
TO: CITY MANAGER **DATE:** 2005 November 21

FROM: DIRECTOR OF FINANCE

SUBJECT: COMMERCIAL LEASE - 6875 ROYAL OAK AVENUE
PARCEL 2 DISTRICT LOT 98
GROUP 1 NWD PLAN LMP43130
ROYAL OAK COMMUNITY PLAN, SUB AREA 7

PURPOSE: To obtain Council authority for the City to enter into a lease agreement with Backun Musical Services Ltd. for the warehouse property at 6875 Royal Oak Ave.

RECOMMENDATION:

1. **THAT** Council authorize the execution of a lease on the terms set out in this report

REPORT

The property at 6875 Royal Oak, zoned M4 (Special Industrial District), was acquired on 2001 March 30, along with two other neighbouring warehouse properties, as part of a property consolidation for future development in accordance with the Royal Oak Community Plan as a C9 mixed – use commercial/residential project. The property is 19,795 sq. ft. with the warehouse offering 4,900 sq. ft. (See attached Sketch # 1). There is, in addition to the main level, approximately 900 sq. ft of upper floor office space and 600 sq. ft of mezzanine storage space. The property was last occupied by The Sanctuary Foundation and has been offered for lease since April of 2004.

Lease Proposal

On 2005 November 8, the License Department received an offer to lease from Morrie Backun, the owner of Backun Musical Services Ltd. Backun Musical Services Ltd has been manufacturing, maintaining, and restoring, repairing and developing custom modification to wind instruments for over 20 years. The organization has developed a strong international customer base in the area of wood instrument distribution and sales. Their instrumentation has earned them countless awards and accolades. This facility would allow the organization additional space to manufacture, using state of the art production and lathing techniques, high end wood instruments that would in turn be sold locally and internationally. This craftsmanship has specialized into clarinets, flutes, piccolos and bassoons. The organization has a strong tie to the arts community and would like to position itself in Burnaby. They have submitted a lease proposal for the City owned warehouse property at 6875 Royal Oak Avenue to relocate their current venture from Vancouver to Burnaby.

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The offer proposes a lease of the property at 6875 Royal Oak Avenue for an initial term of three years plus two one year options. The lease would provide for a consolidation of programs including manufacturing, warehousing and warehousing activities in conjunction with a small retail and show room for this location.

The proposed lease with Backun Musical Ltd would include:

- 3 year fixed term for entire property and two, one year options.
- Market lease rate of \$51,000.00 gross per annum plus G.S.T. on the following payment schedule:

January 2005	4 months fixturing and furnishings period rent free
May 2005 – April 2010	\$4,250.00 per month plus GST
- Utilities and maintenance to be the responsibility of Backun Musical Ltd.
- Building envelope maintenance to be the responsibility of the City.
- All regular repairs and costs to be the responsibility of Backun Musical Ltd.

Staff received another written offer to lease from Pic Smartcard Inc. within the same week. The offer being proposed to Council is based on the higher bid amount, a more favorable lease term, and provides the transfer of maintenance responsibilities from landlord to tenant.

Planning Department

The building has not been used for manufacturing purposes. The lease would be contingent on the compliance with applicable City bylaws, approvals and permits. The proposed use of the subject property conforms with section 404.1 (9)(d) of the Special Industrial District (M4) of the Burnaby Zoning Bylaw. An application for Preliminary Plan Approval will be required from the user.

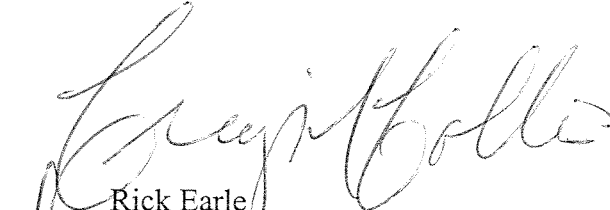
The site is situated in the Royal Oak Community Plan Area, and designated for future mixed - use commercial and residential development. The organization’s proposal is considered an appropriate interim use for the property. The Planning Department does not believe that the proposed leasing arrangement should hinder future redevelopment.

It is likely that redevelopment of this Royal Oak Avenue frontage north from the Royal Oak Skytrain Station to the lane to the north, will involve consolidation. It is desirable to achieve a consolidation of the subject property with the two properties to the south at 6909 and 6929 Royal Oak Avenue. The abutting City-owned property to the north at 6857 Royal Oak Avenue should form a future consolidated development site to include 6837 Royal Oak Avenue.

