include facilities for public health services such as pre and post-natal clinics, medical and dental clinics, mental health clinics, substance abuse clinics, public health drop-in centres, and other facilities ancillary or related thereto.

**Other Terms
And Conditions:** The Lease is to be provided on the City's standard commercial lease (the "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 (the "PEF"). As such, rent collected is to be credited to the PEF.

REPORT SUMMARY

VCH has occupied the Premises since 1996. The most recent lease between the City and VCH expired on December 31, 2019, and they have been overholding on a month-to-month basis while negotiations took place for the terms of a new lease. VCH has plans to move to a new facility which is currently under construction at the Pearson Dogwood lands, but requires the use of the Premises until their new facility is ready for occupation. The Premises has been identified as a redevelopment opportunity within the PEF, but Staff support a short term lease to VCH in the interim until their new facility is ready.

Following negotiations, VCH has agreed to a new four (4) year lease of the Premises to commence on August 1, 2021. VCH has also agreed to pay for all operating costs and repairs and maintenance to the building, including capital maintenance items.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Director of Real Estate Services, Associate Director 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 rent value of the Lease exceeds 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 and Facilities Management recommends approval of the foregoing.

REPORT

Background/Context

The building located at 6405 Knight Street was constructed circa 1959 and consists of 15,000 square feet, plus an outdoor surface parking lot. The building has been occupied since 1996 by VCH which has used it for the provision of public health services under the name, South Vancouver Community Health Centre.

VCH plans to move the South Vancouver Community Health Centre to a new facility which is currently under construction on the Pearson Dogwood lands, located on Cambie Street between West 57th and West 59th Avenue. The new facility, however, is not expected to be complete and ready for occupancy by VCH until approximately 2025 (estimated). Therefore, VCH needs to extend their tenancy at 6405 Knight Street in order to ensure the continuous provision of public health services to the South Vancouver community.

Strategic Analysis

Negotiations between staff and VCH for a new agreement have been ongoing since 2019, with the main point of contention being which party should be responsible for the costs of maintaining the building. The building is approaching the end of its economic life and is currently in need of significant physical repairs, including capital maintenance items.

Negotiations were put on hold in 2020 due to the COVID-19 public health crisis. In 2021, negotiations re-commenced and VCH agreed to take on the responsibility and cost associated with keeping up the building, including any capital maintenance items that may require attention. City staff acknowledge that the costs of repairs and maintenance over the four year term of the new lease will be significant (+/- s.17(1)), and have agreed to contribute up to a maximum one-time payment of s.17(1) for the lease term towards the upkeep of the building. The source of these funds will be the PEF.

Following negotiations, VCH has agreed to a new four (4) year lease of the Premises commencing August 1, 2021 at an annual rent of s.17(1) for years one and two, escalating to s.17(1) in years three and four. The negotiated annual rent for the Premises is inclusive of rent-in-lieu of property taxes, and is considered to be at fair market rental value.

Financial

The Net proceeds credited to the PEF for the lease term is estimated to be s.17(1)

Gross rent for the period is s.17(1) comprised of rent in years 1 to 2 of s.17(1) per annum s.17(1) per square foot) and s.17(1) per annum s.17(1) per square foot) for years 3 to 4. Rent in lieu of property taxes (RILPT) is included in rental rates and for the lease term is estimated to be s.17(1). RILPT in year 1 based on 2021 rates is estimated at s.17(1). RIPLT is anticipated to increase by 2% annually for all subsequent years of the term;

The PEF will reimburse up to a maximum of s.17(1) for building maintenance and repairs over the term of the lease.

VCH will be responsible for all Operating Costs including but not limited to: repairs, maintenance, office, security, supplies, janitorial, waste disposal/recycling, landscaping/snow, utilities, administration charges and Landlord's insurance.

CONCLUSION

The Director of Real Estate Services is of the opinion that the rent payable for the four (4) year term is representative of current market rental value for the Premises, and recommends approval of the foregoing.

* * * * *



