



Meeting 2007 June 25

COUNCIL REPORT

FINANCE AND CIVIC DEVELOPMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: DEER LAKE CENTRE TENANT IMPROVEMENTS RESERVE

RECOMMENDATION:

1. THAT Council bring down a \$3,000,000 Capital Reserve bylaw to fund the creation of a Tenant Improvements Reserve.

REPORT

The Finance and Civic Development Committee, at its meeting held on 2007 May 24, received and adopted the attached report seeking funding approval for a Tenant Improvements Reserve.

Respectfully submitted,

Councillor D. Johnston
Chair

Councillor N. Volkow
Vice Chair

Councillor G. Begin
Member

Copied to:	City Manager City Solicitor Director Finance
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TO: CHAIR AND MEMBERS
FINANCE AND CIVIC DEVELOPMENT
COMMITTEE

DATE: 2007 May 17

FROM: DIRECTOR FINANCE

FILE: 04500-40

SUBJECT: DEER LAKE CENTRE TENANT IMPROVEMENTS RESERVE

PURPOSE: To request funding for a Tenant Improvements Reserve

RECOMMENDATION:

1. **THAT** Council is requested to bring down a \$3,000,000 Capital Reserve bylaw to fund the creation of a Tenant Improvements Reserve.

REPORT

The Deer Lake Centre consists of two, five storey commercial office buildings. The buildings were built in the late 1970's totalling approximately 200,000 square feet and were purchased by the City in 1993. The property is managed for the City, under agreement, by Colliers International.

In the normal course of business, as tenants move in and out of the building and renew their leases, there are requirements for tenant improvements that are typically funded by the landlord and subsequently recovered with interest, over time, through the lease payments. The tenant improvements have, in the past, been funded up front, through the cash flows of the buildings general lease payments.

With the economic down turn a few years ago the building's vacancy rate increased significantly. However, the buildings are once again filling up with larger tenants and as the larger tenants move and expand the up front costs of the tenant improvements can no longer be accommodated through the cash flows generated by the buildings. The proposal is to create a reserve to fund the tenant improvements, deposit the repayment with the interest imputed in the lease into the funding reserve and report to Council on the expenditures from the reserve as the reserve needs replenishment. The process would be the same as we currently have for the Land Assembly and Development reserve.

Therefore, we recommend that Council bring down a \$3,000,000 Capital Reserve bylaw to fund the creation of a Tenant Improvements Reserve.



Rick Earle, Director - Finance
DIRECTOR FINANCE

Copied to: City Manager