



CLOSED

Governance and Priorities Committee Report

For the July 10, 2014 Meeting

To: Governance and Priorities Committee **Date:** June 26, 2014
From: Robert Woodland,
Director of Legislative and Regulatory Services
Subject: New Lease – 728 Douglas Street

Closed Meeting Rationale

This report is recommended for a closed meeting because it relates to the acquisition, disposition or expropriation of land or improvements, and the disclosure of this information during negotiations may harm the City's interests. Consideration of this report in a closed meeting is authorized pursuant to section 12(3)(e) of the Council Bylaw.

Summary

The purpose of this report is to seek Council approval to enter into a lease at 728 Douglas Street, a retail unit at the Victoria Conference Centre (VCC) with Chic Luxury Soaps Inc. for the period of July 16, 2014 to July 31, 2017. A location plan and photograph of the unit are attached in Schedules A and B respectively.

The prospective tenant is a start-up business which will sell premier handmade soaps and related body products. It aims to cater to consumers who look beyond congested retail malls for the special shopping experience. As such, it is a good fit with the VCC's corporate brand.

The unit at 728 Douglas comprises approximately 421 square feet as shown on the floor plan in Schedule C. The base rent offered is \$23 per square foot per annum for the term of the lease.

The City's letting agent, DTZ Victoria, has opined that current market conditions suggest a spread of rates for the VCC retail units between \$15.00 and \$20.00 per square foot on average, with this particular unit attracting a higher rate as it is smaller than any of the others. The total revenue (base rents) from the retail units at the Victoria Conference Centre is currently \$210,325.50 per annum. A breakdown of the rents by individual units is in Schedule D.

The tenant has agreed to take the premises in its current condition, subject to the City ensuring the facilities are in working order and having the premises professionally cleaned.

The tenant would be provided with a fixturing period from the commencement of the lease to August 31 to implement improvements, at its own expense. For the first 16 days of the fixturing period, the Tenant would not be obligated to pay any base or additional rents. For the remainder of the fixturing period, the tenant would only be responsible for the expenses which are directly billed or metered for the unit.

As an inducement, after the fixturing period, the tenant would be provided an **Section 17** The tenant will, however, be responsible for Additional Rent and directly metered utilities during this period.

Subject to Council approval, the following terms have been agreed:

- Three years and sixteen days in duration commencing July 16, 2014.
- Base rent of \$9,683.00 per annum, plus GST.
- Proportionate share of common area costs, management fees, sign rental and property taxes (together the Additional Rent). These are currently estimated at \$11.27 per square foot, so \$4,744.67 per annum.
- Unit to be used for retail sales of luxury soaps and related items only;
- A fixturing period of one month and sixteen days at the commencement of the lease;
- A minimum **Section 17** and
- All other terms and conditions as per the VCC's standard lease.

The recommended course of action is to enter into the lease on the terms outlined above. In order that the lease can be executed prior to its commencement date of July 16, 2014, this report would need to be considered by Council at its meeting July 10, 2014.

Recommendations

1. That Council considers this matter at the Council meeting of July 10, 2014.
2. That Council authorises the Mayor and Corporate Administrator to execute a lease, in a form satisfactory to the City Solicitor, for premises at 728 Douglas Street with Chic Luxury Soaps Inc. for a period of three years and sixteen days commencing July 16, 2014 at a base rent of \$9,683.00 per annum, subject to the publication of the statutory notices required by the Community Charter.

Respectfully submitted



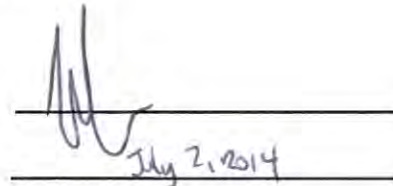
Neil Turner
Property Manager



Robert Woodland
Director of Legislative and
Regulatory Services

Report accepted and recommended by the City Manager:

Date:



