


## 10. ROBBIES RICCARTON EXTENSION OF LEASE

<b>General Manager responsible:</b>	General Manager, Corporate Services DDI 941 8528
<b>Officer responsible:</b>	Unit Manager Corporate Support
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### PURPOSE OF REPORT

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1. The purpose of this report is to seek the Board's recommendation to the Council to approve the extension of the existing lease for the building at 199 Clarence Street, LOT 1 DP 50551, to Jacquesy Holdings Limited (trading as Robbies Riccarton) by two years, with 12 months notice, and to obtain a delegated authority for the Unit Manager Corporate Support to negotiate the terms of the lease extension and to accept a rental provided the rental is within 10 per cent of market assessment. (See **Attachment 1**).

### EXECUTIVE SUMMARY

2. The current lease of the facility will expire on 7 October 2010. The Property Asset Management Team have undertaken to assess the longer term strategic use of the building and formulate a strategy over the next 24 months for inclusion in a future Long Term Council Community Plan (LTCCP).
3. The Council's normal practice is to determine a new lease by way of a tender process. However, given the preference to limit the lease term to two years to facilitate the future strategic planning process, it is proposed to negotiate unilaterally with the incumbent tenant to extend their lease for this short period. Market experience suggests that a lease for only 24 months would only be viable for the incumbent tenant.

### FINANCIAL IMPLICATIONS

4. All of the costs associated with the proposed extension of the lease of the facility will be borne by the Lessee.

### Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

5. Yes. There is no specific line item in respect of this property or the associated lease. This activity is part of the Council's normal property ownership and management functions.

### LEGAL CONSIDERATIONS

6. The Community Board does not have delegated authority to pass the resolutions contained in this report. However the Community Board does however have recommendatory powers to Council.

### Have you considered the legal implications of the issue under consideration?

7. Yes. The Council's Legal Services Unit will prepare the Deed of Renewal and Variation documentation.

### ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

8. Yes. There is no specific line item in respect of this property or the associated lease. This activity is part of the Council's normal property ownership and management functions.

### Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

9. Not applicable.

### ALIGNMENT WITH STRATEGIES

10. Not applicable.

Do the recommendations align with the Council's strategies?

11. There are no Council strategies relevant to this report.

#### **CONSULTATION FULFILMENT**

12. Not applicable.

#### **STAFF RECOMMENDATIONS**

It is recommended that the Board recommend to the Council that:

- (a) The Council approve an extension of the existing lease for the building at 199 Clarence Street, LOT 1 DP 50551, to Jacquesy Holdings Limited (trading as Robbies Riccarton) by two years with provision to extend the lease further (subject to 12 month's notice) thereafter if further time is required to complete the strategic planning process.
- (b) Delegated authority be given to the Unit Manager Corporate Support to negotiate and conclude the terms of the lease extension and accept a rental provided the rental is within 10 per cent of market assessment.

#### **BACKGROUND**

13. The current lease with Jacquesy Holdings Limited (trading as Robbies Riccarton) expires on 7 October 2010. It is customary practice of the Council, where practically possible, to make premises publicly available for lease upon the final expiry of any lease. In this case there are extenuating circumstances to suggest that the Council should depart from this practice.
14. Jacquesy Holdings Ltd were assigned the lease in August 2004. Since that time they have proved to be a model tenant, paying rent and other outgoings in a timely fashion, maintaining the premises to an acceptable standard and driving improvements to the outward visual aspect of the building and surrounds. They have expressed an interest in a long term tenancy and also wish to be considered if the building was to be disposed of by the Council.
15. The Property Asset Management Team (PAMT) have indicated they are to undertake an assessment of the building shortly with a view to formulating a strategy regarding its future use. It is anticipated that this will be completed within the next 18-24 months with the outcome being incorporated in a future LTCCP. Flexibility is therefore required to ensure that the property is unencumbered by any lease or other interest(s) in 24 months time to enable all future use options/strategies to be considered.

To this end, and given the preference to limit the lease term to facilitate the future strategic planning process, the intention is to enter into discussions with the incumbent tenant to extend their existing lease by two years with provision to extend the lease further (subject to 12 months notice) thereafter if further time is required to complete the planning process.

Market experience suggests that a short lease term of 24 months would only be commercially viable for the incumbent tenant.

#### **LEASE EXPIRY - OPTIONS**

16 The following lease expiry options have been considered:

1. *Negotiate unilaterally with the incumbent tenant*

It is customary practice, where practically possible, to make premises publicly available for re-lease upon final expiry of the lease. There are extenuating circumstances in this case which suggest that we should depart from this practice and deal unilaterally with the incumbent tenant.

2. *Leave the property vacant on expiry*

This option would not be contemplated given, among other things, there would be ongoing maintenance and other expenses incurred which would not be offset by the receipt of rental income. There is no funding in the current LTCCP to cover this shortfall.

3. *Tender on an existing 'as is' use basis:*

This approach preserves the existing use and public services offered by the facility and also provides the opportunity for the incumbent tenant to participate in a tender process. However, there is legitimate concern that a 24 month lease term would not present a commercially viable proposition.

17. Given the context identified above Option 1 is the recommended option.