

LEASE OF N. PART OF LOT 15, D.L. 155C,
 GROUP 1, PLAN 1138 - 5855 - 10TH AVENUE
 PREMIER WOOD PRODUCTS INC.
 February 7, 1985

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The site was leased to Premier Wood Products Inc. from October 1, 1978 to September 30, 1983 at a monthly rental of \$400.00 plus taxes and utilities. After the expiry of the lease Premier Wood Products Inc. has continued to rent the site on the same terms.

3.0 ZONING:

The subject property is zoned M3a Heavy Industrial District and is being utilized in accordance with this bylaw.

4.0 ASSESSED VALUE AND TAXES:

Roll #4600-5855-0000

Land	\$178,650
Buildings	107,350
Machinery	<u>110,300</u>
	\$396,300

Gross Taxes \$12,346.12

5.0 RENTAL ANALYSIS:

Since most industrial properties in this area are owner occupied there is a dearth of leased and rental sites. Moreover, because of the present economy, demand for industrial sites is virtually non-existent.

Under normal economic circumstances landlords would expect an approximate 10 percent return on their investment. As applied to land in this area of the Big Bend, where fair market value is estimated at \$2.00 to \$3.00 per square foot, or \$87,000 to \$130,680 per acre, expected annual return would be \$10,000 based on a market value of say \$100,000 per acre (.10 x \$100,000). Hence, expected monthly rent for a one acre parcel is approximately \$800.00 per month.

When applied to the subject property, based on its estimated market value of \$180,000, the expected rental rate would be (.10 x \$180,000) \$18,000 per annum or \$1,500 per month. It must be emphasized that this is the expected rate.

After exhaustive research for available rental market data we found the following:

Rental No. 1:

Location:	5161 Byrne Road
Area	1 acre
Terms:	\$800.00/month plus taxes and utilities
Remarks:	Level 1 acre M2 industrial site used for pallet construction and storage. Superior location.

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Rental No. 2:

Location: N.E. Corner Byrne Road and Marine Way
Area 2 acres
Terms: \$1,000.00/month plus taxes and utilities
Remarks: Available, vacant, level, 2 acre M3 zoned site
with inferior use potential due to location
behind neighbouring shake mill.

Rental No. 3:

Location: S.W. Corner Spur and Willard
Area 2.5 acres
Terms: \$1,700.00/month plus taxes and utilities
Remarks: Lease expired December 1984. Zoned M3a.
Used as shake and shingle mill. Lessee did
not renew lease because of high rental rate.

Based on the above rentals the present rental rate applicable to the subject property (\$400/month) is considered to be too low. A reasonable rental rate, based on this data and the location of the subject property, is in the range of \$1,000 to \$1,400 per month. The aforementioned expected rate of return sets the upper limit of value when applied to this property.

6.0 NEGOTIATIONS:

Based on this rental analysis we have negotiated a new monthly lease of \$1,200 per month plus taxes and utilities expenses (as outlined in the previous lease agreement) with Premier Wood Products Inc. This rate would be effected from February 1, 1985 until October 31, 1986. Thereafter the site will be rented on a month to month basis with termination notice to be given three months in advance to allow Premier Wood Products Inc. to dismantle and remove all structures and to provide time for site clean-up. The rental rate will be reviewed periodically after October 31, 1986 in order to adjust for future market rental conditions.

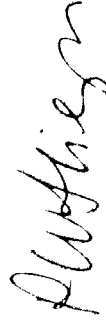
The negotiated rental rate is within the means of Premier Wood Products Inc. and is reasonably justifiable given the above market data.

7.0 CONCLUSION:

The Legal Department is prepared to recommend that the lease of the subject property be extended according to the above negotiated terms.

A plan of the subject property is attached.

