

RE: HART HOUSE RESTAURANT PROPOSAL CALL

MUNICIPAL MANAGER'S RECOMMENDATIONS

1. THAT the Municipal Manager be authorized to finalize a lease with Regency Caterers related to the development and operation of a quality restaurant at the Hart House, and
2. THAT following finalization of the lease, a lease authorization bylaw be brought forward for the consideration and approval of Council, and
3. THAT a copy of this report be forwarded to the Parks and Recreation Commission for its information.

R E P O R T

1.0 SUMMARY AND PURPOSE

In 1987 December the Municipality undertook a restaurant proposal call for the Hart House located at Sperling Avenue and Deer Lake Avenue. The purpose of this report is to evaluate the two proposals received. This report recommends that a lease agreement be finalized with Regency Caterers to allow them to develop and operate a quality restaurant at the Hart House.

2.0 THE HART HOUSE RESTAURANT - A CONTEXT

The plans for the Deer Lake area have long called for a quality sit down restaurant. With the acquisition of the Hart property, the foreshore portion of the property was considered the most suitable for park purposes and the House and surrounding upland area for a restaurant. The House was considered suitable for a restaurant for a number of reasons. The House, constructed in 1912 and designed by Frank Macey, one of British Columbia's architectural pioneers has historic significance. This, coupled with its location relative to Deer Lake Park, the large size of its two main floors (3,190 square feet each), the desire to encourage public use of the House and it being supportive and complementary to other public facilities in the general area were contributing factors in its designation as a future restaurant facility.

3.0 PROPOSAL CALL TERMS OF REFERENCE

With Council approval, staff has undertaken previous proposal calls for a quality restaurant at the Hart House. These proposal calls have not proven successful. Council on 1987 November 02 authorized staff to undertake a further proposal call. The terms of reference as on the other previous occasions called for the restaurant operator to be responsible for all of the capital costs of restoration, renovating, interior decor, equipment and all building and landscaping maintenance costs. However, to make this last proposal call more attractive to prospective restaurant operators, the Municipality undertook to construct the parking and provide the required landscaping on the Hart property. In addition, the term of the lease was to be fixed at a minimum of 15 years. Council also approved a recommendation that a rezoning to C.D. (Comprehensive Development) for a 'footprint' area around and including the Hart House and ancillary buildings to more specifically accommodate the proposed restaurant be initiated. This rezoning report is contained elsewhere on this agenda.

4.0 THE SUBMISSIONS

The two submissions received were from Willingdon Caterers Ltd. and Regency Caterers. These submissions were reviewed by David Grieg and Associates (Food Service Facility Planners and Management Consultants) our Consultant on this project, the Municipal Manager and staff. It was the unanimous opinion of our Consultant, the Manager and staff that the proposal by Regency would make a significant positive contribution to the area. Their proposal was considered far superior, in all respects, in meeting the terms of reference of the proposal call when compared to the submission from Willingdon Caterers Ltd. The following is a brief summary of each proposal:

4.1 WILLINGDON CATERERS

Our Consultant having reviewed the Willingdon submission and interviewed the principals and their financial consultant has concluded that although they are enthusiastic about the project, they do not have at this time the ability to put together a financially viable proposal that is satisfactory to the Municipality. The Municipal Manager concurs with this conclusion.

4.2 REGENCY CATERERS

Regency Caterers is reputed to be the longest established and largest off-premises catering company in the Lower Mainland. They are proposing a restaurant of about 200 seats providing fine cuisine and service in a friendly and congenial atmosphere. They cite the Teahouse in Stanley Park as an excellent example of what they are trying to achieve.

Regency was a partner in the Restaurant Bucuresti at Expo. We have seen excellent reviews of the restaurant (during Expo) from across North America (The New Yorker, San Francisco Examiner and the Houston Chronicle) and also from the local press.

Regency is enthusiastic about the uniqueness of the House and the grounds. The historic integrity of the house will be maintained while the grounds will have a country estate appearance.

Regency are proposing to invest between \$500,000 and \$600,000 into the project. Financing for the project has been approved in principle by the Canadian Imperial Bank of Commerce. Our Consultant in reviewing the projected revenues and expenditures of Regency has concluded that they will be able to operate profitably and provide Burnaby with an acceptable rent.

5.0 THE PROPOSED LEASE - KEY POINTS

A draft lease agreement approved by Council was part of the Proposal Call Terms of Reference. The Consultant and staff have met with Regency on several occasions to clarify aspects of the lease. No significant amendments are proposed. The following summarizes the key points of the proposed lease and the negotiated rent structure:

