
TO: GENERAL COMMITTEE

SUBJECT: LEASE OF CITY OWNED PROPERTY – 24 MAPLE AVENUE

WARD: 2

PREPARED BY AND KEY CONTACT: R. PEWS, DIRECTOR OF CORPORATE FACILITIES, EXT. 4710

SUBMITTED BY: R. PEWS, DIRECTOR OF COPORATE FACILITIES

GENERAL MANAGER APPROVAL: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That the Mayor and City Clerk be authorized to execute as landlord a commercial lease agreement for the vacant restaurant and adjacent patio space located at 24 Maple Street in a form satisfactory to the Director of Legal Services and the Director of Corporate Facilities, subject to the following general terms and conditions:
 - a) A restaurant/boutique grocery store use;
 - b) Approximately 3,110 square feet of vacant space plus the unused outdoor patio;
 - c) An initial 5-year term at lease rate of \$18 per square foot plus tenant utilities and a prorated share of the building's maintenance, insurance and taxes for the leased space, including the unused outdoor patio; and
 - d) Options for two 5-year extensions, at rates to be negotiated.
2. That approximately \$20,000 in funding from approved capital project *FC1129 – Year Round Downtown Market New Development* be utilized to remove and replace the painted tubular steel railing currently surrounding the patio with a glass or other architecturally appealing railing system.
3. That capital intake form 000872, *Popup Retail Interim Transit Terminal Space Activation*, forecast for review as part of the 2021 Capital Plan, be cancelled.

PURPOSE & BACKGROUND

Report Overview

4. The purpose of this Staff Report is to seek Council approval to lease the vacant restaurant space at 24 Maple Street to a new tenant following receipt of an Offer to Lease.
5. On February 3, 2020 the City Building Committee was approached with a request to suspend real estate marketing of the vacant restaurant space and instead consider a proof of concept PPP Canada partnership approach to activate this space in advance of the development of the permanent market. The operating concept was identified as being similar to the Sandbox Centre located on the second floor of the facility. Details of the request, to be finalized prior to the summer break, included free rent and \$250,000 for necessary retrofits to the building. The Committee

requested that staff structure the real estate marketing procurement process such that all proposals for the space, including this request, could be received. This was completed through a commercial real estate agent, selected through a procurement process.

6. On June 15, 2020 staff received a formal offer to lease the space for use as a restaurant and boutique grocery store, including an outdoor patio, from the owners of The Mexican House, an established Barrie restaurant business. The offer is conditional until the end of July 2020 and the prospect tenant would like to close as soon as possible. No other offers or submissions have been received.

ANALYSIS

7. The restaurant / coffee shop space at the City's 24 Maple Avenue transit terminal has been vacant for several years pending the development of a permanent market at the facility.
8. The leasable space includes approximately 3,110 square feet plus the unused outdoor patio on the south side of the building. As part of the original building construction the space was developed for a restaurant / coffee shop operation and utilities are already separately metered.
9. Revenue from leasing this location would support the maintenance, operating and property tax costs for the terminal facility and, given its size, a tenant in this space would in all likelihood become an anchor tenant for the future permanent market.
10. A market value assessment completed for the space in 2017 by Andrew, Thompson and Associates concluded a base rent for the space absent any allowance for leaseholds to be \$20 / ft², noting that tenant allowances / inducements of up to \$20/sq.ft, or \$62,200, may apply. The commercial real estate agent has advised that the commercial lease rates in this area would be in the range of the 2017 assessment given the current market conditions.
11. Consistent with the City Building Committee's request, the property was marketed such that all interested parties could submit proposals or expressions of interest for the space regardless of lease cost or conditions, and the realtor engaged to lead the marketing of the site actively solicited offers from all parties that had previously expressed interest in the site. A single, formal Agreement to Lease has been received.
12. The offer received, which is generally consistent with the above terms, is to lease the indoor restaurant space plus the outdoor patio for an initial 5-year term and includes options for two 5-year extensions, at rates to be negotiated. Lease payments would begin January 1, 2021 providing the tenant 5 rent-free months to complete all required capital upgrades. These upgrades would be completed at the tenant's expense. The tenant would also pay for a prorated share of the building maintenance, insurance and taxes (MIT), standard in commercial leases, as well as for utilities for the leased space.
13. As a condition of the lease the prospective tenant has requested that the city replace the unattractive existing painted tubular steel patio railing with a glass or other architecturally appealing railing assembly. Staff support this request as it would improve the aesthetic of a newly animated outdoor city space clearly visible from Kempenfelt Bay and Simcoe Street. At the time of writing details and pricing for a suitable commercial railing system had not been developed but the cost is not expected to exceed \$20,000. Staff recommend that approved funding already allocated towards the future permanent market development be used for this purpose.
14. Council motion 18-G-152 states "*That Option C as set out in Staff Report FCT004-18 and the Downtown Barrie Permanent Public Market Technical and Financial Validation Study appended to Staff Report FCT006-17 continue to be the guiding principle in implementing the Barrie Permanent Market Precinct.*" Option C as identified in Staff Report FCT006-17 envisioned a simplified phased approach to the proposed Market Precinct, beginning with the construction of a new Allandale

