

# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS

## INFORMATION NOTE

**DATE:** October 6, 2016

**PREPARED FOR:** Honourable Rich Coleman, Minister

**ISSUE:** Valuing Leasehold Stratas at the End of the Lease

### **BACKGROUND:**

When British Columbia passed its leasehold strata legislation in 1974, it required the leasehold strata landlord to purchase the leasehold strata owner's interest in the strata lot at the termination of the strata lease if the long-term lease is not renewed.

The legislation sets out two ways for determining purchase price at termination:

- a. The basis for calculating the purchase price at termination can be set in the lease or leasehold strata plan by the leasehold strata landlord; or
- b. If basis for calculating the purchase price at termination has not been set in the lease or strata plan, the fair market value of the leasehold strata lot will be determined by a provincial regulation.

The City of Vancouver (COV), UBC and SFU are the three major leasehold strata landlords in the province. Unlike SFU and UBC, COV did not set out the purchase price at termination in the lease or strata plan for many of its leasehold stratas. This means that COV will be dependent on a provincial regulation to set out the fair market value of the strata lots when the long-term lease expires, if they do not renew. To date, the Province has not developed a provincial regulation that would set the fair market value in such a situation.

Some of Vancouver's strata leases will expire in the next 20 years and the COV has requested that the Province develop the regulation to set the termination value for leasehold strata. False Creek South leasehold strata owners, through the Re\*Plan neighborhood association, have also lobbied the Province for support in their negotiations with the COV to have the strata leases renewed.

### **DISCUSSION:**

Over the past year, ministry staff have met with the COV, Re\*Plan and other stakeholders to understand leasehold strata issues, which are complex and nuanced.

Cliff# 21398

Version # 02

Updated: October 6, 2016

Page 1

## OFFICE OF HOUSING AND CONSTRUCTION STANDARDS INFORMATION NOTE

Rather than pursuing statutory or regulatory changes at this time, the Office of Housing and Construction Standards plans to encourage the COV and Re\*Plan to negotiate directly with each other. The elements of a mutually satisfactory deal appear to be present.

If necessary, the Province could also amend strata legislation to facilitate and streamline negotiations between the COV and leasehold strata owners.<sup>s.13</sup>

s.13

This approach would keep the Province from essentially having to arbitrate the matter; instead, the affected parties can negotiate directly with each other for a mutually agreeable solution. While this could be perceived as the Province not meeting a legislative commitment, leases still won't expire for many years and the Province could choose to develop a regulation at a later date.

### **CONCLUSION:**

A regulation by the Province is not required or advisable at this time. The leasehold strata owners and the COV will be advised to work toward a negotiated solution, which the Province may be able to help accommodate via legislative amendments at a later date.

#### **Prepared by:**

Veronica Barlee,  
Senior Policy Advisor,  
Housing Policy Branch  
778 679.9655

#### **Reviewed by:**

Doug Page,  
Director, Legislation  
Housing Policy Branch

Trudy Rotgans  
A/Executive Director  
Housing Policy Branch

Greg Steves  
Assistant Deputy Minister  
Office of Housing and  
Construction Standards

Dave Nikolejsin,  
Deputy Minister  
Ministry of Natural Gas  
Development and Minister  
Responsible for Housing

#### **Initial:**

DBP

DBP for TR

GDS

DN

#### **Date:**

August 26, 2016

August 29, 2016

October 6, 2016

October 25, 2016

# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS

## DECISION NOTE

**DATE:** October 4, 2016

**PREPARED FOR:** Honourable Rich Coleman, Minister

**ISSUE:** Control of rent increases in consecutive fixed-term tenancies

### **BACKGROUND:**

The *Residential Tenancy Act* and the *Manufactured Home Park Tenancy Act* include provisions that allow landlords and tenants to enter into fixed-term tenancy agreements that include a vacate clause.

Vacate clauses benefit landlords who require vacant possession by a set date. For example, a landlord may choose to enter into a fixed-term tenancy agreement with a vacate clause if the landlord plans to use the rental property as a student residence for a distant relative and requires possession before the school term begins.

Vacate clauses result in uncertainty for tenants, as landlords have complete discretion on whether they enforce the vacate clause or offer a new tenancy agreement. If the tenant wants to remain in the rental unit and the landlord offers a new tenancy agreement, the regulated rent increase provisions do not apply to the new agreement and the landlord may increase the rent to any amount without notice.

