

Supplementary Meeting Agenda Electoral Area Services Committee

Wednesday, March 16, 2016

2:05 PM

Room 107

M. Hicks (Chair), W. McIntyre (Vice-Chair), D. Howe,
B. Desjardins (Board Chair, ex-officio)

5. Committee Business

***5.6. 16-433** *Salt Spring Island Administration Lease*

Recommendation:

That the Electoral Area Services Committee recommend to the Capital Regional District (CRD) Board:

- 1a. That staff be directed to enter into a lease with 347599 BC Ltd. (Gulf Pacific Property Management Ltd.) for Units 6, 7A, and 7B at 121 McPhillips Avenue with the following terms:
 - i. Annual Basic Rent in respect of Units 6, 7A and 7B (1,856 sq.ft.) of \$41,017.60 for annual minimum rent plus taxes, insurance and common area maintenance commencing July 1, 2016 and terminating June 30, 2021;
 - ii. Tenant will be responsible for any utilities and other services used or consumed by the Tenant; and further;
- 1b. Approval of financing up to a maximum of \$120,000 from the Building Facilities reserve fund (or Office Facilities Capital reserve fund) for leasehold improvements.

Attachments: [Staff Report: SSI Administration Lease](#)

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**REPORT TO ELECTORAL AREA SERVICES COMMITTEE
MEETING OF WEDNESDAY, 16 MARCH, 2016**

SUBJECT Salt Spring Island Electoral Administration Lease

ISSUE

Approval to enter into a five year lease for the Capital Regional District (CRD) Salt Spring Island Electoral Administration services for Units 6, 7A, and 7B at 121 McPhillips Avenue. and to borrow up to \$120,000 from the CRD's Office Facilities Capital reserve fund.

BACKGROUND

At its January 13, 2016 meeting the CRD Board granted approval to support costs related to leasing new office space in 2016. This included \$56,300 as a continuous supplementary relating to rent (\$30,000) and other operating costs for the new space, and \$25,000 as one time cost for equipment purchases. The lease agreement for space was to be finalized before March 31, 2016 to enable expanded operations on island and proceed with the Ganges sewer and other local service area projects.

Subsequently, a review of available lease space on Salt Spring has resulted in negotiations and the CRD has an offer to lease with 347599 BC Ltd. (Gulf Pacific Property Management Ltd.) for Units 6, 7A, and 7B at 121 McPhillips Avenue with the following terms:

1. Annual Basic Rent in respect of Units 6, 7A and 7B (1,856 sq.ft.) of \$41,017.60 for annual minimum rent plus taxes, insurance and common area maintenance commencing July 1, 2016 and terminating June 30, 2021;
2. Tenant will be responsible for any utilities and other services used or consumed by the Tenant.
3. Rental deposit of \$7,178.08 for first and last month rent.

SSI ADMINISTRATION OFFICE LEASE - CREEKSIDE MALL, GANGES VILLAGE								
Unit	Area	Net Rate/ft²	Net Per annum	Net Per Month	Additional Rent/ft²	Gross Rent	GST	Total
6	865	\$13.00	\$11,245.00	\$937.08	\$9.10	\$19,116.50	\$955.83	\$20,072.33
7A	488	\$13.00	\$6,344.00	\$528.67	\$9.10	\$10,784.80	\$539.24	\$11,324.04
7B	503	\$13.00	\$6,539.00	\$544.92	\$9.10	\$11,116.30	\$555.82	\$11,672.12
Total	1,856	13.00	24,128.00	2,010.67		41,017.60	\$2,050.88	43,068.48

Estimate costs of required leasehold improvements have increased to approximately \$120,000. Potential funding sources for the renovation can be leveraged from the internal CRD building facilities reserve fund.

ALTERNATIVES

That the Electoral Area Services Committee recommends to the Capital Regional District (CRD) Board:

- 1a. That staff be directed to enter into a lease with 347599 BC Ltd. (Gulf Pacific Property Management Ltd.) for Units 6, 7A, and 7B at 121 McPhillips Avenue with the following terms:
 - i. Annual Basic Rent in respect of Units 6, 7A and 7B (1,856 sq.ft.) of \$41,017.60 for annual minimum rent plus taxes, insurance and common area maintenance commencing July 1, 2016 and terminating June 30, 2021;
 - ii. Tenant will be responsible for any utilities and other services used or consumed by the Tenant; and further;
- 1b. Approval of financing up to a maximum of \$120,000 from the Building Facilities reserve fund (or Office Facilities Capital reserve fund) for leasehold improvements.

2. Staff be directed to look for another suitable location to lease.

FINANCIAL IMPLICATIONS

The preliminary budget annual lease cost was estimated to be around \$37,000. This included a \$30,000 supplementary request and an additional \$7,000 from the EA Director administration budget.

Under Alternative 1a the total annual lease cost will increase to \$41,020. The annual increase of \$4,000 will be funded through an increase in requisition.

The loan repayment will also be funded through an increase in the requisition. The annual repayment amount is estimated to be \$28,690. The loan will be repaid over a term of 5 years to coincide with the term of the lease. Interest would be paid at the CRD's internal borrowing rate of 1.95% per year.

This results in an overall increase to the SSI administration budget of approximately \$32,690. The increase will be funded by a new continuous supplementary starting in year 2017. The Financial Plan will be amended to reflect this new supplementary.

CONCLUSION

The SSI administration office has an opportunity to move into a new leased space. The cost to lease the building was initially included in the 2016 Financial Plan. The estimated leasing costs are higher than originally budgeted. Relocation of the EA director and on-island management will allow for synergies and improved customer service. The EA director supports the new supplementary requests.

RECOMMENDATION

That the Electoral Area Services Committee recommend to the Capital Regional District (CRD) Board:

- 1a. That staff be directed to enter into a lease with 347599 BC Ltd. (Gulf Pacific Property Management Ltd.) for Units 6, 7A, and 7B at 121 McPhillips Avenue with the following terms:
 - i. Annual Basic Rent in respect of Units 6, 7A and 7B (1,856 sq.ft.) of \$41,017.60 for annual minimum rent plus taxes, insurance and common area maintenance commencing July 1, 2016 and terminating June 30, 2021;
 - ii. Tenant will be responsible for any utilities and other services used or consumed by the Tenant; and further;
- 1b. Approval of financing up to a maximum of \$120,000 from the Building Facilities reserve fund (or Office Facilities Capital reserve fund) for leasehold improvements.

Submitted by:	Karla Campbell, Senior Manager, SSI Electoral Area Administration
Concurrence:	Raj Sharma, Senior Manager Financial Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

KC/kc