July 2, 2014

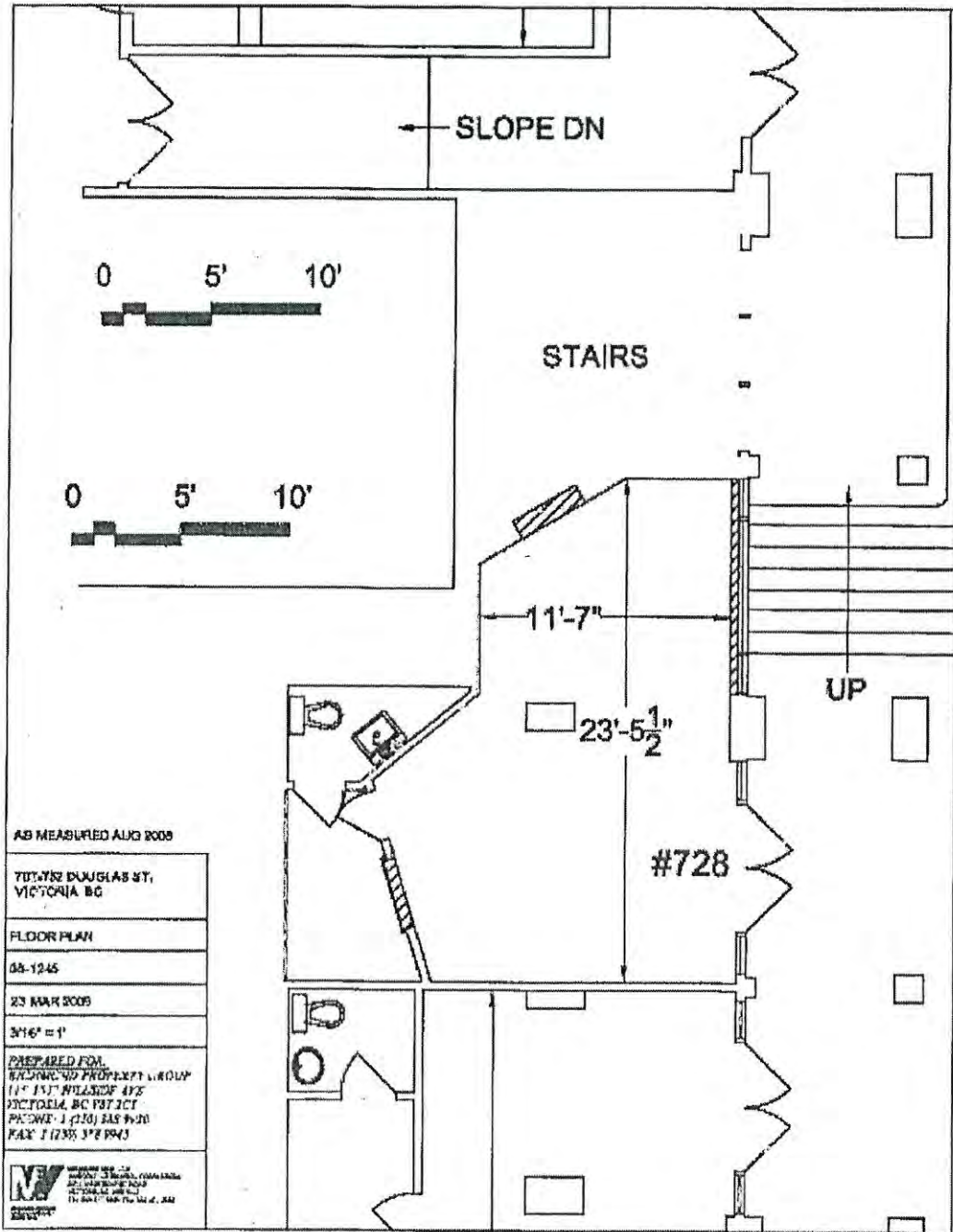
Schedule A
Location Plan



Schedule B
728 Douglas Street



Schedule C
Floor Plan



**Schedule D
Revenue From VCC Retail Units**

<u>Unit</u>	<u>Tenant</u>	<u>Lease Expiry</u>	<u>Square Feet</u>	<u>Base Rent \$/Sq Ft</u>	<u>Annual Net Rent</u>	<u>Notes</u>
702	VACANT		903			
704	Runway Fashions	28-Feb-15	642		Section 17	
706/708	Liberty Café	30-Apr-19	1461			Food and Beverage
724	Budget Car Rental	31-Dec-18	635			
728	Chic Luxury Soaps	31-Jul-17	421			Small Unit
732	Used by VCC		987			
736	English Sweet Shop	31-May-16	886			
740	Out of the Mist Gallery	31-Oct-15	872			
744	The Bead Shop	31-Jan-19	1180			
748	Manscape Spa	31-Jul-16	886			
750	Sothebys	28-Feb-15	731			
752	Sothebys	28-Feb-15	2404			
681/685	Cycle BC Rentals	31-Dec-14	1222			
Total Net					\$210,325.50	