

To: CAO for the Fraser Valley Regional District Board  
From: Suzanne Gresham, Director of Corporate Initiatives

Date: 2018-11-27  
File No: 0810-20/Canyon Tire

**Subject: Proposed Modification of Lease Agreement allowing for the assignment and renewal of the Lease Agreement with Canyon Tire Craft to new business owners [1056938 BC Ltd, dba Canyon Tire] – Electoral Area A**

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### RECOMMENDATION

**THAT** the Fraser Valley Regional District Board authorize its signatories to execute all legal instruments associated with the transfer and assignment of the Canyon Tire Craft Lease Agreement to new business owners 1056938 BC Ltd., dba Canyon Tire, and Ao Xuanhau in her personal capacity;

**AND THAT** the Fraser Valley Regional District Board exercise its option to renew the Lease Agreement for a further 5 year term, subject to further options to renew, and subject to a 2% increase in lease payments annually in each year of the renewal term;

**AND FUTHER THAT** early termination language in favour of the Fraser Valley Regional District be included in the Modification of Lease Agreement should the Fraser Valley Regional District Board consider disposing of the subject land and improvements during the term of the lease;

**AND FINALLY THAT** all other terms and conditions of the Lease Agreement remain in full force and effect under the Modification of Lease Agreement with the exception of the requirement for the Fraser Valley Regional District to undertake a Level 1 Baseline Environmental Assessment.

### STRATEGIC AREA(S) OF FOCUS

Foster a Strong & Diverse Economy  
Support Healthy & Sustainable Community  
Provide Responsive & Effective Public Services

### BACKGROUND

The Fraser Valley Regional District owns 3 contiguous parcels of land along the Trans-Canada Highway in Boston Bar, BC. The properties were acquired from Chevron Canada in 1993 with the intention of building a volunteer fire department on the lands. It was determined thereafter that a new fire truck was a first priority and the fire hall was situated instead on near-by leased land and the subject properties have since been leased out to commercial enterprises engaged in providing vehicle repair and maintenance services and tire sales and servicing to the Area A community and the traveling public.

In late 2014, the Fraser Valley Regional District Board transferred and assigned the former *Kal Tire Lease* to a BC numbered company doing business as *Canyon Tire Craft*. The *Canyon Tire Craft Lease* is up for renewal at the end of 2018 and the owner of *Canyon Tire Craft* advised us of his interest in renewing the Lease Agreement early this fall as per the terms of the Lease Agreement. He also advised us of his intention of selling his business, which he has now achieved. Regardless of the sale of the business, our current Tenant [*Canyon Tire Craft*] remains liable under the existing Lease Agreement until such time as the Lease is transferred and assigned to the new owner [at the Board's discretion]. The new owner is currently operating the business day to day with the Lease Agreement remaining in the name of the former owner.

The Lease is due to expire at the end of December 2018, however, the Board has the option to renew the lease for a further term. Under the circumstances, should the Board renew the arrangement, it will be with the new owner and the Modification of Lease Agreement will allow for the transfer and assignment of the Lease to the new owner.

All Lease revenues are allocated to the Boston Bar/North Bend Volunteer Fire Department Service Area [Budget 211]. The lease payment is \$800.00/month based upon a fulsome 2017 property appraisal.

## **DISCUSSION**

The transfer and assignment of the current *Canyon Tire Craft Lease* to the new owner is largely a housekeeping matter. However, staff did want to assure the Board that we are confident that the new owner has the financial capability to meet the financial obligations set out in the [triple-net] Lease Agreement, including provisions for escalated annual lease payments, insurance, utilities, and property and other taxes.

We already have baseline environmental data on record which avoids the immediate requirement to undertake a Phase 1 Environmental Assessment, and it is recommended that this provision be eliminated under the proposed Modification of Lease Agreement. In due course, there may be requirements under provincial legislation to undertake further environmental assessments should the property be disposed of.

## **COST IMPLICATIONS**

At this time, Budget 211 relies on the receipt of these lease revenues in order to offset other operating costs. Budget 211 will have to bear the nominal costs of registering this lease on title and will continue to be responsible for costs that are not intended to be borne by the Tenant, e.g. structural repairs to the building.

## **CONCLUSION**

Until such time as the Board considers disposing of the subject property, it is important that we have a commercial tenant in possession of this property in order to offset operating costs for the Boston Bar/North Bend Volunteer Fire Department. The new owner of the business is fiscally responsible to the best of our information and belief and staff recommend that the former *Canyon Tire Craft Lease* be

transferred and assigned to 1056938 BC Ltd., dba *Canyon Tire*, and Ao Xuanhau in her personal capacity.

**COMMENTS BY:**

**Tareq Islam, Director of Engineering & Community Services**

Review and supported.

**Mike Veenbaas, Director of Financial Services**

Review and supported.

**Paul Gipps, Chief Administrative Officer**

Review and supported.