

Report to/Rapport au :

**Finance and Economic Development Committee
Comité des finances et du développement économique**

and Council / et au Conseil

**May 29, 2012
29 mai 2012**

**Submitted by/Soumis par : Nancy Schepers, Deputy City Manager / Directrice
municipale adjointe, Planning and Infrastructure / Urbanisme et Infrastructure**

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Rideau – Vanier (12)

Ref N°: ACS2012-PAI-REP-0016

**SUBJECT: REVENUE LEASE OF RETAIL SPACE FOR 51 YORK STREET IN THE
BYWARD MARKET**

**OBJET : RENOUELEMENT DE BAIL À LOYER DU COMMERCE DE DÉTAIL
SITUÉ AU 51, RUE YORK DANS LE MARCHÉ BY**

REPORT RECOMMENDATION

That the Finance and Economic Development Committee recommend that Council authorize the Director of the Real Estate Partnerships and Development Office to execute a revenue lease agreement for 5,125 square feet, comprising 2,525 square feet of ground floor space and 2,600 square feet of basement floor space, at 51 York Street with a net rent of \$959,990, plus HST over a ten (10) year term.

RECOMMANDATION DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'autoriser le directeur du Bureau des partenariats et du développement en immobilier à signer une entente de bail à loyer du commerce de détail d'une superficie de 476,185 m² (5 125 pieds carrés) situé au 51, rue York, dans le marché By, pour une période de dix (10) ans et un revenu net total de 95 990 \$ par année, TVH en sus, ou de \$959 900 TVH en sus pour dix (10) ans.

BACKGROUND

The City of Ottawa Markets Management Unit has a mandate to manage the Outdoor Stalls, the ByWard Market building, and seven (7) retail spaces located within the ByWard Parking Garage Building, a prime location of the ByWard Market bordering York and ByWard streets.

A Strategic Plan for the ByWard Market, endorsed by Council of the former City of Ottawa, contained a strategic goal that included maintaining a strong viable, attractive, food selling presence in the ByWard Market.

The previous tenant of 51 York Street, The Fresh Fruit Company, had reached an impasse with its business operations and was no longer able to maintain operations. This space was returned to the City and was available for lease.

The proposed tenant for the space is known as “Olive & Chili Foods & Family Inc.” and it intends to establish a fresh food retail store for the sale of prepared food made on the premises. (Potential floor plan attached as Document 1.) Such a use is considered to fall within the requirements under the ByWard Market Strategic Plan.

DISCUSSION

Realty Services Branch initiated a Lease Submission Request, which was advertised in local papers. The request sought proposals from qualified retail food operators. Submissions were to provide details on the type of business, experience of the proponent, rent they were willing to pay, and any Leasehold Improvements to be performed to the premises.

The Lease Submission Request also provided specific criteria based on the strategic goals outlined within the ByWard Market strategic plan for food based retailers. The City received three (3) submissions from qualified retailers. The Submissions were evaluated by a panel representing three City Branches; Legal Services, Realty Services and the Markets Unit.

City staff rated the proposals based on the three (3) main criteria set out in the submission request. Negotiations commenced with the preferred proponent, unfortunately the parties were unable to reach mutually agreeable lease terms. Staff proceeded into negotiations with the second proponent and were successful in negotiating mutually agreeable lease terms.

The City will receive net rent of \$34 per square foot for 2,525 square feet of ground floor space and a net rent of \$3.90 per square foot for 2,600 square feet of basement floor space for a total net annual revenue of \$95,990 or \$959,900 plus HST over the ten (10) year term. The tenant will be responsible for its proportionate share of operating costs and taxes. The tenant will be responsible for fit up to the premises. The City commissioned an independent market study report which supports the net effective rental rate negotiated.

The property is zoned MD-3 – Mixed-Use Downtown Zone – under which a retail food store is a permitted use.

RURAL IMPLICATIONS

There are no rural implications to implementing the recommendation within this report.

CONSULTATION

This is an administrative matter and as a result public consultation is not required. Real Estate Partnerships Development Office staff worked with the Legal Services Branch, the Design and Construction Branch, and the Revenue Branch. Markets Management Unit stakeholders at the facility were also consulted, and no City Operations will be affected.

COMMENTS BY THE WARD COUNCILLOR(S)

Rideau Vanier Ward (12) – Councillor Fleury has been consulted and supports the recommendation within this report.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendation in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management impediments to implementing the recommendation in this report.

FINANCIAL IMPLICATIONS

Revenues will be deposited into the By-Law & Regulatory Services Unit Profit Centre account number 185213.

ACCESSIBILITY IMPACTS

There are no accessibility implications to implementing the recommendation set out in this report. The City will be leasing the space to the tenant for interior fit-up.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications with respect to implementing the recommendation set out in this report.

TECHNOLOGY IMPLICATIONS

There are no technical implications with respect to implementing the recommendation set out in this report.

TERM OF COUNCIL PRIORITIES

The recommendation of this report supports City Council's strategic priorities: Healthy and Caring Community (HC); Economic Prosperity (EP) and its objective EP3 to support growth of the local economy; and Financial Responsibility (FS) and its objective FS2 to maintain and enhance the City's financial position.

SUPPORTING DOCUMENTATION

Document 1 – 51 York Street Potential Floor Plan

DISPOSITION

Following Council's approval, the Real Estate Partnerships and Development Office will execute the Lease document.

