



REPORT

Council

Meeting Date: December 18, 2023

FROM: Legal Department

DATE: December 5, 2023

SUBJECT: **Leases at 308 Church Street and 110 Reynolds Street –
December 18, 2023**

LOCATION: 308 Church Street and 110 Reynolds Street

WARD: Ward 3

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RECOMMENDATION:

1. That new leases for the existing tenants at 308 Church Street and 110 Reynolds Street be approved and executed in accordance with by-law 2013-057; and
2. That the CAO be authorized to execute renewals and amendments to these leases subject to such renewals and amendments having been negotiated to the satisfaction of the Town Solicitor.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The town currently leases commercial units in the parking garage at 300 Church Street to Shannon Williams (Shannon Hair Appeal for Men) and Joe Giraldi and Michael Sabino (Many Faces Hair Spa).
- These leases need to be terminated because of the parking garage rehabilitation work scheduled to commence in early Spring 2024.
- Both tenants have expressed a desire to return to the units once the rehabilitation work is complete.
- Staff are recommending offering the existing tenants new leases that would commence once the rehabilitation work is complete, rather than going out to the market to find new tenants.
- The proposed new leases would be five-year terms consistent with their previous leases, with rent increased to market rents based on the town's appraisal.

BACKGROUND:

The town leases two commercial units in the town-owned parking garage at 300 Church Street to hair salon tenants. Shannon Williams operates Shannon Hair Appeal for Men at 308 Church Street and Joe Giraldi and Michael Sabino operate the Many Faces Hair Spa at 110 Reynolds Street.

The tenants have been operating out of the parking garage for many years on five-year lease terms. In 2021, instead of signing a five-year renewal, both sides felt it was best to renew the leases for only one-year due to the market uncertainties at the time caused by the COVID-19 pandemic. The expectation on both sides was a longer-term lease would be entered into in 2022 once the market stabilized. Staff obtained an appraisal in 2022 for fair market rent and were in the process of negotiating lease renewals when structural issues with the garage came to light and put the negotiations on hold until a fulsome rehabilitation plan could be completed.

In November 2022, the tenants were notified that their leases would be terminated, and they needed to leave their units before the start of the garage rehabilitation work. Both tenants have expressed a desire to return to their units once the rehabilitation work is complete. Construction is anticipated to begin in early spring 2024 and take about 12 months to complete. The units cannot be occupied during the construction.

COMMENT/OPTIONS:

The town's existing two tenants have a proven track record of paying their rent on time and being model tenants. They are willing to pay the market rent determined by the town's appraisal. Coming out of the challenges from the COVID-19 pandemic, they expected to renew their leases for a five-year period. However, they are now facing business interruption due to the garage rehabilitation work which requires them to vacate the premises for about a year.

The leases are being terminated, so the town is not obligated to offer new leases to the existing tenants when the rehabilitation work is complete, and the units are available to rent out again. The town could choose to bring this leasing opportunity to the open market to see if there are other tenants who might be interested in the space. However, going out to the market would require additional costs to hire a broker and this option comes with a level of uncertainty.

For these reasons, staff are recommending that the town offer new leases to the existing tenants. The leases would be five-year terms consistent with their existing leases with rental rates updated to reflect the market rents from the town's appraisal. Staff are recommending signing these leases before the tenants leave their units so they have certainty that they will be able to return and can plan accordingly.

CONSIDERATIONS:

(A) PUBLIC

The inclusion of this report in Council agenda will provide public notification.

(B) FINANCIAL

The rents negotiated with the tenants will be consistent with the town's appraisal for market rent.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Municipal Enforcement Services agrees with the staff recommendation.

(D) COUNCIL STRATEGIC PRIORITIES

This report address Council's strategic priority for Accountable Government.

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

None

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