

ITEM	12
MANAGER'S REPORT NO.	14
COUNCIL MEETING	85/02/18

RE: LEASE OF MUNICIPAL PROPERTY
6110 PRICE STREET
PARCEL C, EXPLANATORY PLAN 1281 OF LOTS 4&5,
DISTRICT LOT 79, GROUP 1, PLAN 536, NWD

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted

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TO: MUNICIPAL MANAGER DATE: FEBRUARY 7, 1985
FROM: DIRECTOR FINANCE
RE: LEASE OF MUNICIPAL PROPERTY
6110 PRICE STREET
PARCEL C, EXPLANATORY PLAN 1281 OF LOTS 4 & 5,
DISTRICT LOT 79, GROUP 1, PLAN 536, N.W.D.

RECOMMENDATION:

1. THAT the subject property be leased on the terms and conditions as set out in this report.

SUMMARY:

1. That the property be leased to Mr. Leo Verlaan of 7671 Kerrywood Crescent, Burnaby for an initial period of five (5) years with two further renewal options of two and one half (2 1/2) years per period.
2. That the commencing rate shall be \$1,200 per month, plus municipal taxes.
3. That the rental rate be increased at a fixed rate of five percent of the last year's rental at the commencement of each two and one-half (2 1/2) year renewal option.

R E P O R T

Council at its meeting of March 1, 1982 (Item 11, Manager's Report No. 13) approved the Municipal Solicitor's recommendation that the subject property be leased for single family occupancy commencing April 1, 1982 for an initial period of five (5) years at a monthly rental of \$1,500 per month (\$18,000 per annum) plus municipal taxes. All maintenance and repairs during the lease period to be undertaken by the lessee, and in accordance with Council's authorization a lease was prepared between the Corporation of the District of Burnaby and Mr. Jack Julseth.

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On November 29, 1982 Council received a request from Mr. Julseth explaining he was a victim of the current economic conditions and he requested a rent reduction. As a result of two independent rental appraisals, Council adopted the recommendation that the rent be reduced to \$1,200 per month for a period of one (1) year commencing December 1, 1982. However, Mr. Julseth was unable to meet his commitments, and under the terms of the existing lease, introduced a Mr. Michael S. Bedard as a prospective tenant for approval and assignment of the lease.

Council at its meeting of May 2, 1983 (Item 6, Manager's Report No. 32) approved the Municipal Solicitor's recommendation that the lease between Jack Julseth and The Corporation of the District of Burnaby be terminated and that the subject property be leased to Michael Bedard on the same terms and conditions as the original lease but with the inclusion of two (2) amendments as outlined in the Council Report.

In accordance with this Council authorization, a lease was prepared between The Corporation of the District of Burnaby and Michael Bedard for a four (4) year period commencing on May 1, 1983 at a rental of \$1,200 per month plus taxes.

During the latter part of 1983 and early 1984 Mr. Bedard became increasingly late with his rent payments. In spite of repeated warnings that these late payments would result in the Corporation exercising its rights under Section 3a (provision for re-entry for non-performance of covenants) Mr. Bedard's record did not improve, and in August 1984 due to his rent being in arrears he handed a letter informing him that his lease with The Corporation of the District of Burnaby was cancelled effective immediately. Mr. Bedard vacated the premises on August 31, 1984.

After Mr. Bedard vacated the premises our Engineering Maintenance Division conducted a survey of the residence and their report indicated that if the premises were to be re-leased to a stable lessee, extensive upgrading would have to be performed on this building. These repairs and improvements are basically safety orientated and include the following:

1. Complete replacement of roof, downpipes and gutters, and add insulation to roof area.
2. Complete replacement of all interior galvanized piping with copper.
3. Replace oil furnace with new gas service and new gas broiler.
4. Replace and enlarge electrical panel and do electrical repairs.
5. Renovate bathrooms and install showers.

The estimated cost of structural repairs in the amount of \$30,000 will be recovered in 2.5 years.

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Our Planning & Building Inspection Department advise us that the property could be rented for up to a ten (10) year period. At the time that the Deer Lake Lands are developed for public use, the dwelling represents a building that could be incorporated into the development as a public facility, and they concur that the building should be adequately maintained in the interim. In order to attract a prospective lessee, these repairs are now being implemented and the building should be ready for occupancy in April 1985.

Due to the current economic conditions and the rental market being soft, we had difficulty in finding a good tenant willing and capable of maintaining the present lease rate and conditions. We have negotiated an offer to lease from Mr. Leo Verlaan of 7671 Kerrywood Crescent, Burnaby, B.C. as follows:

1. Lease term of five (5) years commencing April 1, 1985 with a first right of renewal for an additional two and one half (2 1/2) years, and a second right of renewal for an additional two and one half (2 1/2) years.
2. The rental rate to be \$1,200 per month plus taxes for the first five (5) year period and rental increase of five percent for each of the additional two and one half (2 1/2) year renewal periods.
3. All minor maintenance and repairs during the lease period to be undertaken by the lessee.
4. All other conditions as set out in the lease between The District of Burnaby and Mr. Michael Bedard to remain with the addition of the following:
 - (a) Tenant to be allowed to install a sauna in the residence and permission to remove same when vacating.
 - (b) Tenant to be allowed to install electric door openers in garage and permission to remove same when vacating.
 - (c) Permission to construct a tennis court and to leave said tennis court on the property when vacating at no expense to him.

With reference to the second condition noted above, it is considered that a fixed lease rate for a five year period is reasonable in view of the circumstances involving this particular property: (a) the lessee will, at his own expense, carry out a number of improvements to the dwelling (such as painting, carpet cleaning, etc.) that will help to keep the premises in good condition on an on going basis, and (b) the lessee's cost of maintaining such a large property will be higher than the average cost associated with a more normal sized property.

We have received excellent written references on behalf of Mr. Verlaan, and are satisfied that he is capable of assuming and maintaining the terms of the lease.

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CONCLUSION:

We are satisfied that the negotiated lease rate is well supported in the rental market. The tenants improvements, i.e. tennis court, will add to rental value in the future.

It is recommended that the subject property be leased on the terms and conditions as set out in this report.


for DIRECTOR FINANCE

FAE:sb

c.c. Director Administrative & Community Services
Director Engineering
Director Planning & Building Inspection
Director Recreation & Cultural Services
Municipal Solicitor