

Granville Island Leasing Guidelines

2007



Granville Island Leasing Guidelines

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About Granville Island

Granville Island is a revitalized urban waterfront neighbourhood, respectful of its heritage, committed to excellence, and serving the Vancouver community. The mix of cultural, artisan, recreational, industrial, maritime, retail and market communities invigorates and enriches Granville Island, resulting in accolades such as the New York based organization Project for Public Spaces " best neighbourhood in North America" (2004).

Granville Island is home to 275 businesses and facilities, employing more than 2,500 people, and generating in excess of \$130 million in economic activity annually. It is one of the most popular visitor destinations in Vancouver.

Granville Island Mission

Granville Island's mission, as stated in the Granville Island Development Plan (1995), is to provide a self-sustaining environment that fosters diverse cultural, educational and commercial enterprises while maintaining the Island's historic industrial character.

Management Structure

In 1972, on behalf of the Government of Canada, the administration of Granville Island was transferred to Canada Mortgage and Housing Corporation (CMHC).

The Granville Island Trust is an advisory body composed of nine members, with representation from Granville Island, local area residents and the City of Vancouver.

*Granville Island
Mission:*

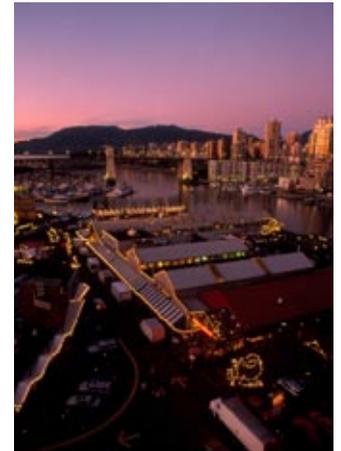
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Guiding Principles

CMHC-Granville Island strives to:

- Ensure financial sustainability;
- Retain and enhance the Granville Island experience;
- Maintain an accessible destination for all people;
- Preserve and build on the historic character of Granville Island;
- Encourage alternative forms of access;
- Provide for a variety of business and cultural opportunities on Granville Island;
- Ensure barrier-free access;
- Promote safety and security;
- Support sustainable development initiatives – economic, social and environmental; and,
- Take an incremental approach to change.



Leasing Objectives

Granville Island's leasing objectives include:

1. Encouraging the development of those arts, crafts and cottage industries where the public may view and purchase products produced on the premises.
2. Retaining the industrial character of the Island by using existing buildings wherever feasible and ensuring any new

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building or infill development is compatible with this intended character.

3. Seeking out tenants who contribute to the animation of the Island
4. Retaining a retail mix that focuses on unique, high quality and locally based product offerings.

Considerations

Granville Island is a unique community in the heart of Vancouver. A diverse mix of uses shapes Granville Island's ability to both compete with and complement other neighbourhoods and communities in the City of Vancouver and the Lower Mainland.

The goal of CMHC is to ensure the Granville Island remains economically, socially, and environmentally sustainable, while preserving its unique, artistic and local character.

Some specific challenges Granville Island faces are:

- Vacant space and developable lands are scarce and at a premium
- Aging infrastructure
- Increased competition
- Requirement to be financially self-sustaining

Despite these challenges, Granville Island has managed to remain one of the most successful waterfront developments in North America.

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Leasing Guidelines

1. Leasing objectives will support Granville Island's Mission.
2. CMHC-Granville Island values and encourages long-term relationships with its tenants.
3. CMHC-Granville Island strives to ensure that all available space and buildings are managed and allocated efficiently.
4. Granville Island space will be awarded in a fair and open manner.
5. Where a public or competitive process is followed, proposals will be evaluated based on criteria that reflect CMHC-Granville Island's leasing objectives and guiding principles.
6. CMHC-Granville Island may consent to assignments, subleases or other changes of control of existing leases on Granville Island but such consent will be subject to adherence to CMHC-Granville Island's overall objectives and guiding principles.

Granville Island encourages:

The development of those arts, crafts and cottage industries where goods are produced on the premises and the production process is visible to the public.

Space Allocation

Occupied Space:

Existing leases and arrangements will be honoured and remain in place.

Upon expiry of leases with existing tenants, CMHC-Granville Island, will strive to work with tenants to reach an amicable arrangement for all parties that will support Granville Island's mission.

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Vacant Space:

CMHC-Granville Island may elect to use a public or competitive process to allocate leaseable space where CMHC-Granville Island determines that Granville Island's mission and objectives are better accomplished in that manner.

For example, where the same space is desired by two or more entities, or where CMHC-Granville Island identifies a specific opportunity for which there is more than one proponent, or where CMHC-Granville Island wishes to encourage competition in the allocation of space on Granville Island.

From time to time, when a unique opportunity arises, CMHC-Granville Island may directly award a space.

