



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: May 16, 2017  
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Meeting Date: June 13, 2017

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Proposed Renewal of Lease with Cinema Public House Ltd. for City-Owned Premises at 901 Granville Street

### IN CAMERA RATIONALE

This report is recommended for consideration by Council on 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

THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease renewal (the "Lease") with Cinema Public House Ltd., formerly known as 0851050 BC Ltd. (the "Tenant") for City-owned premises situated at 901 Granville Street on property legally described as PID: 012-849-243, 012-849-235, Lot 37 & 38, Block 72, Block 72, DL 541, Plan 210 (the "Subject Property") on the following terms and conditions:

Term:	Five (5) Years, commencing April 1, 2018		
Option to Renew:	One - Five (5) Year Renewal Term		
Lease Area:	Approximately 3,584 square feet (the "Premises").		
Total Rent:	Year 1: s.17(1)	per annum s.17(1)	plus GST;
	Year 2: s.17(1)	per annum s.17(1)	plus GST;
	Year 3: s.17(1)	per annum s.17(1)	plus GST;
	Year 4: s.17(1)	per annum s.17(1)	plus GST;

Year 5: s.17(1) per annum s.17(1) plus GST.

Rent is inclusive of building insurance.

Tenant

Inducements:

Cash Allowances -

s.1

Rental Allowances -

s.17(1)

s.17(1)

Use:

Restaurant and Pub with a maximum capacity of fifty (50)  
Liquor Primary seats and 92 Food Primary seats.

Early Termination:

N/A

Other Terms:

The Lease is to be provided on the City's current standard form of lease for commercial tenants. Terms and conditions of the Lease are to be drawn to the satisfaction of the Directors of Legal and Real Estate Services, it being noted that no legal right or obligation shall arise until the Lease is fully executed by both parties. The Tenant is responsible for the costs of regular service, maintenance, repair and replacement of the HVAC units that exclusively serve the Premises.

All rents to be credited to the Property Endowment Fund (PEF).

## **REPORT SUMMARY**

The purpose of this report is to seek Council approval of a lease renewal of 3,584 square feet of City-owned commercial space located at 901 Granville Street to Cinema Public House Ltd., for a term of Five (5) years, commencing April 1, 2018, with an additional 5 year option. The proposed Total Rent for the term of five years is s.17(1) Cinema Public House Ltd. is part of the Donnelly Group who has leased the Premises for eight years by an assignment of lease made on June 26, 2009. The Tenant has further exercised a five (5) year Renewal option that began 2013. The Tenant has since maintained a good working relationship with the City. The current lease expires March 31<sup>st</sup>, 2018.

## **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

The Director of Real Estate Services, Associate Directors of Real Estate Services, or Supervisor of Property Negotiations can execute Licence Agreements, Month to Month Leases, Offers to Lease, and Leases (the "Commercial Lease"), where the City is either the lessor or lessee, or licensor or licensee, where the total rental or licensee fee value is less than \$750,000 and the term (including renewal options) is no more than ten (10) years.

Total rental value of the Lease exceed the total value of \$750,000 which can be approved by staff and is therefore submitted to Council for approval.

### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

The General Manager of Real Estate and Facilities Management recommends approval of the foregoing.

### ***REPORT***

#### ***Background/Context***

The Subject Property was purchased in 1992 and the building has undergone rehabilitation over subsequent years. The Subject Property is a three storey "SRA designated" mixed-use building, constructed in 1908, containing a Subway store at 722 Smithe Street, a Restaurant and Pub (Cinema Public House) at 901 Granville Street (the "Premises") and a Single Room Occupancy Hotel, the Gresham Hotel, at 716 Smithe Street. There are 41 sleeping units in this building.

The Premises is 3,584 square feet in size and is located at the corner of Granville and Smithe Streets. The existing Tenant, Cinema Public House, is part of the Donnelly Group who relocated their Liquor Primary liquor license from 1273 Granville to the Premises in 2008. The Tenant's operation consists of a 50 seat pub (Liquor Primary) along with a 92 seat class 1 restaurant (Food Primary). Cinema Public House Ltd. has leased the Premises for eight years by an assignment of lease made on June 26, 2009. The Tenant has further exercised a five (5) year Renewal option in 2013. The Tenant has since maintained a good working relationship with the City. The current lease expires March 31<sup>st</sup>, 2018.

#### ***Strategic Analysis***

The Subject Property is in the heart of the Entertainment District. While Liquor Primary establishments are a permitted use in the 900 block of Granville Street, development permits for liquor uses are granted for a maximum of 2 years as a means of ensuring the establishments remain neighbour-friendly. Development Services have confirmed the approval of the current use until April 2019. Upon expiry of this time-limited Development Permit, the Tenant will be required to satisfy Development Services' prior-to conditions before the Development Permit is renewed.

The last documented complaint for this establishment was noise related in 2012 and the Tenant has successfully addressed this. Feedback from the City's Liquor License Group indicates the Tenant remains a strong operator with a good track record, and will be supported in its application to renew the Development Permit for its 50 Liquor Primary seats. However, in the event this renewal is not successful the Tenant will still be permitted to operate the 50 seats under a Food Primary license and therefore, the material terms of the proposed Lease will not be impacted.

Following negotiations, the Tenant has agreed to enter into a five (5) year lease for the Premises commencing April 1, 2018 and ending on March 31, 2023, at the following rates:

Year 1:	s.17(1)	per annum	s.17(1)	plus GST;
Year 2:	s.17(1)	per annum	s.17(1)	plus GST;
Year 3:	s.17(1)	per annum	s.17(1)	plus GST;
Year 4:	s.17(1)	per annum	s.17(1)	plus GST;
Year 5:	s.17(1)	per annum	s.17(1)	plus GST.

The Landlord will provide a Total Rent free period of one month for the Tenant to improve the Premises. The improvements must be enduring in nature, be integral to the Premises and be a benefit to both the Landlord and Tenant. The Total Rent for the 5 year term is s.17(1) plus GST. Current market rents for similar types of restaurant tenancies in the surrounding area range from \$54.00 to \$65.00 total rent per square foot per annum. The subject Premises, located at the corner of Granville and Smithe, provides an excellent street exposure which supports a higher market rent being achieved. The negotiated rent is considered to be at fair market value.

#### *Implications/Related Issues/Risk (if applicable)*

##### *Financial*

The proposed Total Rent for the five (5) year term, effective April 1, 2018, will be s.17(1) plus applicable GST. The rent is to be credited to the PEF. As an incentive for the renewal, the Tenant is being granted one month free rent, a total value of s.17(1), to improve the Premises, upon completion of the renovation.

#### **CONCLUSION**

The Director of Real Estate Services is of the opinion that the Total Rent negotiated is representative of the current market rental value for the type, location, age and condition of the Premises, and therefore recommends Council's approval of the foregoing.

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