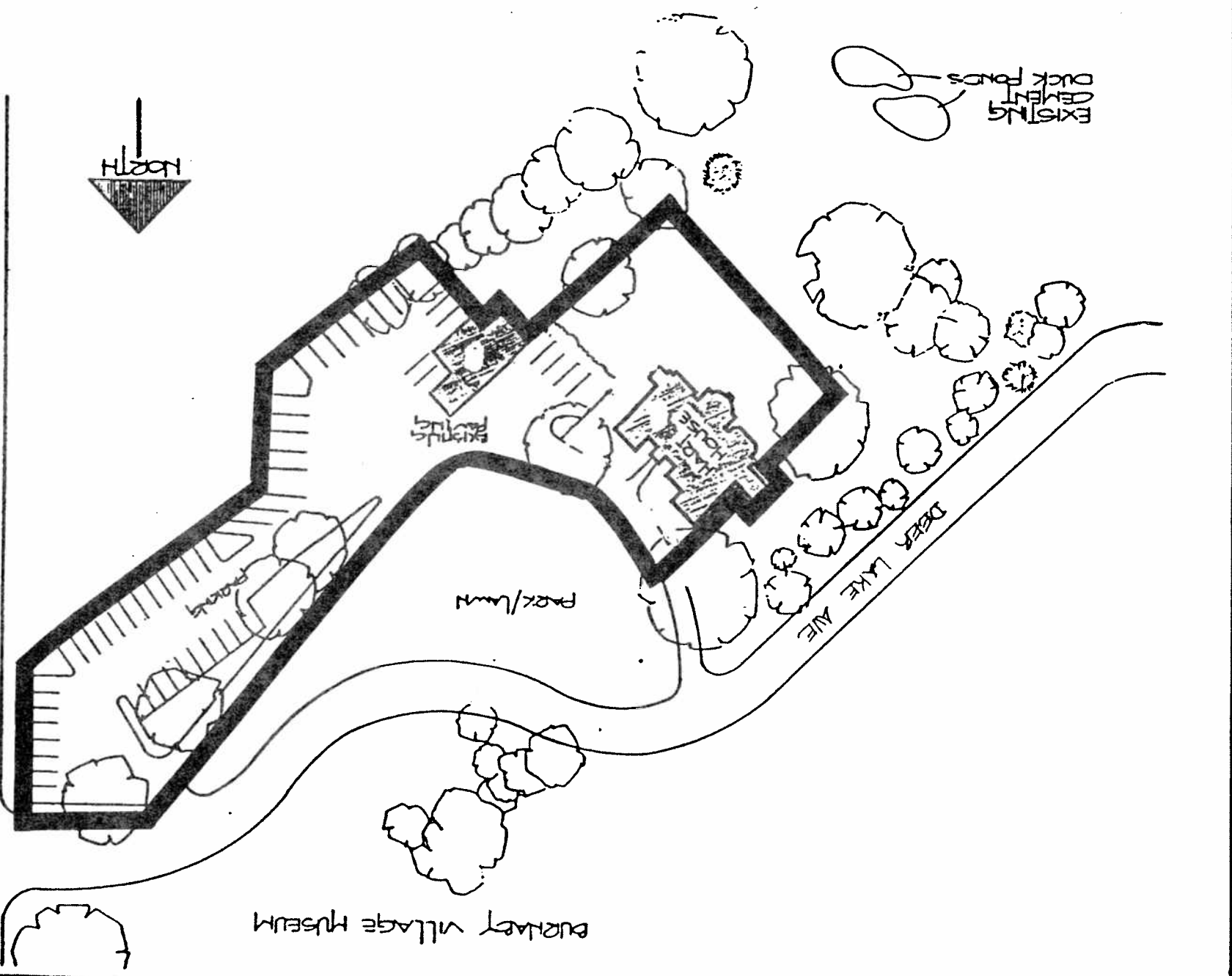
- (a) The Hart House to be developed as a quality restaurant and catering operation that maintains the character and historic integrity of the buildings and property.
- (b) A 15 year lease for approximately 1.2 acres of land (see Figure 1 attached). The exact area will be determined after survey.
- (c) All capital costs of restoration, renovation, services, exterior decor and equipment will be the responsibility of Regency.
- (d) All building, landscaping and grounds maintenance will be the responsibility of Regency.
- (e) Property taxes, utilities, etc., will be borne by Regency. Taxes are expected to be in the region of \$27,000 per annum for 1989.
- (f) Burnaby will construct the parking lot and undertake the necessary landscaping on the Hart property.
- (g) A base rent will apply in years 3 through 15 together with a participation clause from years 1 through 15. More specifically, rent for the first two years of operation consist of 4.5% of gross revenue exclusive of sales tax and the sale of alcoholic beverages in excess of 1.4 million dollars. The rent to the municipality in the following five years of operation would consist of \$24,000 per year plus 4.5% of gross revenue exclusive of sales tax and the sale of alcoholic beverages in excess of 1.4 million dollars. The rent to the municipality in the eighth, ninth, and tenth years of operation would consist of \$93,355 per year plus 4.5% of gross revenue exclusive of sales tax and the sale of alcoholic beverages in excess of 1.4 million dollars. The rent in the eleventh to fifteenth years of operation would consist of \$100,000 per year plus 5.5% of gross revenue exclusive of sales tax and the sale of alcoholic beverages in excess of 1.4 million dollars.

6.0 CONCLUSION

The plans for the Deer Lake area have long called for a quality restaurant to be part of the development of the area, and in particular, at the Hart House. Regency Caterers is a sound and reputable company in the food industry. It is the opinion of our Consultant and the Municipal Manager that their vision and enthusiasm for the project augurs well for the Municipality and that the proposed terms of the lease are fair and manageable. The Hart House has been vacant since its acquisition. Its condition has steadily deteriorated during this period. Regency's proposal will reverse this trend, make it accessible to the general public and bring the House up to National Building Code standards at no cost to the Municipality. Accordingly, it is recommended that the Municipal Manager be authorized to finalize a lease with Regency Caterers. Following this, a lease authorization bylaw will be forwarded to Council for consideration and approval.

ITEM SUPPL 16
 MANAGER'S REPORT NO. 15
 COUNCIL MEETING 88/02/29

SPEARHEAD AVE



Date: 1988 FEBRUARY

Scale: N.T.S.

Drawn By:

PROPOSED LEASE AREA 185

FIGURE 1