Rent

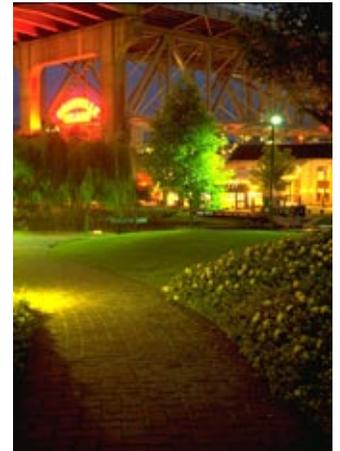
Rent on Granville Island will reflect market conditions, however recognizing other factors and objectives, CMHC-Granville Island will not necessarily seek the highest monetary return. CMHC-Granville Island will continue to employ a variety of lease rates that reflect the diverse uses on Granville Island.

Calculated on a per square foot rate, base rents on Granville Island are dependent on such factors as use, location and market conditions.

In various lease arrangements, percentage rent will also be used in combination with base rents in order to determine the overall rent payable for space on Granville Island.

Recoverable Costs

CMHC – Granville Island is committed to ensuring Granville Island's long-term sustainability through responsible fiscal management, while preserving the unique character of the Island. CMHC-Granville Island will strive to achieve cost recovery of operational costs associated with the safe and prudent administration of all leased and common areas on Granville Island.



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Common Area Maintenance Costs (CAM) and other recoverables such as property taxes, utilities and waste removal are charged back to tenants at cost. The recoverable cost structure aligns the individual businesses with the flow-through of actual expenses.

For example, an office tenant will use less water than a restaurant tenant and therefore will have a lesser amount for water reflected in their fees.

The methodology for cost recovery is consistent with industry standards and ensures that all tenants contribute on a fair and equitable basis to the actual operating costs of the Island. It also takes into consideration the unique nature of the tenant mix on Granville Island (in particular, non-profit, cultural and artisan groups).

The ability to recover costs is set out in the terms of the lease agreements between CMHC and the tenants.

Term

Length

CMHC – Granville Island will honour all commitments contained in current leases with regards to renewals or extensions.

Typically, leases range from 3 to 5 years. Head leases and leases for large footprints have been given longer terms in the past for a variety of reasons including capital investment and use.

Capital Investment

Where the lease term and any tenant rights of renewal or extension have lapsed, the granting of an additional term, extension, or a new lease will be at the option of CMHC-Granville Island. CMHC-Granville Island may require that the tenant meet certain conditions stipulated or prescribed by CMHC-Granville Island.

Granville Island strives to:

Retain the industrial character of the Island by using existing buildings wherever feasible.

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Where the improvements have vested or reverted to CMHC-Granville Island at the expiration of a lease, the rent for any new lease or extension will be based on the land value plus the value of the improvements.

CMHC-Granville Island may, at its discretion, negotiate an additional term to a tenant undertaking capital improvements. However, CMHC-Granville Island must be in agreement prior to any capital improvements being undertaken by the tenant. CMHC-Granville Island is not bound to grant an additional term in the event of the tenant making a capital investment in their space.

Considerations

The granting of an additional term, extension or new lease is subject to relevant considerations, including but not limited to:

- Compliance with all the terms of the expiring lease;
- satisfactorily maintained buildings, improvements and/or the leased space;
- The extent to which the proposed use is in line with Granville Island's mission;
- Whether the additional term will jeopardize reasonable competitive access for current or potential Granville Island businesses or tenants;
- Other factors may also be relevant from time to time.

Where CMHC-Granville Island grants an additional term, extension or new lease in connection with capital improvements undertaken by a tenant, the length of the additional term will depend on several factors, including, but not limited to:

- The useful life of the capital improvements;



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- The time period sufficient to amortize any new investment;
- The length of the term remaining on the original lease;
- The extent and nature of the capital improvements; and
- Any rent adjustment that is made at that time.

Proviso

These Guidelines reflect the resolve and intention of CMHC-Granville Island at the time written. In order to present the Guidelines so that they can be readily understood, an effort has been made to avoid stating extensive qualifications and exceptions.

These Guidelines do not confer any right upon anyone, or impose any obligation on CMHC-Granville Island. CMHC-Granville Island may from time to time change these Guidelines or depart from these Guidelines without liability to anyone.

*Granville Island
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*Retain a retail mix
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Definitions

Types of Agreements:

Assignment is the transfer in writing of an interest in a lease, mortgage or other instrument. The Assignor (Leasee), transfers the entire remainder of the term created by the lease, and the Assignee (new Leasee) becomes liable to the original Lessor for rent. The Assignor usually retains secondary liability for performance under the lease, depending upon the terms of the lease pertaining to assignment.

Commercial Lease is a lease associated with the wholesale or retail sale of goods or services.

Expired Lease is a lease which has ended as per the terms and conditions of the lease.

Head Lease is a lease between a landlord and a tenant which gives overall contractual responsibility to one particular tenant (Head leasee). A head lease usually relates to an entire, multi-tenanted, sub-leased building and is usually for a longer term than the sub-leases.

