



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: March 10, 2011
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Meeting Date: April 5, 2011

TO: Vancouver City Council

FROM: Director of Real Estate Services

SUBJECT: Lease Renewal & Amendment between the City of Vancouver as Landlord and Stratosphere Hair Salon Inc. at 1259 Granville Street

IN CAMERA RATIONALE

This report is recommended for consideration by Council in the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city.

RECOMMENDATION

- A. THAT Council approve the lease renewal to Stratosphere Hair Salon Inc. for premises located at 1259 Granville Street, legally described as Lot M, District Lot 541, Group 1, New Westminster District, BCP 7950, on the following terms and conditions:

Term: Five (5) years commencing July 1, 2011.

Rent: Year 1 - [...] per month;
Year 2 - [...] per month;
Year 3 - [...] per month;
Year 4 - [...] per month;
Year 5 - [...] per month;

inclusive of property taxes as if levied, plus HST.

Use: Hair Salon

Other: Such other terms and conditions of the lease to be drawn to the satisfaction of the Director of Legal Services and the Director of Real Estate Service it being noted that no legal obligation shall arise until the document is executed.

Rent to be credited to the Property Endowment Fund.

B. THAT Council approve an amendment to the original lease between the City of Vancouver and Stratosphere Hair Salon Inc. for the premises on the following terms and conditions:

Option: That the lease be amended to include an Option for a Second Renewal Term of Five (5) years, commencing July 1, 2016.

Rent: The Rent for the renewal term shall be at Market Rent, but not less than the expiring rent.

Other: All other terms and conditions to be in accordance with the Original Lease.

GENERAL MANAGER'S COMMENTS

The General Manager of Business Planning & Services RECOMMENDS approval of the foregoing.

COUNCIL POLICY

The Directors of Finance and Real Estate Services can approve leases and lease renewals

- if the total value is less than \$250,000
- if the term is no more than ten years (including renewal options)
- Director of Finance to approve the material terms of the Commercial Lease
- Larger or longer leases require Council approval

The proposed lease renewal exceeds the total value of \$250,000 which can be approved by the Directors of Finance and Real Estate Services and is therefore submitted to Council for approval.

PURPOSE

The purpose of this report is to seek Council approval for a 5 year lease renewal to Stratosphere Hair Salon Inc., and further, to amend the original lease of retail premises situated at 1259 Granville Street (Appendix A) to Stratosphere Hair Salon Inc. to include an Option for a Second Renewal Term of Five (5) years, commencing July 1, 2016.

BACKGROUND

On June 14, 2006, Council approved the lease of 1259 Granville Street to Stratosphere Hair Salon Inc. for a Five (5) year term with an Option to Renew for a further Five (5) years. The lease will expire on June 30, 2011, and Stratosphere has exercised its option to renew for a First Renewal Term (2011-2016).

DISCUSSION

Stratosphere Hair Salon Inc. has plans to renovate and re-design the retail premises with the latest in trend and technology in hair styling and care. The proposed tenant improvements will include an enhanced security system with window gates, solid garage door, and cameras, plus environmental innovations to include conscious work space, efficient water and electrical usage, recycling programs and energy efficient lighting. To amortize the cost of tenant improvements, Stratosphere has requested an amendment to their existing lease for the inclusion of a 5 year option, the Second Renewal Term (2016-2021).

Although this Second Renewal Term would not commence until July 1, 2016, the Tenant requires the certainty of lease tenure for the planned tenant improvements, and to further promote their presence in the Granville Entertainment District to reach a greater clientele.

The Rent for the Second Renewal Option (if exercised) will be at Market Rent, but not less than the expiring rent.

CURRENT SITUATION

The total rent for the past five (5) years was [...] inclusive of property taxes. The Tenant pays its own operating expenses. Following negotiations, Stratosphere Hair Salon Inc. has agreed to renew the lease (5 years from July 1, 2011 to June 30, 2016), at an annual gross rental rate of [...] for Year 1, [...] for Year 2, [...] for Year 3, [...] for Year 4, and [...] for Year 5. The total rent for the renewal term is [...], an overall 33.6% increase over the past 5 year term.

FINANCIAL IMPLICATIONS

Rent to be credited to the Property Endowment Fund.

CONCLUSION

The Director of Real Estate Services is of the opinion that the rent payable for the five (5) year renewal term is representative of current market rental value, and provides a Second Renewal Option of Five (5) years which is deemed reasonable given the amount of tenant improvements proposed for the premises.

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