

ITEM 11  
MANAGER'S REPORT NO. 23  
COUNCIL MEETING 88/03/28

RE: BONSOR RECREATION COMPLEX RESTAURANT

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendations contained in the report from the Director Recreation & Cultural Services be adopted.

\* \* \* \* \*

1988 MARCH 24

TO : MUNICIPAL MANAGER  
FROM: DIRECTOR RECREATION & CULTURAL SERVICES  
RE : BONSOR RECREATION COMPLEX RESTAURANT

RECOMMENDATIONS:

1. THAT Council authorize the preparation of a lease and a lease authorization bylaw with Mr. Tony Lam of 3697 Monmount Avenue, Vancouver, to complete and operate a restaurant in the Bonsor Park Recreation Complex.
2. THAT Council approve the execution of the lease with Mr. Tony Lam once the lease and lease authorization bylaw have been prepared and approved.

REPORT

1.0 INTRODUCTION

The proposal for including a food service at the Bonsor Complex was approved at the Commission meeting of 1986 April 16. The cost of finishing, furnishing and equipping the restaurant was estimated by the architect, their consultant and staff at \$250,000 - \$300,000. Staff were directed to advertise and test the private sector for proposals similar to arrangements made for the Municipal golf course and Horizons Restaurant.

2.0 BACKGROUND

In January of 1987 staff advertised for proposals to develop and operate a restaurant at the Bonsor Complex. Sixteen proposal packages were picked up but only one was completed and returned by the closing date of 1987 February 20. The fifteen other applicants were telephoned to find out their reason for not preparing a submission. It was found that the original terms of reference were too restrictive in only offering a 5 year lease and including a 90 day termination clause. Staff revised the terms of reference and made the proposal packages available to the sixteen applicants. The second time there were three submissions received from the following individuals or companies by 1987 April 02.

- a) I.C.L. Food Services (a division of White Spot Limited)  
b) Forsters Food Services Ltd. (operate Forsters Restaurant, Mug and Musket Restaurant, Victoria Airport Restaurant)  
c) Mr. Tony Lam (various experiences including banquet, fast food and general restaurants).

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Interviews were held with the three parties on 1987 April 30. Through review of the proposals and discussion at the interview, it was found that only one of the operators was willing to put forth any capital cost to finish, furnish and equip the restaurant space.

Mr. Tony Lam proposed an amount of \$25,000 to fully finish, furnish and equip the location. Staff requested the two other parties to bring back a revised proposal indicating a financial commitment to finish, furnish and equip the space. Revised proposals were returned by 1987 June 15 indicating that the prospective operators were willing to contribute between \$30,000 and \$50,000 towards the cost of setting up the restaurant. Although this commitment was an improvement over the first submission, it was not even close to the required \$250,000 - \$300,000 as estimated by the architect and their consultant.

Due to budget considerations it was apparent that funds were not available for the Corporation to undertake the finishing of the interior of the restaurant. Staff approached all three parties about the situation and re-emphasized that the Corporation was looking for an operator to complete the premises. All parties were asked to reconsider and resubmit a proposal that addressed the investment required to fully complete the premises.

The three proposals were resubmitted and parties were interviewed regarding their submissions. The following describes the proposals received:

- 1) I.C.L. Food Services proposed a \$400,000 maximum investment for small wares, equipment and leasehold improvements. In return for this they required free rent for the first five years and a payment by Burnaby of \$175,000 at the end of 5 years. Rental payments would begin in year 6, with I.C.L. guaranteed an 8% management fee prior to any rental return to Burnaby.
- 2) Forsters Food Services proposed a \$400,000 investment, with Burnaby supplying ceilings, air conditioning fixtures, heating fixtures, exhaust hood, completing walls and roughing in electrical and plumbing. In addition they required no charge for rent, utilities or taxes in lieu of investment for 10 years. If the lease was not renewed after the first 5 years then Burnaby was required to pay out the undepreciated capital cost (10% per annum).
- 3) A family business, Mr. Tony Lam and Ms. Kim Leung proposed a \$175,000 investment for small wares, equipment and leasehold improvements. (This has since been increased to \$270,000 based on design.) They also proposed a rental payment the greater of \$7.00 per square foot or 5% of gross sales and to reimburse Burnaby for heat, light, waste removal and other utilities. In addition they requested an option for a second 5 year term.