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Conclusion

It is recommended that Council authorize the lease of 6875 Royal Oak to Backun Musical Ltd. With Council's approval staff will undertake the necessary lease arrangements.

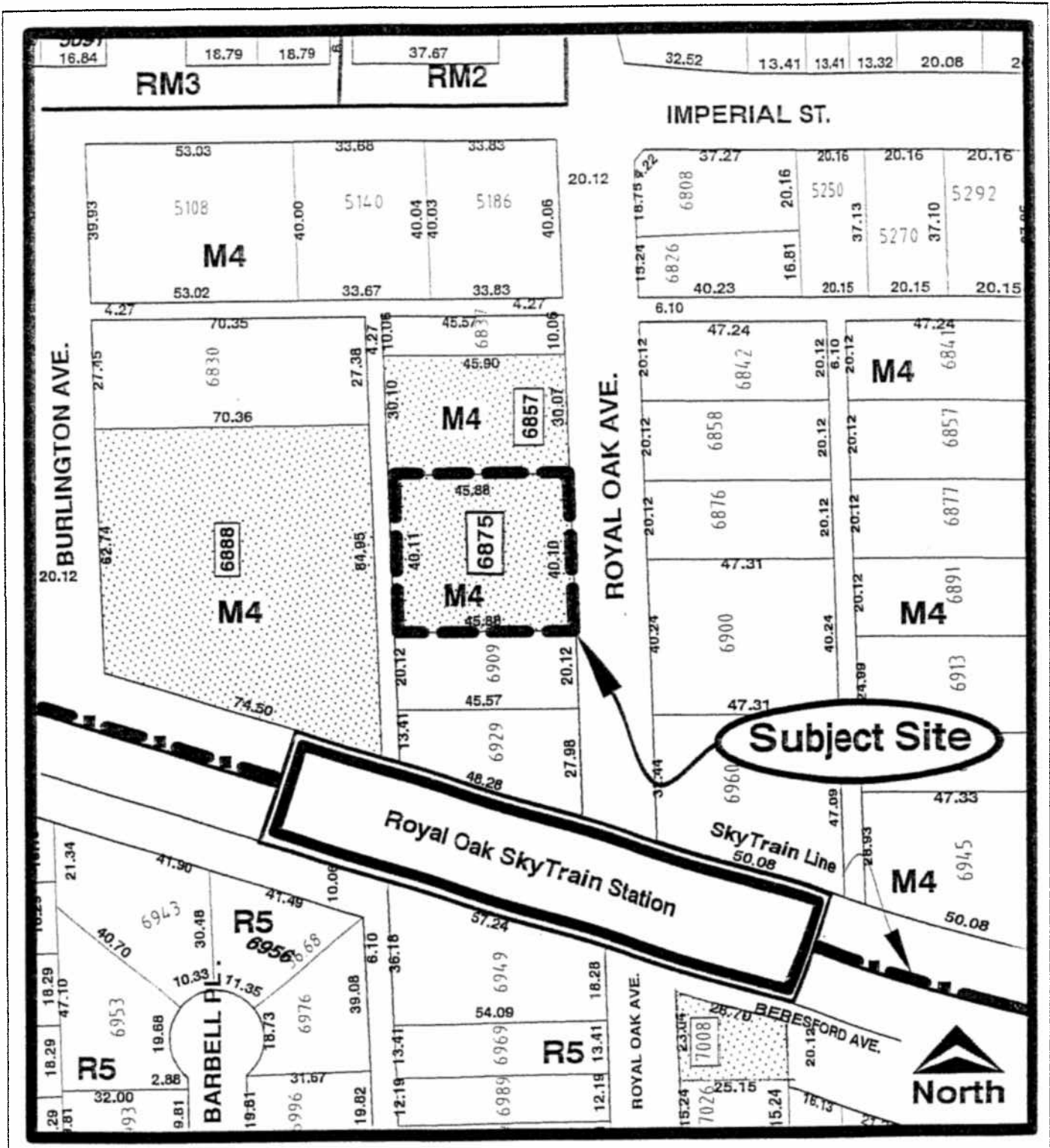


for Rick Earle
Director Finance

CMC:ae

cc: City Solicitor
Director of Planning & Building

Attachment



Planning and Building Department

Scale: 1 = 1500

Drawn By: J.P.C.

Date: November 2005

Commercial Lease
6875 Royal Oak Ave.

 City Property

Sketch # 1