

Request for Lease 123 Auditorium Avenue to Biktrix Enterprises Inc.

ISSUE

123 Auditorium Avenue is a 6,560 square foot City of Saskatoon (City)-owned building which is currently vacant and capable of being leased to an outside organization until such time the City requires the property for redevelopment (see Appendix 1 for property location). Biktrix Enterprises Inc. (Biktrix) is interested in leasing the building from the City upon the terms set out within this report.

RECOMMENDATION

1. That a lease agreement for 123 Auditorium Avenue, located on ISC Parcel No. 120285873, with Biktrix Enterprises Inc. for a term of 5 years, upon the terms detailed within this report, be approved; and
2. That the City Solicitor be requested to have the necessary agreement executed by His Worship the Mayor and the City Clerk, under the Corporate Seal.

BACKGROUND

The acquisition of 123 Auditorium Avenue was approved by City Council at its Regular Business Meeting on Monday, February 22, 2021. The report noted that:

“If approved, the Administration will issue and award a Request for Proposals to obtain the services of a local commercial real estate company to find a tenant to lease the property until the property is required for redevelopment. Upon a qualified tenant being found, the Administration will report back to request approval to enter into a lease agreement for the property.”

The City acquired ownership of 123 Auditorium in March of 2021 and a Request for Proposals (RFP) for the provision of real estate services was issued in May of 2021. The RFP was issued for the joint purpose of securing a listing agent to market the property as being available for lease and for ongoing property management should a suitable tenant be found. ICR Commercial Real Estate (ICR) was the successful respondent and the City entered into a listing agreement for the property with ICR in June of 2021. ICR has advertised the property as being available for lease since the summer of 2021.

DISCUSSION/ANALYSIS

Although 123 Auditorium Avenue has been available for lease for a year, no serious offers were submitted until late April 2022. Since April, the City has received three offers to lease. The offers were reviewed and evaluated by Administration and the decision was made to further negotiate the terms of a potential lease with Biktrix.

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The City and Biktrix have agreed to a conditional Offer to Lease with the following notable terms;

- Conditional upon City Council approval by August 30, 2022.
- Five (5) year, five (5) month lease term commencing Sept. 1, 2022.
- Rent as follows:

Dates/Year	Rent PSF	Annual Rent	Occupancy Costs Owning
Sep. 1, 2022 - Nov. 30, 2022 (Fixturing Period)	\$0.00	N/A	Only utilities
Dec. 1, 2022 - Jan. 31, 2023 (Rent-Free Period)	\$0.00	N/A	Yes
Feb. 1, 2023 - Jan. 31, 2026	\$8.00	\$52,480.00	Yes
Feb. 1, 2026 - Jan. 31, 2028	\$9.00	\$59,040.00	Yes

- City to ensure mechanical, plumbing, sprinklers and roof are in good repair and working condition, and to replace damaged ceiling tiles throughout.
- Biktrix granted use of four (4) parking stalls in the nearby City-owned 126 Idylwyld Drive parking lot at a total cost of \$100.00/month for the first year of the term, \$400.00/month thereafter.
- Biktrix has the option to renew the lease for a further term of 5 years.
- City can terminate the lease at any time after the initial 5-year term by providing a minimum of 12 months' prior written notice.

Upon the signing of the conditional Offer to Lease, the City further investigated the functionality of the existing building systems and started the process of completing the agreed upon repairs/upgrades. The City has spent \$420.00 to inspect the fire alarm and sprinkler system and \$876.90 to inspect and patch the roof. The City will also be responsible for the following:

- Minor repairs/maintenance of the existing sprinkler system at an estimated cost of \$4,000.00
- Installation of eavestrough at an estimated cost of \$7,500.00.
- Potential replacement of a rooftop HVAC unit that is currently not working. Upon Biktrix completing their fit-up of the space, a contractor will determine whether the four functional rooftop units sufficiently heat, cool, and provide airflow to the building. If the existing units are sufficient, no work will be completed. If the units are not sufficient, the City will replace the non-functional unit at an estimated cost of \$10,000.00.
- City to replace damaged ceiling tiles at an estimated cost of \$7,500.00.

Upon commencement of the lease, the City would enter into a property management agreement with ICR based on the terms submitted in response to the May 2021 RFP. Property management fees are considered part of operating costs and would be recovered from Biktrix.

FINANCIAL IMPLICATIONS

The City will receive \$295,920.00 in rent payments over the term of the lease (inclusive of base rent and parking). The City is aware of approximately \$29,000.00 in repairs/maintenance costs that will be required to prepare the building for occupancy and expects that up to \$10,000.00 in additional unforeseen costs could be encountered. Funding for the repairs to the property to ensure it is fit for occupancy was budgeted through the 2022 Capital Budget for Infill Development (Project 1420).

Biktrix would also be responsible for property tax starting November 1, 2022. Property taxes are estimated to be approximately \$25,000.00 annually (estimate based on the 2022 assessment and mill rates).

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

Should the lease be approved, Administration would enter into a property management agreement with ICR and continue to complete the required repairs/upgrades to the building.

At the end of the lease term, or any extended term, and providing the building/property is not required for redevelopment or a civic need, the City will attempt to negotiate a further lease renewal with Biktrix or relist the property.

APPENDICES

1. Map Showing Location of 123 Auditorium Avenue

REPORT APPROVAL

Written by: Jeremy Sibley, Real Estate Services

Reviewed by: Frank Long, Director of Saskatoon Land

Approved by: Clae Hack, Chief Financial Officer