From these proposals, Mr. Tony Lam has been selected as the successful applicant. Further negotiations with Mr. Lam resulted in an increase in the lease rate to the greater of \$7.00 per square foot or 6.5% of gross sales.

### 3.0 RESTAURANT DESIGN

The design allows the operator to service both the restaurant trade and provide a catering function to the upstairs banquet area. The kitchen area and salad bar are set up to provide a contemporary, light fitness style menu for the participants of the Centre as well as the flexibility to provide hot, low cost, smaller portion meals to seniors.

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The restaurant seats 84 persons and the patio area outside will be utilized in the warmer spring and summer weather. The design allows for flexibility to meet the demands of the everchanging food service industry (e.g. the salad bar could be removed and additional seating provided if the demand dictates.)

The color scheme is set to blend with the rest of the decor of the Complex, with the tile from the main entrance being carried into the restaurant and carpeting the same as used in the Centre. Staff will work with Mr. Lam and Ms. Leung through the final design process to ensure the quality standards of the Complex are matched and to ensure compatibility of the restaurant area to the rest of the Centre.

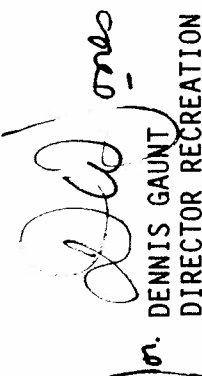
#### **4.0 QUALIFICATIONS OF APPLICANT**

Mr. Lam has worked in the food service industry for over 20 years and his experience includes: head waiter, part owner, banquet, food and beverage manager. His reference checks are all positive.

#### **5.0 MARKET ANALYSIS INCOME PROJECTIONS, PROVISION FOR RECAPTURE AND TERMS OF PROPOSED LEASE**

Attachment #1 is a memo from the Municipal Solicitor which outlines the value of the lease and the proposed terms of the lease agreement. Attachment #2 is a further analysis of lease rates throughout the Lower Mainland.

The Commission requests Council's authority to proceed with the preparation of the lease and lease authorization bylaw and to execute the lease with Mr. Tony Lam.

  
Mr. DENNIS GAUNT  
DIRECTOR RECREATION &  
CULTURAL SERVICES

PAL:ps  
Attach.

cc: Director Planning & Building Inspection  
Director Finance  
Municipal Solicitor

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ATTACHMENT #1

THE CORPORATION OF THE DISTRICT OF BURNABY

INTER OFFICE MEMORANDUM

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TO: DIRECTOR RECREATION &  
CULTURAL SERVICES

DATE: MARCH 10, 1988

FROM: MUNICIPAL SOLICITOR

RE: BONSOR PARK RESTAURANT LEASE

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Description of Leased Area

2,054 square feet on the main floor of the Bonsor Park Recreation Complex. This area is unfinished and represents 1.63% of the total area of the Bonsor Park facility.

In addition to the demised premises the lessee will be allowed to share the use of the adjoining patio (see attached sketch).

Negotiations

We have negotiated a lease of the subject property on the following terms:

1. Term - 5 years with the opportunity to renew the said lease for a further period of five years subject to the approval of Council.
2. The lessee agrees to finish the restaurant area at a cost estimated at \$74,400. For economic reasons the provisions for the recapture of this capital cost will be amortized over ten years bearing interest at 12% per annum.
3. If at no fault of the lessee, Council does not approve the renewal of the said lease for a further period of five years, the outstanding balance of the unrecovered capital cost for building improvements shall be due and payable, outstanding balance five years hence, \$42,216.
4. Waste Removal - The lessee pays 25% of refuse pick up from outside container.
5. Hydro costs - The lessee pays 1.6% of the total cost of Hydro.
6. Municipal property tax - The lessee shall pay municipal property taxes as determined by the B.C. Assessment Authority.

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## 7. Lease Rate.

Base rent \$14,378 per annum paid in equal monthly instalments of \$1,198.16 paid in advance on the first day of each month throughout the term.

OR

6 1/2% of gross sales of food and beverage whichever is the greatest.

8. 2nd floor banquet facilities (licence) - In addition to the base rent or the percentage of gross sales, the lessee shall pay in addition to the normal rent for the banquet facilities, a percentage of gross sales of food and beverages as follows:

Year 1  
Years 2 and 3  
Years 4 and 5

No percentage of gross sales  
2.5% of gross sales  
3% of gross sales

Lease Analysis

Value of land and buildings - \$292,000

Cash flow - 4 annual payments of \$14,378

Fifth Year: Rent	\$ 14,378
Depreciated value of lessee's improvements	55,800
Reversionary value land/buildings	<u>292,000</u>
	\$362,178

Internal Rate of Return - 8.17%

As a triple net lease - 8.17% of \$292,000 = 23,856 + 2054 = \$11.61 per square foot.

