

TO: CITY MANAGER **DATE:** 2008 December 16

FROM: DIRECTOR FINANCE

SUBJECT: **COMMERCIAL LEASE - 6875 ROYAL OAK AVENUE - PARCEL 2,
DISTRICT LOT 98, GROUP 1, NWD, PLAN LMP 43130**

PURPOSE: To obtain Council authority for the City to enter into a new lease agreement with Backun Musical Services Ltd.

RECOMMENDATIONS:

1. **THAT** Council authorize the preparation and execution of a new 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 square feet with the warehouse offering 4,900 square feet. There is, in addition to the main level, approximately 900 square feet of upper floor office space and 600 square feet of mezzanine storage space. The property has been leased to Backun Musical Services Ltd. a company engaged in the manufacturing, distribution and sale of musical instruments and accessories. Their three year lease is set to expire 2009 January 31.

The tenant is currently paying \$51,000/year gross. The tenant is responsible for minor repairs, but the landlord is responsible for major repairs (e.g. roof, envelope etc.) and payment of the property taxes. The current agreement nets the City approximately \$25,000/year.

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PROPOSAL:

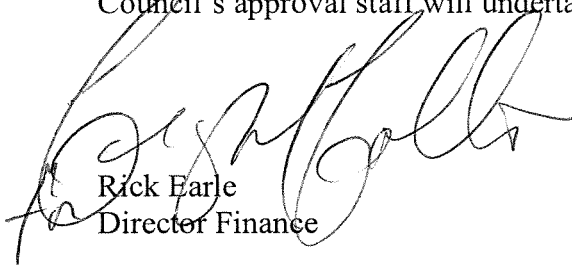
In June of this year, the Planning Department felt some buoyancy in the trend of development in the Royal Oak area. However, given the recent downturn in the economy and the decision on the part of a developer to withdraw a rezoning application to develop this property, the Planning Department has agreed to support a new two year lease for this tenant with one year options to follow.

Backun Musical Services Ltd. wishes to continue its lease arrangement with the City and is willing to enter into a two year lease at the higher rate of \$54,000/year. The company's proposal to lease very clearly states that the two further one year extensions (beyond the initial two year term) would be by mutual agreement. This protects the City's interests and ensures the City has the option of either granting or refusing to grant the further one year renewals.

Backun Musical is a good tenant and has recently co-operated with the city's anti-graffiti coordinator to have a mural (environmental theme) painted on the side of the building. The company has also upgraded the landscaping at the front of the building

CONCLUSION:

It is recommended that Council authorize the lease of 6875 Royal Oak to Backun Musical Services Ltd. under the terms and conditions outlined in this report, noting that the one year renewal options (if granted at the time) will be subject to a cost of living adjustment. With Council's approval staff will undertake the necessary lease arrangements.



Rick Earle
Director Finance

SB:sk

Copied to: City Solicitor
Director Planning & Building