With increasing pressure on available rental housing, there are increased reports of landlords using consecutive fixed-term tenancy agreements with vacate clauses to negotiate rent increases above the regulated amount.

British Columbia is one of five Canadian jurisdictions that allows vacate clauses in fixed-term tenancy agreements. Ontario, which faces similar housing pressures as British Columbia, does not allow vacate clauses in tenancy agreements.

### **DISCUSSION:**

s.13

Page 4 to/à Page 6

Withheld pursuant to/removed as

s.13

# OFFICE OF HOUSING AND CONSTRUCTION STANDARDS DECISION NOTE

s.13

**Prepared by:**

Catherine May  
Policy Analyst  
Residential Tenancy Branch  
250-213-8960

**Reviewed by:**

Janet Donald  
Policy Director  
Residential Tenancy Branch

Kathy Elder  
Executive Director  
Residential Tenancy Branch

Greg Steves  
Assistant Deputy Minister  
Office of Housing and Construction Standards

Dave Nikolejsin  
Deputy Minister  
Ministry of Natural Gas Development and  
Minister Responsible for Housing

**Initial**

JDK  
\_\_\_\_\_

KE  
\_\_\_\_\_

GDS  
\_\_\_\_\_

DN  
\_\_\_\_\_

**Date:**

October 5, 2016  
\_\_\_\_\_

October 5, 2016  
\_\_\_\_\_

October 6, 2016  
\_\_\_\_\_

October 6, 2016  
\_\_\_\_\_

Cliff #: 22023

Version # 1

Updated: Oct 5, 2016

Page 5

## **MINISTRY OF NATURAL GAS DEVELOPMENT**

### **BRIEFING NOTE FOR INFORMATION**

- I PREPARED FOR:** Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier
- II ISSUE:** Meeting with Datuk Wan Zulkiflee, President and Group CEO of PETRONAS

### **III BACKGROUND:**

#### **Company Overview**

- See Appendix A – Company Profile

#### **2016 Q2 Financial Results**

- PETRONAS Group's revenue for the second quarter of 2016 (11 billion USD) decreased by 21 percent as compared to the same period in 2015 (15 billion USD). The decrease was attributed to lower average realised prices recorded across all products following the downward trend of key benchmark prices (Brent and JCC) coupled with the impact of lower crude oil and condensate, processed gas and petroleum products sales volume.
- After tax profit for the second quarter of 2016 was down 85 percent compared to the second quarter of 2015 with the decline mainly attributed to the lower revenue recorded and higher net impairment on assets.
- However, the headline number reported for the quarter was the 96 percent year-over-year decline in profits transferred to the Government of Malaysia. During the second quarter of 2016, 86.4 million USD was transferred, down significantly from the 2.23 billion USD that was transferred during the second quarter of 2015.
- Earlier in 2016, PETRONAS announced that a change in its business structure will result in the loss of about 1,000 jobs. As well, PETRONAS is planning to lower capital and operating expenditures by as much as 4.8 billion USD in 2016, with a planned reduction of 11.9 billion USD over four years.

### **IV DISCUSSION:**

#### **Federal Environmental Assessment**

- On September 27, 2016 the Pacific North West (PNW) LNG project received environmental approval from the Federal Cabinet. The project is subject to 190 legally binding conditions after the environmental assessment determined that the project would have a significant environmental impact.
- While the announcement was welcomed, PETRONAS and its partners in the PNW LNG project stated that they will study the conditions imposed by the Canadian Environmental Assessment Agency and conduct a total review of the proposed project prior to deciding the next steps forward. s.17

s.17

s.17

- On Friday September 30, 2016, Reuters reported that PETRONAS was considering selling its majoring stake in the project. However, CBC and others (including Reuters) later reported that PETRONAS categorically denied the report.
- As well, media has reported at various times that PNW LNG is considering moving the project to a new site.

#### **First Nations**

- The Province is working with the Lax Kw'alaams and other Tsimshian First Nations to address their concerns and provide opportunities with respect to the PNW LNG project.
- The Province continues to work with the Lax Kw'alaams and Metlakatla First Nations on agreements that would include financial benefits, land and environmental monitoring.