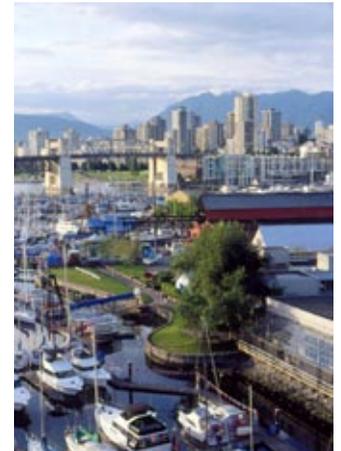
Industrial Lease is a lease associated with manufacturing, processing or disposal operations.

Lease Renewal is a lease that has been created as a result of the Leasee exercising their Option to Renew and subject to the terms and conditions of the original lease, with the exception of Option to Renew and Rent.

Offer to Lease is an agreement that binds the landlord (Lessor) to continuing negotiations in good faith once a qualified tenant (Leasee) has been found, until all negotiating points have been covered. In effect, it takes the space off the market during the negotiating period.

Office Lease is a lease designed for the office premises.

Public Market Lease is a commercial lease designed for the Public Market premises.



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Storage Lease is a lease associated with storage of cold/dry stock and/or equipment.

Sub lease is a lease executed by the lessee of an estate to a third person that conveys the same estate for a shorter term, or a portion of the estate for the same or a shorter term.

Surrender of Lease is a legal agreement between landlord and tenant who mutually agree to terminate a lease before the lease has expired.

Temporary Use License Agreement: A lease designed for a specific event and designed for a short period of time (days/months).

Types of Lease Clauses and Terminology:

Assignor: A person who assigns an asset or right to another party.

Base Rent: The minimum monthly rent, usually computed on a per-square-foot-per-year basis, due under the lease.

Common Areas: Areas used by two or more tenants and/or third parties and not under the control of any one tenant.

Common Area Maintenance (CAM): An additional, annual charge often assessed to tenants for maintenance of the property's "common area", such as its entryways, hallways or bathrooms.

Default: Failure to meet an obligation when due or to perform any provision of a lease, mortgage or other agreement.

Demised premises: Premises, or parts of real estate, in which an interest or estate has been transferred temporarily, such as an interest in real property conveyed in a lease.

Fixture: Personal property or improvements so attached to the land as to become part of the real property. The right of the tenant to remove fixtures may be given by stipulation in the lease or by separate written agreement between the parties.

Granville Island seeks out:

Tenants who contribute to the animation of the Island.

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Flow-through: Expenses or a portion of expenses associated with tenancy that are “flow through” from the landlord to the tenant who then pays them.

Gross income: The effective gross income from a property.

Landlord: One who rents property to a tenant.

Lease: A contract whereby, for a consideration (usually termed rent), one who is entitled to the possession of real property transfers such rights to another for life, for a term of years, month to month or at will.

Leasehold: The interest or estate that a lessee of real estate holds under the provisions of a lease.

Leasee: The tenant in a lease.

Lessor: The landlord in a lease.

License: Permission given by the landlord for a person to enter the premises for a particular purpose. A license is of temporary character.

Market Value: The expected price that a property should bring if offered for lease in the open market for a reasonable period of time and with market savvy landlords and tenants.

Net lease: Structured such that a base rent for a rental property is paid to landlord. In addition, other charges such as utilities and building property taxes, insurance and maintenance are also payable by tenant. Sometimes referred to as triple net or absolute net lease.

Net operating income (NOI): The effective gross income from a property minus operating expenses.

Option: A contractual agreement giving one party a privilege of demanding, within a specified time, the carrying out of a transaction upon stipulated terms.



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Overholding: Tenant remains in possession of leased property after the lease term expiration.

Percentage Rent: A lease of property in which the rent is based upon the percentage of the sales volume made on the specific premises. There is usually a clause for a minimum rent as well.

Quiet enjoyment: A covenant, usually inserted into leases and conveyances on the part of the grantor, promising that the tenant or grantee shall enjoy possession of the premises in peace and without disturbance.

Relocation Clause: The Landlord is given the right to move the Tenant to a location that is similar in size, using similar fit outs and fixtures and typically at the Landlords cost.

Right of Renewal: A clause within a lease giving a lessee the right, or rights, to renew an existing lease for a specified term on specified conditions.

Surrender: The cancellation of a lease by mutual consent of the tenant and the landlord.

Term: The length of the lease.



References

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Reference Document for Granville Island, False Creek – Area 9, City of Vancouver Land Use and Development Policies and Guidelines, Approved by Council on April 18, 1978 Amended March 23, 1999 and December 16, 1999

Development Plan 1995-2001, *CMHC-Granville Island 1995*

Leasing Guidelines, *CMHC-Granville Island 1995*

Granville Island April 1986 Plan Update, *CMHC-Granville Island 1986*

Reference Document for Granville Island, False Creek – Area 9, Submitted to the City of Vancouver by The Granville Island Trustees as advisors and on behalf of Central Mortgage and Housing Corporation February 1, 1978 and amended April 1978



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Appendix A: Building Map of Granville Island

