



SUBJECT LEASE – PORTION OF 1540 INNOVATION DRIVE TO KAL TIRE LTD

MEETING DATE SEPTEMBER 24, 2019

Forwarded on the Recommendation of the President

APPROVED FOR SUBMISSION


Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED IT IS HEREBY REQUESTED that *the Board of Governors:*

- a) *approve a proposed lease of certain premises within 1540 Innovation Drive to Kal Tire Ltd;*
- b) *declare that the Lease will not affect future delivery of educational programs; and,*
- c) *authorize the University Administration to:*
 - i. *obtain Ministerial approval of the Lease pursuant to section 50(2) of the University Act (British Columbia); and,*
 - ii. *execute the agreed Lease between UBC and Kal Tire Ltd.*

Report Date July 19, 2019

Presented By Deborah Buszard, Deputy Vice-Chancellor and Principal, UBC Okanagan
Peter Smailes, Vice-President Finance & Operations
Rob Einarson, AVP Finance & Operations, UBC Okanagan
Yale Loh, Treasurer

EXECUTIVE SUMMARY

UBC Okanagan (UBCO) has identified an opportunity to lease a portion of the building located at 1540 Innovation Drive (the “Building”) to Kal Tire Ltd (Kal Tire). Kal Tire is headquartered in Vernon, BC, and will use the leased premises as a tire research and development facility. UBCO is developing the programming for the remainder of the space, and the proposed lease will provide the opportunity to locate an industry research and development facility alongside UBCO academic and research space.

STRATEGIC CORE AREAS SUPPORTED

- People and Places
- Research Excellence
- Transformative Learning
- Local / Global Engagement

DESCRIPTION & RATIONALE

UBC Okanagan purchased the Building on December 21, 2017, which purchase was considered and approved by the Board of Governors on November 28, 2017. The property was anticipated to have significant long-term strategic value due to its proximity to the Innovation Precinct, and also to have value in meeting short and medium term space needs.

UBCO proposes to lease the premises to Kal Tire for a term of five years, with two options to extend, each for a further five years. A lease of land is a disposition of property, which under the *University Act* (British Columbia) requires approval of the Minister of Advanced Education, and the Board of Governors.

BENEFITS Learning, Research, Financial, Sustainability & Reputational	The Lease will enable and facilitate collaboration and connections between UBCO students and researchers, and industry, of the kind that are envisaged in the Innovation Precinct.
RISKS Financial, Operational & Reputational	UBCO will be a landlord to a third party industry tenant with the inherent risk of granting rights to UBCO space to any third party. This risk will be managed through the Lease prepared by external counsel.
COSTS Capital & Lifecycle Operating	<p>UBCO will construct the base-building improvements (demising wall, building systems distribution to the demised space, etc.) as a capital project managed by UBC Properties Trust. The current estimated cost of this project is \$1.85m.</p> <p>UBCO will also build out the improvements in the remainder of the space for university uses, which will be a separate capital project and subject to required approvals.</p>
FINANCIAL Funding Sources, Impact on Liquidity	It is currently contemplated that the rent payable by Kal Tire will be in the range of \$14-\$15 per square foot, or \$103k-\$110k per annum, but this is still under negotiation with input from UBC Properties Trust. Kal Tire will pay all operating costs and a share of common area maintenance costs in the form of additional rent.
SCHEDULE Implementation Timeline	<p>The current schedule is:</p> <ul style="list-style-type: none"> - planning complete and permits obtained: December 31, 2019 - base-building improvements construction by UBC Properties Trust: January 1, 2020 - March 31, 2020 - tenant improvements construction by Kal Tire: April 1, 2020 - June 30, 2020 (conditional on approval of the Lease by the Minister of Advanced Education) - commencement date of the Lease: July 1, 2020
CONSULTATION Relevant Units, Internal & External Constituencies	UBCO has consulted with UBC Executive, Treasury, Campus & Community Planning, Infrastructure Development, external legal counsel and UBC Properties Trust.