#### **Regulatory**

- PNW LNG filed an application with the National Energy Board (NEB) for a 40-year export license on February 16, 2016. This application recently finished a public comment period – one of the final requirements prior to the Board rendering its decision. A decision could be rendered by NEB within the next two months.

s.17

#### **V RECOMMENDED QUESTIONS:**

s.13,s.17

## **VI CONCLUSION:**

- Pacific NorthWest LNG's anticipated total investment of \$36 billion in B.C. is of great importance to B.C. and Canada, creating new jobs and securing economic growth. It would be the largest capital investment in B.C.'s history.
- The Province looks forward to continuing to work with PNW LNG, the federal government and First Nations to advance an LNG industry in British Columbia.

### **REVIEWED BY:**

Brian Hansen, ADM✓

### **APPROVED BY:**

Dave Nikolejsin, DM✓



## Appendix A – PETRONAS Company Profile



### CORPORATE OVERVIEW

- PETRONAS is a Malaysian oil and gas company that was founded on 17 August, 1974.
- Wholly owned by the Government of Malaysia, the corporation is vested with the entire oil and gas resources in Malaysia and is entrusted with the responsibility of developing and adding value to these resources.
- Since its incorporation, PETRONAS has grown to be an integrated oil and gas company with business interest in 35 countries.
- The PETRONAS group includes 89 wholly-owned subsidiaries, 38 partly-owned subsidiaries and 20 associate companies.
- The group is engaged in a wide spectrum of petroleum activities, including upstream exploration and production of oil and gas to downstream oil refining; marketing and distribution of petroleum products; trading; gas processing and liquefaction; gas transmission pipeline network operations; marketing of LNG; petrochemical manufacturing and marketing; shipping; automotive engineering; and property investment.
- PETRONAS provides a substantial source of income for the Malaysian government, and in 2015 the contribution from PETRONAS was RM44 billion (US\$10.2 billion).

### FINANCIAL OVERVIEW

Table 1: Select Financials (In Billions, USD)

	2015	2014	2013
<b>Income Statement</b>			
Revenue	57.7	94.1	96.8
Gross Profit	16.5	32.2	34.3
Net Income	4.9	13.6	20.0
<b>Balance Sheet</b>			
Total Assets	137.9	153.7	161.2
Total Equity	96.8	112.1	113.6
Total Liabilities	41.0	41.6	47.7
<b>Cashflow</b>			
CAPEX	15.1	20.3	17.3
Dividend	7.8	11.8	11.1

### CURRENT NEWS

- PETRONAS said that it has produced the commissioning cargo at its newly completed Train 9 at the LNG complex in Bintulu, Sarawak. The milestone has been achieved 42 months following the award of the engineering, procurement, construction and commissioning contract for the project. (Oct 4)
- Progress Energy, the Canadian unit of PETRONAS informed that Michael Culbert will step down from his position as President and CEO of the company effective October 31, 2016. Mark Fitzgerald has been named president and CEO of Progress Energy, effective November 1, 2016, and he will also serve as a member of the company's board. (Oct 4)

### LNG PROJECTS

#### Liquefaction Facilities

Project	Country	Status	Announced Start	Equity Stake
MLNG Satu T1-3	Malaysia	Operational	1983	90%
MLNG Dua T1-3	Malaysia	Operational	1995	80%
MLNG Tiga T1-2	Malaysia	Operational	2003	60%
ELNG T1-2	Egypt	Operational	2005	36% T1 38% T2
GLNG T1-2	Australia	Operational	2016	28%
PFLNG Satu	Malaysia	Construction	2016	100%
MLNG T9	Malaysia	Construction	2017	80%
PFLNG 2	Malaysia	Construction	2020	100%
PNW LNG T1-2	Canada	Proposed	2021	62%

#### Regasification Facilities

Terminal	Country	Status	Announced Start	Equity Stake
Dragon LNG	UK	Operational	2009	30%
Lekas LNG	Malaysia	Operational	2013	100%
RGT02	Malaysia	Construction	2018	65%

### CURRENT NON-LNG PROJECTS

- As of June, the halfway point in building a refinery and petrochemical integrated development (RAPID) complex at Pengerang.

s.17

Page 05 to/à Page 06

Withheld pursuant to/removed as

s.17

## **MINISTRY OF NATURAL GAS DEVELOPMENT**

### **BRIEFING NOTE FOR INFORMATION**

**I PREPARED FOR:** Honourable Christy Clark, Premier

**II ISSUE:** Meeting with Datuk Mohd Anuar Taib, Executive Vice President and CEO Upstream, PETRONAS; and Adnan Zainal Abidin, President and CEO of Pacific NorthWest LNG to provide an update on the project.

