

TO: CITY MANAGER

DATE: 1998 JULY 09

FROM: DIRECTOR PARKS, RECREATION AND CULTURAL SERVICES

SUBJECT: CONTRACT TO OPERATE FOOD SERVICE AT BONSOR COMPLEX

PURPOSE: To request Council to approve a new lease for Tony Lam for the operation of the Bon Sor Restaurant and to direct the City Solicitor to prepare a lease with Bon Sor Restaurant & Catering International Inc.

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**RECOMMENDATIONS:**

1. THAT a new lease for the operation of the Bon Sor Restaurant be considered with Tony Lam, for a term of three years effective 1998 September 16, and a renewal option for an additional two years; with further changes to terms and conditions as outlined in the attached report.
2. THAT the City Solicitor be directed to prepare a lease with Bon Sor Resaturant & Catering International Inc. (Tony Lam).

**REPORT**

At its meeting of 1998 July 08, the Parks and Recreation Commission received the attached staff report on the above subject and adopted the four recommendations contained therein.



KATE FRIARS  
DIRECTOR PARKS, RECREATION  
AND CULTURAL SERVICES

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Attachment  
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cc: Director Finance  
City Solicitor  
Deputy City Manager-Corporate Labour Relations

**SUBJECT: CONTRACT TO OPERATE FOOD SERVICE AT BONSOR COMPLEX**

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**RECOMMENDATIONS:**

1. THAT a new lease for the operation of the Bon Sor Restaurant be considered with Tony Lam, for a term of three years effective 1998 September 16, and a renewal option for an additional two years; with further changes to terms and conditions as outlined in this report.
2. THAT Council be requested to concur.
3. THAT the Solicitor be directed to prepare a lease with Bon Sor Restaurant & Catering International Inc. (Tony Lam).
4. THAT a copy of this report be sent to Mr. Tony Lam.

**REPORT**

**BACKGROUND:**

The contract for Bon Sor Restaurant, operated by Tony Lam, expires 1998 September 15, with no further right to renewal. Staff provided a report to the Parks & Recreation Commission in Committee in December 1997, notifying of the lease expiry date and options for the leased space for the Commission to consider. Resulting from that report, the Commission requested that a food service survey be implemented with the patrons of Bonsor Complex to receive public input and assess the current food service needs within the Complex. The food service survey was completed in January 1998, with a report to the Commission indicating the results of the survey. The survey results indicated that patrons want a food service continued at Bonsor Complex. Further, there is a preference for a cafeteria style restaurant that serves beverages, snacks and light meals at competitive prices. There is a preference from the respondents for healthier food options, with a variety of high quality tasting food. Some of the respondents indicated a preference for more expanded and dependable hours of operation. The majority of respondents did not want alcohol available.

Mr. Lam approached staff in January requesting to negotiate a new lease to operate Bon Sor Restaurant. Staff have had several meetings with Mr. Lam to discuss the consistent decline in annual food sales over the past few years, and the possibilities for changes and improvements to the food service to respond to survey results and improve food sales.

<u>Year</u>	<u>Gross Food Sales</u>
1993	\$161,613
1994	193,062
1995	137,563
1996	107,008
1997	93,661

Mr. Lam presented to staff a 5 year business plan outlining his proposal to increase revenue, carry out some interior renovations to the restaurant space, menu changes and marketing plans.

The outcomes of the discussions with Mr. Lam are presented for the Commission's review. Considerable research has been conducted to ensure that conditions and financial terms are comparable to industry standards. The new food service agreement would reflect the market in other municipalities with similar food service lease agreements, and will be consistent with other City food service leases.

**LENGTH OF TERM:**

It is recommended that the term of the agreement be for 3 years, commencing on the 16<sup>th</sup> day of September 1998 and ending on the 16<sup>th</sup> day of September 2001, with a right for a 2 year renewal term if the lessee fulfils obligations as outlined in the agreement. There would be no further right for renewal after the completion of the two year term.

**FINANCIAL AGREEMENTS:**

The following is recommended:

- **New Agreement**

Guaranteed monthly payments starting in the first year at \$2,600 per month, with the annual rent increasing with the cost of inflation over the next 5 years.