Revenue as a Percentage Rent

The lessee is anticipating sales averaging around \$1,000 per day or, say, \$30,000 per month. Annual projected sales \$360,000. Rent as a percentage would be around \$23,400 per annum or \$11.39 per square foot.

Comparative Market Leases

We have reviewed the current lease market. Established restaurant operations having a seating capacity of around 100 are paying existing leases from \$8.52 to a high of \$11.00 per square foot, triple net.

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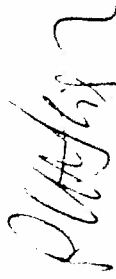
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Most of these restaurant operations are licenced and would represent the upper range of rental value.

Taking these factors into consideration we are of the opinion that as a finished building the rental value would be around \$9.00 per square foot (triple net). **163**

Conclusion

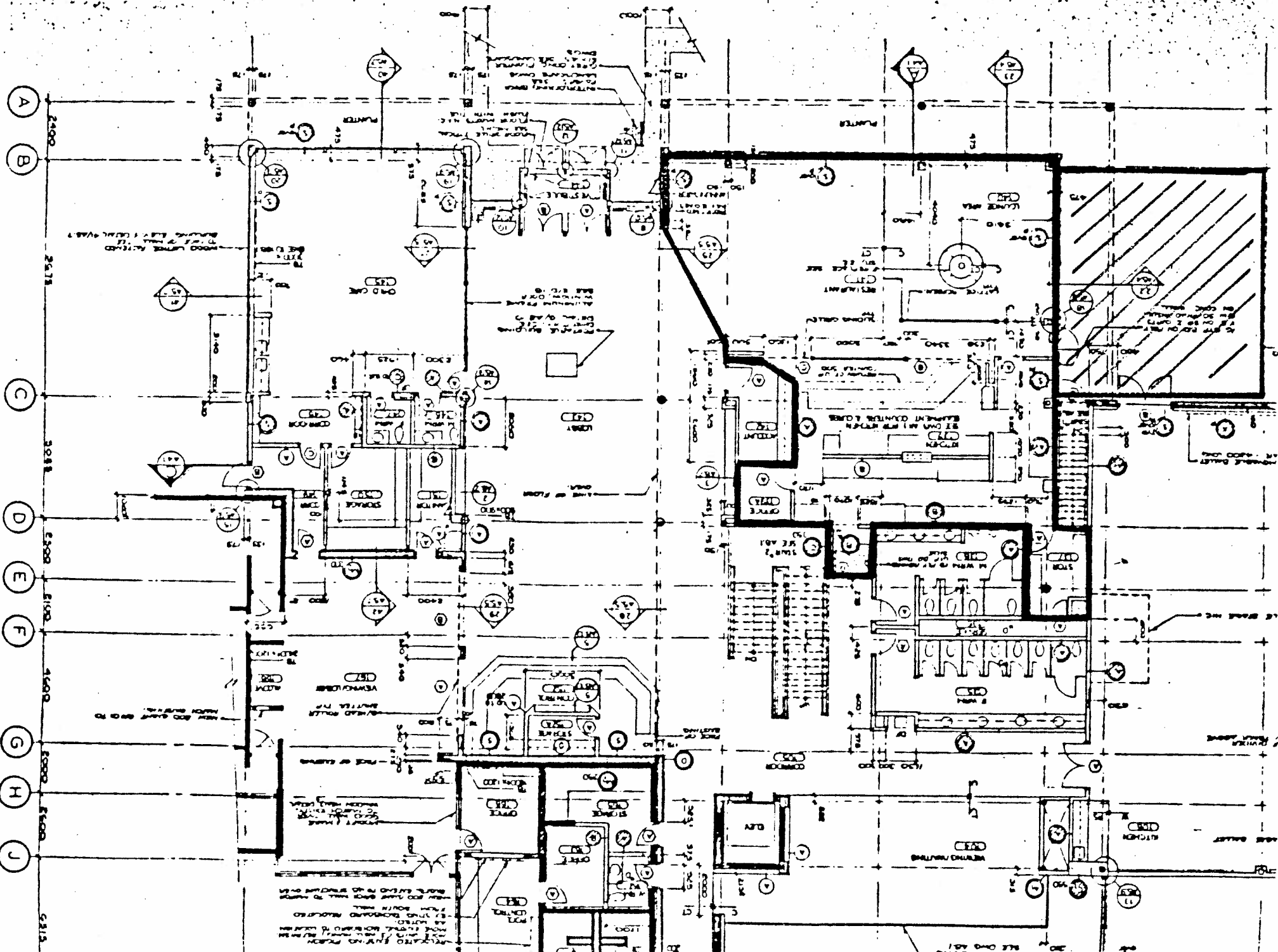
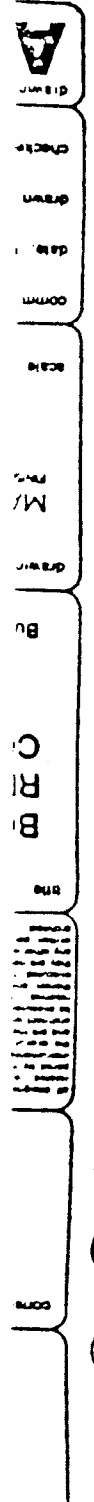
We are of the opinion that the lease as negotiated is well supported by the market place and offers a fair return over the first five years of the lease. We would, therefore, recommend acceptance.