### **III BACKGROUND:**

#### **Company Overview**

- See Appendix B – Company Profile

#### **2016 Q2 Financial Results**

- PETRONAS Group's revenue for the second quarter of 2016 (11 billion USD) decreased by 21 percent as compared to the same period in 2015 (15 billion USD). The decrease was attributed to lower average realised prices recorded across all products following the downward trend of key benchmark prices (Brent and JCC) coupled with the impact of lower crude oil and condensate, processed gas and petroleum products sales volume.
- After tax profit for the second quarter of 2016 was down 85 percent compared to the second quarter of 2015 with the decline mainly attributed to the lower revenue recorded and higher net impairment on assets.
- However, the headline number reported for the quarter was the 96 percent year-over-year decline in profits transferred to the Government of Malaysia. During the second quarter of 2016, 86.4 million USD was transferred, down significantly from the 2.23 billion USD that was transferred during the second quarter of 2015.
- Earlier in 2016, PETRONAS announced that a change in its business structure will result in the loss of about 1,000 jobs. As well, PETRONAS is planning to lower capital and operating expenditures by as much as 4.8 billion USD in 2016, with a planned reduction of 11.9 billion USD over four years.

### **IV DISCUSSION:**

#### **Federal Environmental Assessment**

- On September 27, 2016 the Pacific NorthWest (PNW) LNG project received environmental approval from the Federal Cabinet. The project is subject to 190 legally binding conditions after the environmental assessment determined that the project would have a significant environmental impact.
- While the announcement was welcomed, PETRONAS and its partners in the PNW LNG project stated that they will study the conditions imposed by the Canadian Environmental Assessment Agency (CEAA) and conduct a total review of the proposed project prior to deciding the next steps forward. <sup>s.17</sup>

s.17

s.17

### **First Nations**

- The Province is working with the Lax Kw'alaams and other Tsimshian First Nations to address their concerns and provide opportunities with respect to the PNW LNG project.

s.16,s.17

- As well the Province continues to work with the Lax Kw'alaams First Nation on an agreement that would include financial benefits, land and environmental monitoring.

### **Regulatory**

- On October 13, 2016, the National Energy Board (NEB) approved PNW LNG's application for a 40-year export license. Once issued, this new license will replace the one issued in 2014 that covered a term of 25 years.

s.17

s.17

### **Recent Meetings in Kuala Lumpur**

- On October 17 and 18, 2016, the Honourable Rich Coleman, Minister of Natural Gas Development and staff met with senior executive from PETRONAS in Kuala Lumpur.

### **V CONCLUSION:**

- Pacific NorthWest LNG's anticipated total investment of \$36 billion in B.C. is of great importance to B.C. and Canada, creating new jobs and securing economic growth. It would be the largest capital investment in B.C.'s history.
- The Province looks forward to continuing to work with PNW LNG, the federal government and First Nations to advance an LNG industry in British Columbia.

October 31, 2016  
Cliff #: 97887

**DRAFTED BY:**

Mark Urwin, Senior Economist, Energy  
and International Markets

**APPROVED BY:**

Suzanne Manahan, ED✓

Dave Nikolejsin, DM✓

## Appendix A – Biographies Datuk Mohd Anuar Taib and Adnan Zainal Abidin



### **DATUK MOHD ANUAR TAIB** – *Executive Vice President and CEO Upstream for PETRONAS*

Datuk Mohd Anuar bin Taib has been Executive Vice President and Chief Executive Officer of Upstream at PETRONAS since April, 2016.

Datuk Anuar served as the Senior Vice President of Upstream Malaysia at PETRONAS and served as its Chief Executive Officer of development and production unit and vice president of development and production unit since July, 2012.

Before PETRONAS he served as Vice President (Malaysia) of Shell Upstream International Asia and Managing Director of Sarawak Shell Bhd and Sabah Shell Petroleum Company. In his 20 years with Shell he served in various capacities in drilling and completion, deepwater projects, project accounting, commercial project evaluation, acquisition and divestment and contracts and procurement in Miri, Kuala Lumpur and New Orleans.

Datuk Anuar serves as the Chairman of VESTIGO Petroleum Sdn Bhd. He has been Chairman of the Board at Progress Energy Resources Corp. since April 2016 and Pacific NorthWest LNG (PNW LNG) since April 2016. He serves as a Director of Malaysia LNG Dua Sdn Bhd, Malaysia LNG Tiga Sdn Bhd, Kebabangan Petroleum Operating Company Sdn Bhd and SPE-Asia Pacific (M) Sdn Bhd. He also serves as a Trustee of the Merdeka Award Board which includes Trustees from PETRONAS and ExxonMobil.

