
TO: CITY MANAGER **DATE:** 2019 June 4th

FROM: DIRECTOR - PUBLIC SAFETY AND
COMMUNITY SERVICES

SUBJECT: NEW LEASE AGREEMENT - 7320 BULLER AVENUE

PURPOSE: To seek Council authority to enter into a five-year lease agreement with Warner Bros. (and/or its subsidiary production companies) for the City property located at 7320 Buller Avenue.

RECOMMENDATION:

1. **THAT** Council authorize staff to enter into a new five year lease agreement with Warner Bros. (and/or its subsidiary production companies) for the lease of 7320 Buller Avenue as outlined in this report.

REPORT

1.0 INTRODUCTION

In 2001 January the City acquired 7320 Buller Avenue for future park and multiple-family residential use. The property is located on the east side of Buller Avenue between Prenter Street and Irmin Street. It is a triangular shaped site with a frontage of 103 metres (337 feet) along Buller Avenue, a frontage of 174 m (570 feet) along Prenter Street, and a depth of 151 metres (495 feet) along the rail spur property to the south. The subject site has a total area of 0.8223 ha (2.032 acres). It accommodates two contiguous industrial warehouse buildings totalling approximately 4,979 square metres (53,593 square feet). The property, as shown on Attachment #1, has been leased out by Warner Bros. as a television production studio since 2002 February.

2.0 POLICY SECTION

The proposed new lease agreement supports the following goals and sub-goals of the *Corporate Strategic Plan*:

- ***A Dynamic Community***
 - Economic opportunity – Foster an environment that attracts new and supports existing jobs, businesses and industries

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- **A Thriving Organization**

- Financial viability – Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets
- Technology and innovation – Support technology development and innovation to empower staff and to advance community objectives

3.0 LEASE RATE AND TERMS

The current tenant, Warner Bros. and/or their subsidiary production companies have requested a new five year lease. The Planning and Building Department has indicated its support for a new five year lease term with an initial three year term and two one year options. Similar to the expiring agreement which recognized the inherent uncertainty of television programming, the proposed lease agreement will be structured to allow renewals to run in five and seven month increments each year as per the industry programming requirements.

The following table shows the monthly rental rates (inclusive of property taxes) that would apply for the first three years which include increases based with the Consumer Price Index (CPI) and increased market value for space of this nature in mind. Rates for the fourth and fifth years would be determined at the time to reflect any significant changes in property taxes or the rental market.

TERMS AND MONTHLY RENT RATES (INCLUSIVE OF PROPERTY TAXES)

Period	Monthly rent inclusive of property taxes	Yearly total (exclusive of GST)
Year 1 - Jun 1, 2019 to May 31, 2020	\$ 71,454.00	\$ 857,448.00
Year 2 - Jun 1, 2020 to May 31, 2021	\$ 72,886.00	\$ 874,632.00
Year 3 - Jun 1, 2021 to May 31, 2022	\$ 74,344.00	\$ 892,128.00
Three year total		\$ 2,624,208.00

Should the lease extend the entire five years, the rent revenue (inclusive of property taxes) would be in excess of 4.4 million dollars. For the purposes of this calculation it is assumed that in the fourth and fifth year the annual rent remains unchanged at the third year rate.

The proposed monthly rates have been presented to Warner Bros. and they have been accepted. Under the terms of the agreement the Lessee will be responsible for all utilities and costs including heat, hydro, water, telephone, security/alarms, sewer, and garbage disposal as well as routine ongoing maintenance to the building and grounds.

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The property is leased "as is" and the City assumes no responsibility for the state and condition of the property. The property is leased subject to any existing easements, rights-of-way, covenants, encumbrances and charges. The Lessee is responsible to obtain and maintain insurance as determined by the City Risk Manager, and shall observe and abide by all laws, bylaws, orders and regulations affecting the property.

4.0 RECOMMENDATION

It is recommended that Council authorize staff to enter a new five year lease agreement, with an initial three year term and two one year options, with Warner Bros. and/or its subsidiary production companies based on the terms outlined in this report.



Dave Critchley
DIRECTOR - PUBLIC SAFETY AND COMMUNITY SERVICES

Attachment: #1 – Sketch and air photo of 7320 Buller Avenue

Copied to: Director Planning and Building
Director Parks, Recreation and Cultural Services
City Solicitor

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Attachment # 1

