

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: January 16, 2023

TO: Mayor and Council

FROM: Tracey Arthur, Director, Corporate Administration

SUBJECT: Burlington Northern Santa Fe (BNSF) Lease Renewal

RECOMMENDATIONS

THAT Council:

1. Receive for information the January 16, 2023, corporate report from the Director of Corporate Services, titled "Burlington Northern Santa Fe (BNSF) Lease Renewal;" and
 2. Authorize the Mayor and Director of Corporate Administration to execute the necessary documents exercising the option to renew the City's lease with the BNSF Railway Company for the five (5) year period August 1, 2023 to July 31, 2028.
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EXECUTIVE SUMMARY

In 2003, the City entered into a five (5) year lease agreement, ending July 31, 2008, to lease certain parcels of real property from the Burlington Northern and Santa Fe (BNSF) Railway Company. The original lease was at an annual cost of \$300,000. This agreement provided renewal options for three (3) additional five (5) year periods. The City exercised those options as follows:

- August 1, 2008 to July 31, 2013 at an annual cost of \$350,000
- August 1, 2013 to July 31, 2018 at an annual cost of \$400,000
- August 1, 2018 to July 31, 2023 at an annual cost of \$450,000

In 2020 the City's legal team were able to negotiate two (2) additional extensions for the lease as follows:

- August 1, 2023 to July 31, 2028 at \$500,000; and
- August 1, 2028 to July 31, 2033 at \$550,000.

The purpose of this report is to obtain Council's approval to exercise the City's option to renew the agreement for the August 1, 2023 to July 31, 2028 term.

At this time there are no further options to extend the term past 2033, renegotiation of the lease or further modification of the lease to add additional extensions beyond 2033 is required.

PREVIOUS COUNCIL DIRECTION

Motion # & Meeting Date	Motion Details
2018-009 Jan 15, 2018	THAT Council: 1. Authorizes exercising the option to renew the City's lease with the BNSF Railway Company for the five (5) year period August 1, 2018 to July 31, 2023; and 2. Authorizes the Mayor and Director of Corporate Administration to execute the necessary documents.

INTRODUCTION/BACKGROUND

The leased premises are used primarily as a waterfront promenade and for pay parking along Marine Drive. Memorial Park, White Rock Museum and Archives, and three (3) public washrooms are also located on the leased land (Marine and Balsam and Oxford and Memorial Park). The lease requires that the City provide the BNSF Railway Company with a minimum of six (6) months written notice to renew and extend the agreement, prior to the termination date. The current termination date, after exercising the second option to renew, is July 31, 2023.

In accordance with the agreement, the City is required to pay annual rent as well as the costs of all applicable taxes, utilities, insurance, repairs and maintenance of the leased premises. The annual rent as set out in the agreement is the greater of 20% of gross pay parking revenues or certain base rent. The minimum annual base rent is currently \$450,000 and it increases to \$500,000 for the renewal period of August 1, 2023 to July 31, 2028.

The City's requirement for utilization of this land has not changed since the lease began and it is seen to be critical that the City continues to have current rights to this property, it is recommended that the option to renew, for the period of August 1, 2023 to July 31, 2028, be exercised.

FINANCIAL IMPLICATIONS

The City's 2022 to 2026 Financial Plan, and 2023 to 2027 Draft Financial Plan provide funding for a BNSF lease fee increase to \$500,000 annually effective August 1, 2023.

CONCLUSION

It is recommended that Council receive this information, authorize exercising the option to renew the City's lease with the BNSF Railway Company for the period of August 1, 2023 to July 31, 2028 and authorize that the necessary documents be executed.

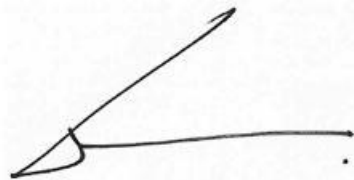
Respectfully submitted,



Tracey Arthur, Director
Corporate Administration

Comments from the Chief Administrative Officer

I concur with the recommendations of this corporate report.



Guillermo Ferrero
Chief Administrative Officer