

Chair and Councillors
CORPORATE BUSINESS COMMITTEE

2 APRIL 2015

Meeting Status: **Public**

Purpose of Report: For Decision

LEASE ASSIGNMENT FOR CAFÉ NOVELLA LEASE

PURPOSE OF REPORT

- 1 This report is to seek a decision from the Corporate Business Committee to authorise the Chief Executive to assign the lease for the Novella Café, which is within the Paraparaumu Library, from the current owners Big Unit Enterprises Ltd, to Little Blue Kiwi Limited.

DELEGATION

- 2 Under the Governance Structure and Delegations for 2013-2016 Triennium, the Corporate Business Committee has the following delegation:

7.14 Leasing and Licencing of land

“with the exception of reserve land leases, the Committee has the power to: grant leases of Council land or non-residential buildings where the term of the lease is greater than one year or where the annual rent is greater than \$22,000”

BACKGROUND

- 3 Council Officers have been approached by Little Blue Kiwi Ltd (Directors: Kim Aukett and Paul Carpenter) who intend to purchase Café Novella as a business. In order for this to be finalised, Council would need to formally assign the lease and contract for services over to this new company, and the sale and purchase is conditional on this assignment being completed.
- 4 Café Novella is situated within the Paraparaumu Library building, Iver Trask Place, Paraparaumu. The Council entered into a lease and associated contract for services for this part of the library building in August 2003.
- 5 This lease was originally for a period of three years, with two rights of renewal of three years apiece. In 2008, the lease was assigned to the present owners Big Unit Enterprises Limited. At the same time as that assignment, Council agreed to extend the lease by seven years to 31 July 2017.
- 6 In 2014, Council passed a resolution to extend the lease by three years from 1 August 2017, plus a right of renewal of two years, making the final expiry 31 July 2022.
- 7 The presence of this café contributes to the activities of the library as customers can easily combine an outing to the Paraparaumu Library with a coffee or lunch. This relationship is a positive factor in enhancing the use and enjoyment of the library by library users. Anecdotally, the café is also a destination for some users and indeed the general public and this contributes to the town centre civic area being used as a meeting place.

- 8 Currently the prospective lessee is awaiting a decision from Council regarding the assignment of the lease. They have a settlement date of early April 2015 for the sale of the business.

ISSUES AND OPTIONS

Issues

- 9 The lease was originally entered into to enable the lessee to operate a cafe out of the Paraparaumu Library building. The current lessees have been operating the business since 2008. The main issue at stake in this decision is that Council needs to be satisfied that the prospective new lessees are of a sound financial position, and will operate a suitable business.
- 10 Should the prospective lessees (purchasers) be successful in being assigned the lease, they would be keen to make minor improvements to the menu, but generally will be appealing to the same cross-section of customers. They do have intentions to market the business more widely and to look at opening options in conjunction with events in the Paraparaumu Library.
- 11 The business would be operated under a limited liability company by the name of Little Blue Kiwi Limited, a company which has not traded as yet. The two directors are Kim Aukett and Paul Carpenter.
- 12 Both Paul Carpenter and Kim Aukett have relevant qualifications appropriate to managing a café business, both having achieved a Diploma in Hotel and Catering Management. They also have considerable experience in catering and hospitality. They are of sound financial standing with no criminal convictions.
- 13 They plan to provide customers with a welcoming café and top quality produce, sourcing locally where possible. These prospective lessees have also mentioned they would like to survey council staff in the Civic Building and Paraparaumu Library to understand what the café is currently doing well, and what improvements or changes could be made to the menu.
- 14 They have submitted excellent references which confirm their experience in the hospitality sector and officers have no concerns about their ability to operate the café.
- 15 There two clear options for the Committee to consider; whether to grant the assignment of the lease, or whether to decline the assignment of the lease to Little Blue Kiwi Limited.

Option 1

- 16 Option 1 would be to grant the company Little Blue Kiwi Limited an assignment of the existing agreements, namely the lease for Café Novella, and the associated Contract for Services. This is the recommended option.

Option 2

- 17 Option 2 would be to decline to grant Little Blue Kiwi Limited an assignment of the existing agreements, namely the lease for Café Novella, and the associated Contract for Services. Council would need to have sufficient grounds to do so and, due to the business case and references provided, this is not the recommended option.

CONSIDERATIONS

Policy considerations

18 There are no policy considerations in relation to this decision.

Legal considerations

19 The prospective lessees (purchasers) have been asked to provide a guarantor as part of this assignment process. This has been provided, and will be noted on the Deed of Assignment of Lease document.

20 All legal costs associated with assigning the Deed of Lease, and the Contract for Services will be met by the lessee.

Financial considerations

21 There are no other financial considerations related to this assignment process.

Tāngata whenua considerations

22 There are no tāngata whenua considerations as a result of this decision.

Degree of significance

23 This matter has a low level of significance under Council policy.

Consultation already undertaken

24 No consultation has taken place regarding this assignment and none is required.

Engagement planning

25 An engagement plan is not needed to implement this decision.

Publicity

26 There are no publicity considerations related to this decision.

RECOMMENDATIONS

27 That the Committee approve the assignment of the lease and contract for services for the premises of Café Novella to Little Blue Kiwi Limited, subject to the directors providing a guarantee.

Report prepared by

Approved for submission

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