  
Patricia W. Flieger  
Municipal Solicitor

FAE:bi

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## THE CORPORATION OF THE DISTRICT OF BURNABY

## INTER OFFICE MEMORANDUM

**TO:** DIRECTOR RECREATION & CULTURAL SERVICES **165**  
**DATE:** MARCH 18, 1988

**FROM:** MUNICIPAL SOLICITOR

**RE:** BONSOR RECREATION COMPLEX RESTAURANT LEASE

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The Parks and Recreation Commission at its meeting of March 16, 1988 requested the following information as set out in your memo of March 17, 1988.

Comparable Lease Data (Businesses for Sale)

<u>Restaurant</u>	<u>Liquor Licence</u>	<u>Seats</u>	<u>Area</u>	<u>Lease</u>
1. Shanghai Restaurant 652-654 E. Broadway, Van.	Yes	100	2000	\$10.80
2. Dong Nai Restaurant 4675 Arbutus, Van.	Yes	70	2000	\$13.42
3. India Gate 710 Helmcken Street, Van.	Yes	99	3000	\$ 8.80
4. La Brasserie De Hortogi 300 Water Street, Van.	Yes	140	2600	\$11.53
5. Sir Walter Raleigh 409 Granville Street, Van.	Yes	171	3980	\$11.26
6. Straylight Cafe 2629 Arbutus Street, Van.	Yes	114	3250	\$ 6.02

The abovementioned businesses are currently offered for sale through the Multiple Listing Service of the Greater Vancouver Real Estate Board. Each business offered for sale has had its lease renegotiated fairly recently and provides an indication of the range of lease rates in the private sector. Sample No. 6 is a new restaurant facility being opened in the very near future to service a 10,000 member health club.

Attached hereto (Appendix 1) is a copy of a spread sheet of the Vancouver Board of Parks and Recreation restaurant leases as of July 22, 1987. These are all established locations. Each negotiated lease has a base lease rate with participation ranging between 7% and 9% of gross sales excluding liquor receipts.

*Phyllis*  
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These operations are more comparative with the Inn on the Green, Horizons and the Hart House restaurant proposal.

The Bonsor Park restaurant will not have the scope of these destination restaurant operations. The menu will be light and wholesome and catering to the family oriented market at reasonable prices. No liquor will be sold.

#### Metrotown Area Lease Rates

In order to obtain a fair indicator of the rental value of the subject property we contacted twenty-six restaurant operations within the influence of Metrotown. Most restaurateurs were evasive and those that did provide information did not wish to make it public. From our discussions we determined the range to be from around \$10 for the older buildings in the less desirable areas to between \$13.00 - \$20.00 for the newer buildings in reasonably good locations. Space in the Metrotown Mall ranges between \$35.00 to \$46.47 per square foot with the new mall areas offered at between \$70 - \$110.00 per square foot.

Lease rates vary in mall areas according to the profitability of the tenant's operations. The anchor tenants are at the lowest end of the scale. All rates quoted are triple net.