Datuk Anuar holds a Bachelor of Science in Mechanical Engineering from Case Western Reserve University, USA, and an MBA in International Management from RMIT University, Melbourne, Australia.



### **ADNAN ZAINAL ABIDIN** – *President and CEO of Pacific NorthWest LNG*

Adnan brings over thirty years of experience to PNW LNG, which included his role as Chief Executive Officer of Egypt LNG, and as Vice President, Global LNG Projects for PETRONAS. During his time as VP, Global LNG Projects, Adnan oversaw the development and construction of two floating LNG projects, the train 9 expansion at the PETRONAS LNG complex, PETRONAS interests at the Gladstone LNG project in Australia and the Pacific NorthWest LNG project.

Adnan holds a Bachelor of Science Degree in Chemical Engineering from the University of Leeds, United Kingdom.

## Appendix B – PETRONAS Company Profile

**CORPORATE OVERVIEW**

- PETRONAS is a Malaysian oil and gas company that was founded on 17 August, 1974.
- Wholly owned by the Government of Malaysia, the corporation is vested with the entire oil and gas resources in Malaysia and is entrusted with the responsibility of developing and adding value to these resources.
- Since its incorporation, PETRONAS has grown to be an integrated oil and gas company with business interest in 35 countries.
- The PETRONAS group includes 89 wholly-owned subsidiaries, 38 partly-owned subsidiaries and 20 associate companies.
- The group is engaged in a wide spectrum of petroleum activities, including upstream exploration and production of oil and gas to downstream oil refining; marketing and distribution of petroleum products; trading; gas processing and liquefaction; gas transmission pipeline network operations; marketing of LNG; petrochemical manufacturing and marketing; shipping; automotive engineering; and property investment.
- PETRONAS provides a substantial source of income for the Malaysian government, and in 2015 the contribution from PETRONAS was RM44 billion (US\$10.2 billion).

**FINANCIAL OVERVIEW**

Table 1: Select Financials (In Billions, USD)

	2015	2014	2013
<b>Income Statement</b>			
Revenue	57.7	94.1	96.8
Gross Profit	16.5	32.2	34.3
Net Income	4.9	13.6	20.0
<b>Balance Sheet</b>			
Total Assets	137.9	153.7	161.2
Total Equity	96.8	112.1	113.6
Total Liabilities	41.0	41.6	47.7
<b>Cashflow</b>			
CAPEX	15.1	20.3	17.3
Dividend	7.8	11.8	11.1

**CURRENT NEWS**

- The National Energy Board approved an application from Pacific NorthWest LNG to export liquefied natural gas over a 40-year term. The license is still subject to Governor in Council approval before it can be issued by the National Energy Board. Once issued, this new license will replace the previous one that covered a term of 25-years. (Oct 13)
- PETRONAS said that it has produced the commissioning cargo at its newly completed Train 9 at the LNG complex in Bintulu, Sarawak. The milestone has been achieved 42 months following the award of the engineering, procurement, construction and commissioning contract for the project. (Oct 4)

**LNG PROJECTS****Liquefaction Facilities**

Project	Country	Status	Announced Start	Equity Stake
MLNG Satu T1-3	Malaysia	Operational	1983	90%
MLNG Dua T1-3	Malaysia	Operational	1995	80%
MLNG Tiga T1-2	Malaysia	Operational	2003	60%
ELNG T1-2	Egypt	Operational	2005	36% T1 38% T2
GLNG T1-2	Australia	Operational	2016	28%
PFLNG Satu	Malaysia	Construction	2016	100%
MLNG T9	Malaysia	Construction	2017	80%
PFLNG 2	Malaysia	Construction	2020	100%
PNW LNG T1-2	Canada	Proposed	2021	62%

**Regasification Facilities**

Terminal	Country	Status	Announced Start	Equity Stake
Dragon LNG	UK	Operational	2009	30%
Lekas LNG	Malaysia	Operational	2013	100%
RGT02	Malaysia	Construction	2018	65%

**CURRENT NON-LNG PROJECTS**

- As of June, the halfway point in building a refinery and petrochemical integrated development (RAPID) complex at Pengerang.

s.17

Page 12 to/à Page 13

Withheld pursuant to/removed as

s.17