

City of Nanaimo
REPORT TO COUNCIL

DATE OF MEETING: 2014-JUL-21

AUTHORED BY: BILL CORSAN, MANAGER OF REAL ESTATE

RE: ISLAND PALLET SOLUTIONS LTD. – TERMINATION OF LEASE & DEMOLITION OF IMPROVEMENTS

REQUEST FOR DIRECTION:

That Council:

1. direct Staff to advise Island Pallet Solutions Ltd. that its lease will terminate effective 2014-SEPT-31; and
2. direct Staff to issue a tender to demolish the existing building and improvements.

PURPOSE:

To obtain Council approval to terminate the current month to month lease with Island Pallet Solutions Ltd. (IPSL) and to demolish the existing improvements in advance of the redevelopment of the City-owned property at 1 Port Drive.

BACKGROUND

The City of Nanaimo acquired 1 Port Drive from CP Rail on 2013-MAR-27 for \$3,400,000. This 10.8 ha (26.7 acre) waterfront parcel is strategically located adjacent to the downtown core. Since acquiring the property, the City has been active in preparing the site for new uses, including a terminal facility for a passenger only foot ferry to downtown Vancouver.

A long term vision has been created for the City-owned property and the surrounding industrial lands through the South Downtown Waterfront Initiative (SDWI). The plan envisions a mix of land uses on the property and surrounding neighbourhood. One of the key features is a multi-modal transportation hub that provides a central location for local and regional bus services, passenger rail, and ferry services.

Island Pallet Solutions

IPSL lease one acre of land facing Esplanade and Front Streets. The company reconditions used pallets and supplies these to warehouses in the Lower Mainland. Pallets that are worn beyond reuse are recycled as wood chips.

This parcel is one of the few portions of 1 Port Drive that is unencumbered and is open for redevelopment by the City immediately should an opportunity be presented.

Council
 Committee.....
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Over time, the tenant's operations have encroached to the south, outside of the lease area. Staff estimates that the tenant is currently occupying 2 acres of land for its operations (Attachment A). The tenant's lease area has become unsightly. Pallets are stacked high, and in some cases have fallen over causing a safety concern.

Overall, the property presents a poor first impression of the City's revitalized downtown.

The current lease agreement runs month to month, commencing 2011-SEP-01. The annual rent, inclusive of GST and property taxes, is \$29,444. The tenant pays rent on a monthly basis.

Staff have tried to work with the tenant to clean up the site. The results have been unsatisfactory.

Staff are recommending that the lease be terminated immediately. The City's solicitor advises that a termination date of 2014-SEPT-31 would be deemed reasonable given the current circumstances.

Demolition of Improvements

If the lease with IPSL is terminated, there is an opportunity to advance the cleanup of the City's property by removing the existing improvements and preparing the site for future uses.

Herold Engineering Ltd. was hired to undertake a demolition study of the IPSL site. Total cost of the demolition work is estimated to be \$300,000. The 2014 Budget includes up to \$800,000 for demolition work at 1 Port Drive which was intended for IPSL and the former CP Ferry Dock. Demolition of the former CP Ferry Dock is expected to cost around \$300,000 as well.

The study examined the costs associated with removing the existing building and its foundation and restoring the property so it could be used on a temporary basis by Seaspan or as a general parking lot.

The study did not include the cost of removing the existing pallets, should the tenant not remove them upon termination. Previous estimates for the removal of the existing stock of pallets is estimated to be \$30,000.

Staff are recommending that if Council authorizes termination of the lease, that a tender be issued immediately for the demolition and clean up of the property. The goal would be to have the property cleaned up by 2014-NOV-30.

Strategic Plan Considerations

The environmental work at 1 Port Drive meets a number of the key priorities identified in the 2012-2015 Strategic Plan, including;

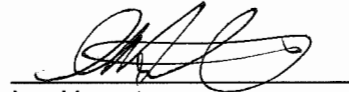
Strategy	
Waterfront Enhancement	<p>Outcomes Desired</p> <ul style="list-style-type: none"> • Enhanced public access and use. • A continuous, uninterrupted and accessible waterfront trail/ connection from Departure Bay Beach to Nanaimo River Estuary. • A working waterfront that supports business, marine industries, transportation, connectivity, entertainment and tourism.
Transportation and Mobility	<p>Potential Strategies and/or Initiatives</p> <ul style="list-style-type: none"> • Work with RDN, NEDC, Chamber of Commerce, Nanaimo Port Authority, BC Ferries, BC Transit, Airport Authority, Island Corridor Foundation, advocates for and supports improvement of external connections: inter-city bus, ferries, fast foot ferry to downtown Vancouver, float planes, enhanced air connections. • Work with RDN on downtown transit exchange options that support overall outcomes, enhance waterfront connections, link to inter-city public transit options and support downtown development.
Taking Responsibility	<p>Potential Strategies and/or Initiatives</p> <ul style="list-style-type: none"> • Continuing to facilitate change and overall development consistent with vision and plans; taking action steps to be a catalyst or investment in the City's future.

Respectfully submitted,



Bill Corsan
 ACTING DIRECTOR
 COMMUNITY DEVELOPMENT

Concurrence by:



Ian Howat
 GENERAL MANAGER
 CORPORATE SERVICES

CITY MANAGER COMMENT:

I concur with the Staff recommendation.

Drafted: 2014-JUL-09
 CIL00363
 BC/tl

Attachment A



Island Pallet Solutions Ltd.
Lease Area and Encroachment