Transit hub facility and the subsequent relocation of Barrie Transit, which would then facilitate redevelopment of the first floor of the transit terminal. Development of the Allandale Transit Hub is currently on hold pending approval of the city's Federal / Provincial Public Transit Infrastructure Fund application for the project.

15. Staff believe that the boutique grocery store located within The Mexican House restaurant would offer products complimentary to those found in a permanent market facility.
16. As noted above the offer that has been made is conditional. The Mexican House currently operates from a building that has been expropriated by the Ministry of Transportation (MTO) and their build-out budget is subject to MTO approval.
17. Because their existing business location will be forced to close due to the MTO expropriation of the property it resides in, The Mexican House is seeking the shortest closing time possible and it is expected that a new lease could be executed very shortly after Council's approval, if granted.
18. Should Council approve this lease The Mexican House will occupy the entire area that was previously identified as a potential Pop-Up retail space, negating the need for the Pop-Up retail space activation fit out project.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

19. There are no environmental and climate change impact matters related to the recommendation.

ALTERNATIVES

20. The following alternatives are available for consideration by General Committee:

Alternative #1 General Committee could choose not to lease the subject property to a new tenant.

This alternative is not recommended. Not only is the space currently an expense to the city, an established anchor tenant in the future Permanent Market facility could help to provide the draw necessary for the permanent market to flourish.

Alternative #2 General Committee could choose to limit the term of the lease such that the space can be redeveloped as part of the Permanent Market development project. This option is not recommended. As the date for the Permanent Market is not fixed, this would be a disincentive for the prospect tenant. While renewal rates and terms will be subject to future negotiation, severely limiting the base term to align with the anticipated development of the Permanent Market would not allow the tenant sufficient time to recoup their capital investment, leading to an untenable business case and withdrawal of the offer. Staff are of the opinion that the prospective tenant will serve as a complimentary use to the Permanent Market when it is developed.

FINANCIAL

21. Acceptance of the recommendation would be a net positive financial benefit to the city. While subject to finalization through the lease agreement, lease revenues for the space are expected to be approximately \$56,000 per year. In addition, the tenant will assume utility costs for the space currently paid by the city as well as a prorated portion of the facility's maintenance, insurance and taxes. With the exception of the recommended city investment of approximately \$20,000 to replace the existing outdoor patio railing with a more architecturally appealing railing system, all capital upgrades to the space will be funded by the tenant.

LINKAGE TO 2018–2022 STRATEGIC PLAN

22. The recommendation(s) included in this Staff Report support the following goals identified in the 2018-2022 Strategic Plan:

☒ Growing Our Economy

One of the key priorities of the 2018-2022 Council Strategic Plan supports growing our local economy. A new lease of the subject property will continue to provide a location for a small business within the community that has the potential to become an anchor tenant for the future downtown Permanent Market. This in turn may support the creation of more stable and diverse jobs and support tourism industry growth.

APPENDIX "A"

Location of Subject Property

