

Administration Report

Original signed by: City Manager Johnson**Report Date:** March 30, 2021**Meeting Date:** April 6, 2021**To:** City Manager**From:** Director of Community Services**Subject:** Shiraoi House Lease – Moonshine Coffee Ltd.

PURPOSE

The purpose of this report is to obtain Council approval to enter into a five-year lease with Moonshine Coffee Ltd. for the use of the upper level of Shiraoi House.

SUMMARY

- The Shiraoi Twinning Society decided that they no longer wanted to hold the License of Occupation they had with the City for a number of years for the upper level of Shiraoi House and as a result the agreement was terminated May 31, 2019 at their request.
- Since June 1, 2019 the City has made Shiraoi House available for hourly and daily rentals, however the building has been largely underutilized.
- The City hired Peak Solutions to complete a Business Plan for Shiraoi House that included researching opportunities for better utilization of the building.
- The study identified multiple revenue generating uses for the Shiraoi House, including renovating the space for diverse commercial use and lease opportunities, with a coffee shop being the highest ranked potential use.
- At the August 25, 2020 Council meeting, Council directed staff to advertise the opportunity to lease Shiraoi House for a term of up to five years for the purpose of operating a business or non-profit at that location. Council further directed that businesses or non-profits that align with the park zoning and the City's strategic plan, and who are able to pay market rate rent will be given preference.
- Economic Development staff issued an Expression of Interest which resulted in City staff entering into discussions with Moonshine Coffee Ltd for lease of the space.
- Moonshine Coffee Ltd. is a local business who would like to lease the upper level of Shiraoi House to operate a coffee roasting business, food and beverage café, and community gathering place that supports small local vendors and artisans. This proposed use aligns with the park zoning and with the City's strategic plan.
- In advance of establishing a lease for Shiraoi House, the City successfully applied for a Northern Development Initiative Trust grant to renovate the space to make it more suitable for use by a commercial tenant.
- The renovation plan includes gas line improvements and extension, electrical and plumbing upgrades for broader commercial use, wifi and USB upgrades, provision of exterior patio heat and light and interior renovations including the removal of a wall and flooring installation.



- The renovations are currently underway and expected to be completed by mid to late May.
- Staff have negotiated an agreement with Moonshine Coffee Ltd. that is based on similar agreements the City has with commercial tenants in City owned buildings.
 - The lease agreement is for a five year term commencing June 1, 2021 with a cancellation clause that allows for termination of the agreement with two months notice and a renewal clause that provides the option of an additional five year term.
 - The lease rate is based on a commercially competitive market rate of \$10/square foot/ year.
 - An annual increase in the rent is included based on the increase year to year in the BC Consumer Price Index.

RECOMMENDATION

THAT COUNCIL enter into the attached five-year Lease with Moonshine Coffee Ltd. for use of the upper level of Shiraoi House in Lebordais Park;

AND THAT the Mayor and Corporate Administrator be authorized to execute such documentation as required to complete the Agreement.

FINANCIAL IMPLICATIONS

- The lease is expected to generate \$18,000 annually in direct revenue for the City.

STRATEGIC OBJECTIVE

The goals of the Economic Development Transition Strategy which may apply are:

1. Attract and retain a diverse and growing population through the provision of local services, amenities, and a strong sense of place.
2. Diversify the economic base by creating a positive business climate and encouraging innovation.
3. Develop Quesnel as a destination for visitors with improved infrastructure, hosting capacity, and marketing.

ATTACHMENTS:

- Lease Agreement – Moonshine Coffee Ltd.