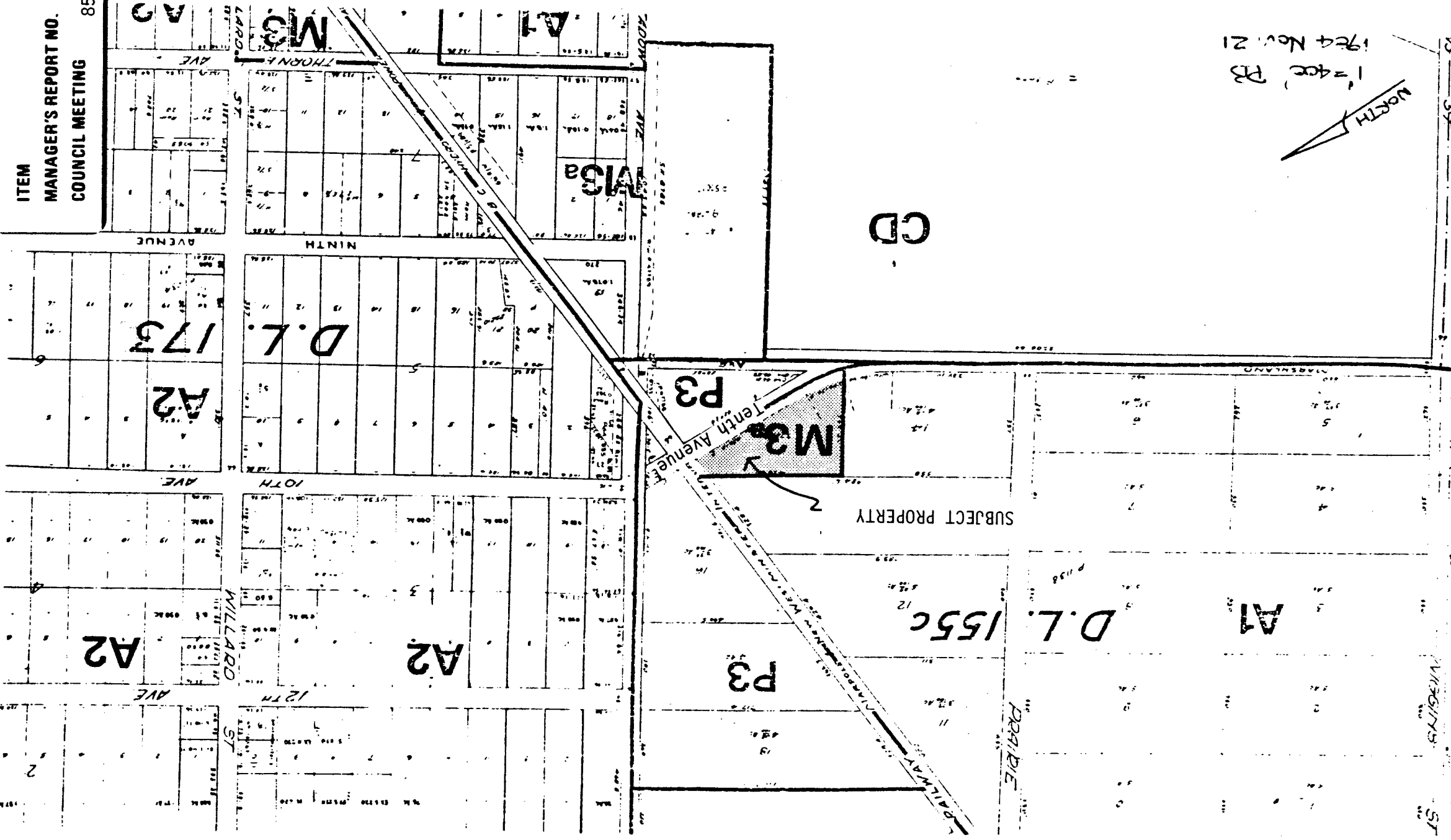
DS:sb
Attach.
c.c. Director Administrative & Community Services
Director Engineering
Director Finance
Director Planning & Building Inspection
Director Recreation & Cultural Services


Patricia W. Flieger
Municipal Solicitor

ITEM 1
MANAGER'S REPORT NO. 14
COUNCIL MEETING 85/02/8

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MUNICIPAL LANDS LEASED TO PREMIER WOOD PRODUCTS.



ITEM 12
MANAGER'S REPORT NO. 77
COUNCIL MEETING 84/12/93