



Governance and Priorities Committee Report For the Meeting of February 26, 2015

To: Governance and Priorities Committee **Date:** February 20, 2015
From: Jocelyn Jenkyns, General Manager, VCC
Subject: Victoria Conference Centre – Crystal Garden Proponent Evaluation

Executive Summary

The Victoria Conference Centre was established as a self-financing department of the City of Victoria in 1989. The centre is the sales organization for conferences in Victoria and works in partnership with the business, post-secondary, technology, tourism and hospitality sectors to bring direct spending related economic impact to the city of between \$40 and \$60 million a year.

In 2007, the VCC took over the lease of the Crystal Garden to accommodate larger conference programs. In 2010, in response to a shortfall of revenues associated with the Crystal Garden, Council began to provide a subsidy to the VCC. In April 2014 the City gained ownership of the Crystal Garden as part of a larger land swap with the Province.

Late last year, as a result of unsolicited proposals coming forward to Council to express interest in a possible lease of the Crystal Garden, Council passed a motion that staff make recommendations for Crystal Garden to Council, based on the current state of the viability of the Crystal Garden and concurrently on the proposals received.

In October 2014, the City of Victoria issued a Market Sounding document to gauge interest in securing a long-term tenant to lease the Crystal Garden. There were three respondents to the original market sounding: Macaloney Distillers and Brewers, Ocean Networks Canada, and TVM Group. Since that time the Canadian College of Performing Arts have expressed interest in the facility and TVM group and Ocean Networks Canada have provided the City with updated submissions.

To provide Council with consistent information on the proponents based on their business plans, a list of key terms were developed (Appendix A) which DTZ Barnicke, the City's leasing agent in conjunction with staff have used to evaluate the proposals. The VCC has also been evaluated using the same key terms to provide Council with an "apples to apples" comparison of the proponents.

Recommendation:

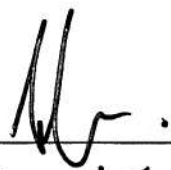
That Council receive the attached report.

Respectfully submitted


Jocelyn Jenkyns
GM Victoria Conference Centre

Report accepted and recommended by the City Manager:

Date:


Feb. 24/15



February 12, 2015

KEY TERMS SUMMARY

RE: THE CORPORATION OF THE CITY OF VICTORIA

CRYSTAL GARDEN LEASING OPPORTUNITY

713 DOUGLAS STREET, VICTORIA B.C.

APPROXIMATELY 2,137 SQUARE METRES OR 23,000 SQUARE FEET

DTZ Victoria Real Estate Ltd. (the "Brokerage") has been engaged and authorized by our client, THE CORPORATION OF THE CITY OF VICTORIA, (the "Landlord") to issue this request for a summary of key terms and answers associated with your expressed interest in leasing the commercial space within the property known as "Crystal Garden" located at 713 Douglas Street in the City of Victoria B.C. We would ask that your response be delivered to the address described herein no later than 4:00pm PST on Tuesday February 17th, 2015. Any such responses should consider and adhere to the following guidelines:

- 1. Confidentiality:** The information contained in your response document will be treated as confidential and will be reviewed only by the Brokerage and the Landlord (including council in camera) based on a need to know basis until a decision is made at which time the City is required to disclose the terms of any final agreement reached.
- 2. Description of Tenant:** Please identify the legal entity that will be the "Tenant". We would also like to see a list of the directors of record and a description of the ownership structure. If there is any intention of transferring ownership following successful completion of a lease or at a future date, please provide a detailed description of these intentions. It is also important to note if you intend to provide any "Guarantors" for the premises, and who they will be.

Legal Entity (Tenant): _____

Directors:

Ownership Structure:

Guarantor(s):

3. **Financial Covenant:** Enclose in confidence a current corporate financial summary and/or funding commitments to support the build-out, start-up costs, and rent proposed herein.

4. **Premises:** Confirm the size of space you are prepared to lease: _____sf

If the area is less than 23,000sf, please identify on a plan which area is of most interest to your organization and enclose herein. If you intend to share the space with another entity (i.e. VCC), please describe and show clearly how that shared space will be demised and operated. What ratio of the total space will you occupy versus the other Tenant(s)? _____

Are you interested in leasing any or all of the retail space fronting along Douglas Street comprised of a total estimated rentable area of 4,076 square feet? _____

5. **Lease Term:** Please confirm your preferred length of lease term: _____ years

6. **Possession for Fixturing:** What date would you like to take possession? Are you flexible on timing?

