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TO:

CITY MANAGER

DATE:

APRIL 5, 1993

FROM:

CITY SOLICITOR

SUBJECT:

PARKING LOT LEASE - 4575-4581 PENDER STREET

LOTS 20 AND 21, BLK. 9, D.L. 122, PLAN 1308 McDONALD'S RESTAURANTS OF CANADA LTD.

PURPOSE:

TO OBTAIN COUNCIL'S APPROVAL OF THE LEASE RATE TO BE

CHARGED FOR THE SUBJECT PROPERTY DURING THE FIVE

YEAR RENEWAL TERM

RECOMMENDATION:

1. THAT McDonald's Restaurants Canada Ltd.'s offer to lease at \$20,000 per annum, plus GST, paid in advance on the 1st day of March of each year throughout the renewal term be accepted.

REPORT

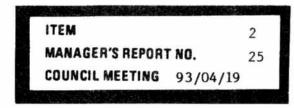
Background

Council, at its meeting of October 23, 1988, authorized the lease of the subject vacant property to McDonald's Restaurants Canada Ltd. for a period of five years commencing March 1st, 1988 and ending on February 28, 1993 with an option to renew for a further period of five years terminating on February 28, 1998.

The Lessee has constructed and maintained a parking lot on the leased premises. Their tenure has been satisfactory over the past five years.

Current Situation

McDonald's Restaurants of Canada Ltd. advised that they wish to exercise the option to renew for a further period of five years and offered to increase the lease rate from \$13,500 per annum to \$20,000 per annum, paid in advance, commencing on March 1st, 1993.



Valuation

Acting on the instructions of the Lessee, the two City lots were appraised by Cunningham Rivard Appraisals (Vancouver) Ltd. In the opinion of the appraiser, Mr. Horst Eschner, the value of the two 4,026 sq. ft. City lots currently used as a parking lot would have a market value of \$362,000 (\$44.96 per sq. ft.) as of March 16, 1993.

Negotiations

We have negotiated the renewal of the said lease for a further period of five years commencing March 1, 1993, annual rent \$20,000 paid in advance, representing a 5.52% return on the appraised value which compares favourably with the City of Burnaby's investment portfolio.

In addition to the annual rent there will be a reversionary value to the constructed parking lot.

Conclusion

This is a net lease requiring no provision for the recapture of a depreciating asset. We would, therefore, recommend acceptance.

Patricia W. Flieger
City Solicitor

FAE:bi

cc: Director Administrative & Community Services
Director Finance
Director Planning & Building