#### Conclusion

Having taken into consideration the relatively limited potential of the Bonsor restaurant facility we came to the conclusion that a similar operation with limited clientele and a seating capacity of around one hundred would have a lease value of between \$8.52 to a high of \$11.00 per square foot, triple net. As a new operation in a finished building the most reasonable lease rate would be around \$9.00 per square foot triple net.

#### Public Tender Call

In January 1987 staff advertised for proposals to develop and operate a restaurant at the Bonsor Recreation Complex. Three bids were received. After further market analysis one withdrew its proposal. The second proposal proved to be unacceptable leaving Mr. Tony Lam with his offer of \$7.00 per square foot or 5% of gross sales, whichever was greater, for the first two years increasing to 6% for the remaining three years.

We renegotiated these terms to the present \$7.00 per square foot or 6 1/2% of gross sales, whichever is the greater, throughout the full five year term. We also negotiated the participation package for the banquet facilities.

Due to the lack of interest Mr. Tony Lam is the only restaurateur who is prepared to finish the building at a cost estimated at \$74,400 and lease back at a rate of \$7.00 per square foot plus participation.

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We are, therefore, of the opinion that the lease as negotiated for the initial lease period of five years is reasonable and we would recommend acceptance. 167



Patricia W. Fieger  
Municipal Solicitor

FAE:bi  
Attach.

VANCOUVER BOARD OF PARKS & RECREATION  
 Appendix I  
 Restaurant Leases as of July 22, 1987

RESTAURANT	FACILITY	TOTAL SQ. FT. (approx)	SEATING CAPACITY (interior)	LEASE* PAYMENT	TERM OF LEASE	ESTIMATED BUILDING IMPROVEMENTS	GROSS SALES	RENT TO THE BOARD & OF FOC GROSS SALES
BEACH HOUSE RESTAURANT	restaurant & snack bar	4,100	98	\$5,000/month or whichever is greater	10 years to June 30, 1997	Year Ending Jan 31/86 Food \$284,613. Liquor 110,000.	\$24,000	8.4% 1992 = 19923
BERGUSON POINT TEAHOUSE	restaurant	5,000	110	\$2,900/month + 7% of gross over \$500,000.	Originally 10 yrs to Oct 31, 1987. In 1984 extended to Dec 31, 1994	Year ending Dec 31/86 Food \$2,196,750. Liquor 550,000.	\$153,573	7.0% 1990-71.4%
STANLEY PARK PAVILION	catereria, ballroom and gift shop	4,625 1,800 100 6,525	100 250 banquets	\$3,300/month + 9% of gross over \$450,000.	Originally 5 yrs to Mar 31, 1982. In 1983, extended to Dec. 31, 1990.	Year Ending Dec 31/86 Food \$723,179. Novelty 137,130. Liquor 137,130.	\$64,186	8.9% 1983-83.9%
QUARRY HOUSE RESTAURANT	restaurant, snack bar & gift shop	4,530 950 820 6,300	132 45 177	\$3,500/month + 7 1/2% of gross over \$500,000.	Originally 10 yrs to Feb 28, 1983 extended 5 yrs to Feb 28, 1988	Year Ending Mar 31/86 Food \$687,194. Novelty 58,736. Liquor 169,717.	\$60,445	8.1% 1985-85.6%
DENMAN GARDEN INN	restaurant attached to a community centre	1,520	78	7% of gross	15 years to July 31, 1991 Rent was reviewed in 1986	Year Ending July 31/88 Food \$354,930. Liquor 22,129.	\$21,296	6.0% 1987-87.1%
PROSPECT POINT CAFE	restaurant & take-out service and gift shop	5,200 400 5,600	140	\$4,100/month + 8% of gross over \$500,000.	10 years to June 30, 1994	Year Ending May 31/87 Food \$1,334,854. Novelty 485,976. Liquor \$1,820,830.	\$115,918	8.7% 1987-87.0%
SPRINKLERS RESTAURANT	restaurant in botanical gardens	3,400	132	7% of gross (Rent to be reviewed 07/31/87)	5 years to July 31, 1989. In 1985 granted an option to renew to July 31, 1994	Year Ending July 31/86 Food \$ 820,362. Liquor 192,650.	\$41,003	5.0% 1986-87.0%
VANDUSEN GARDENS						\$1,012,712.		4.0%

\*Percentage of gross sales excludes liquor receipts. In several instances liquor sales have been estimated.