7. **Fixturing Period:** The Tenant shall have _____ (____) days base and additional rent free commencing upon the Tenant taking possession of the Premises for Tenant Fixturing (the "Fixturing Period").

8. **Commencement:** The Lease term shall commence on (a) the earlier of the expiration of the Fixturing Period or (b) the date the Tenant opens for business within the Premises. The Tenant anticipates Commencement to be _____, _____ based on Articles 6 and 7 above.

9. **Rental Terms:** For the term of the Lease, the base rental rate plus applicable sales tax shall be payable in monthly installments as follows:

Effective Year	Size of Premises (sq. ft.)	Base Rent \$/sq. ft.	Annual Payment
1		\$	\$
2		\$	\$
3		\$	\$
4		\$	\$
5		\$	\$
6		\$	\$
7		\$	\$

8		\$	\$
9		\$	\$
10		\$	\$

Please Note: If you value different areas to be more or less valuable for your use, please provide the blended average overall on a price per square foot basis and annual rental payments in the format above.

10. **Additional Rent:** Estimated to be approximately \$10.75psf (2014)
11. **Utilities:** In addition to base net rent and additional rent, the Tenant shall be responsible for its own telephone, internet and separately metered utilities attributed to the subject premises.
12. **Use:** The Leased Premises shall be used solely for the purpose of a

13. **Landlord's Contribution:** Please identify your expectations with respect to any Free Rent Periods required and/or Tenant Improvement Allowance requested.
- The Tenant shall not be required to pay base rent during the first _____ (____) _____ following Commencement. During the Free Rent Period, the Tenant shall be responsible for all additional rent and utilities.
- In consideration of completion of the Tenant's leasehold improvements and Tenant's Work (the "Tenant's Work") in respect of the Premises, the Landlord will pay to the Tenant, as a one-time contribution towards the cost of the Tenant's Work, an amount equal to _____ (\$_____) multiplied by the Rentable Area of the Premises.
14. **Tenant Conditions:** Outline your due diligence required to finalize a lease at Crystal Garden (i.e. financing, lease review, space planning, build-out costs):

How long do you anticipate requiring to complete your due diligence work noted above and satisfy all conditions, following reaching an acceptable offer to lease with the Landlord?

Is rezoning required for your use? _____

- 15. Condition of Premises:** If you envision taking possession of the Premises in any condition other than "as is, where is", please provide a general outline of the base building work that you anticipate requiring the Landlord to complete to accommodate your use (i.e demolition, power upgrades).

Please provide a basic outline / scope of work for your improvements or tenant upgrades that you anticipate completing within the Premises to make the space suitable for your use:

It's agreed and understood that the above descriptions are preliminary at this stage and subject to change in future.

16. Proposal Only:

No proponent shall have any claim for any compensation of any kind whatsoever as a result of participating in this request for a summary of key terms, and by submitting a response/proposal each proponent shall be deemed to have agreed that it has no claim.

This request does not constitute an offer to lease or any offer to enter into a contract with the proponent. No agreement shall result upon submission of responses/proposals. There will be no obligation on the part of the Landlord to proceed with any lease or other transaction unless the Landlord executes and delivers in writing a formal lease agreement to a proponent.

The Landlord reserves the right to respond to or conduct negotiations with one or more proponents or to reject all responses/proposals. The Landlord is not required to offer or disclose any modified terms and conditions resulting from negotiations to any other proponents before accepting a proposal from the successful proponent.

The Landlord may cancel this request at any time for any reason and may reissue a request for proposal or other form of procurement for the same subject matter as this request, or similar subject matter, at any time and for any reason, at its sole discretion.

17. Communication:

All submissions and communication regarding this request should be directed to the Landlord's Brokerage / Agents as follows:

DTZ Victoria Real Estate Ltd.
888 View Street
Victoria, B.C. V8W 1K2
Attention: Amanda Neal and Dave Bornhold
Email: amanda.neal@dtzvictoria.com dave.bornhold@dtzvictoria.com
Ph. (250) 382-3400


Note that responses can be delivered in hardcopy or e-mailed to Amanda and Dave at the addresses above.

If you have any questions, please feel free to contact the undersigned. Thank you for your interest in Crystal Garden and consideration in this matter. We look forward to your response.

Yours truly,

DTZ Victoria Real Estate Ltd.
On behalf of The Corporation of the City of Victoria


Amanda Neal
Partner / Associate


Dave Bornhold
Partner / Associate