The following table projects the annual rent, with inflation included:

<b>YEAR</b>	<b>MONTHLY RENT</b>	<b>ANNUAL RENT</b>	<b>INFLATION INCREASE</b>
1998/1999	\$2,600/month	\$31,200	
1999/2000	\$2,628/month	\$31,536	0.7%
2000/2001	\$2,670/month	\$32,040	1.1%
2001/2002	\$2,713/month	\$32,556	1.6%
2002/2003	\$2,756/month	\$33,072	1.6%

• **Previous Agreement**

YEAR	MONTHLY PAYMENT	ANNUAL PAYMENT
1993/1994	\$1,541	\$18,500
1994/1995	\$1,634	\$19,610
1995/1996	\$1,720	\$20,637
1996/1997	\$1,805	\$21,664
1997/1998	\$1,891	\$22,691

**NOTE:** During the ten years covered in the first agreements between the City and Tony Lam, annual payments were structured to repay capital improvement costs. Any new agreements should determine appropriate lease payments according to industry comparisons.

For comparison purposes, the City currently has a food service agreement with Riverway Café that has a guaranteed rate per month of \$2,600 effective 1997, and any sales over \$200,000 would see the City receiving 21% of the gross sales. The square footage of Riverway Café consists of 900 sq.ft. of public space and 500 sq.ft. of preparation and washrooms, etc. The Coquitlam Aquatic Centre, which has a food service within the Aquatic Centre that has half the square footage for food service compared to Bon Sor Restaurant (Bon Sor is 2,054 sq.ft.; Coquitlam Aquatic Centre is 1,000 sq.ft.) has a 3 year term initial lease and 2 year renewal option, with monthly rent payments of \$2,000 or 12% of gross sales.

**PERFORMANCE STANDARDS:**

Performance standards are becoming more common within the food service industry. Currently performance standards are part of the City's existing food service contract at Riverway Café. These performance standards are measurable and objective in order that they can be enforced in a contract. This report recommends that the Department arrange twice per year for a survey to be conducted, following acceptable industry methods. The surveys would be developed and implemented similar to existing surveys being conducted at Riverway Café. The surveys would be conducted at random, without prior notice to the operator. The surveys would focus on the following areas:

1. Staff friendliness
2. Food quality
3. Speed of service
4. Restaurant cleanliness

Ratings would be on a scale from one to five:

1. Unacceptable
2. Below average
3. Satisfactory
4. Good
5. Exceed expectation

If performance is not satisfactory (3 or less), the following would occur:

1. Written notice provided to the operator, with survey results.
2. Operator to demonstrate efforts for improvement within 60 days (based on follow-up survey).
3. Termination clause may be exercised if no improvements seen based on statement #2.

**REGULAR AND TIMELY RENT PAYMENTS:**

Bon Sor Restaurant has to date been prompt with monthly payments. However, in a new lease it is proposed there be a statement included to stipulate that failure to submit monthly rent payments within 5 business days after the end of each calendar month will result in termination of the contract. This is consistent with other food service agreements within the City.

**AUDITED FINANCIAL STATEMENTS:**

Mr. Lam has requested that for the years 1996 and 1997 the requirement for an audited financial statement be waived. However, audited statements will be required in each year of the proposed new agreement.

**EXPIRY OF AGREEMENT:**

It is proposed that the new agreement state that 12 months prior to the natural end of the contract that a call for public proposals will be initiated for future contracts. Notice must be provided in writing to the current operator six months in advance of the expiration date as to the outcome of a call for proposals.

**SUMMARY:**

Resulting from these discussions, staff recommend a 3 year term, with a 2 year renewal option, and no further right for renewal after the completion of the 2 year term. The agreement would also include the following conditions:

1. Performance standards that could be enforced such that following 2 defaults, the contract could be terminated.

2. Termination clause with respect to default on regular and timely rent payments.
3. That 12 months prior to the conclusion of the contract, a call for public proposals would be initiated for future years.
4. All other terms and conditions in the present agreement would remain unchanged.

The contents of this report have been discussed with Mr. Tony Lam, who is in full agreement.

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cc: Director Finance  
City Solicitor  
Deputy City Manager - Corporate Labour Relations