



Date: May 31, 2000

**TO: Board Members - Parks and Recreation**  
**FROM: General Manager - Parks and Recreation**

**SUBJECT: Denman Garden Inn - West End Community Centre**

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## RECOMMENDATION

- A. THAT the Board not renew the lease for the Denman Garden Inn Restaurant at the West End Community Centre when it expires on December 31, 2000.
- B. THAT a committee comprising of the West End Community Centre Association Board members and Park Board staff investigate the best use of the space and their recommendation be brought back to the Park Board for approval.

## BACKGROUND

The Board leases the West End Community Centre from the School Board by way of a 50 year lease that commenced on July 3, 1973 and expires on July 2, 2023.

The Denman Garden Inn restaurant opened in 1976 and is located on the ground floor of the West End Community Centre. (Appendix A).

From 1977 to 1996 the restaurant was operated by Tom and Rocky Chung. In October, 1996 the Board approved the assignment of the lease to Mr Edward Chin and in November 1997 the lease was assigned again to Anne Kong, Judy Wong and James Chan.

The current lessees were aware at the time of the last assignment that the lease expired on December 31, 2000 and there was no right of renewal.

At the meeting of November 27, 1997 the Board also approved the following resolution:

***THAT staff be directed to bring forward two independent market evaluations of the Denman Garden Inn premises prior to the Board granting any extension beyond December 31, 2000.***

## DISCUSSION

The Denman Garden Inn is a 2,675 sq. ft. restaurant with a significant setback from Denman Street. The block in which the premises are located includes a high school, the Community Centre and library.

Annual gross food revenues and rent to the Board have declined on a consistent basis with the following examples showing the dramatic rate of decline and resulting effect on our revenue:

<b>Year</b>	<b>Gross Food Sales</b>	<b>Rent to the Board*</b>
1990	\$305,375	\$21,376
1995	\$248,451	\$17,273
1999	\$131,401	\$ 9,198

\*An additional amount in lieu of property tax has been set at \$1.25 sq ft in 1999 and \$1.50 sq ft in 2000.

Reasons for the downward spiral in sales can be contributed to the following:

- Competition on Denman Street
- New smoking restrictions in restaurants
- Change in ownership several times in the past 5 years
- Few improvements recently undertaken in the restaurant

### Independent Market Evaluation

Prior to the Board resolution at the time of the last assignment in September 1997, staff retained Burgess, Austin & Associates to conduct a market rental evaluation of the premises occupied by the Denman Garden Inn. The results of this evaluation are summarized in Appendix B.

The company has recently been contacted to determine if any of their conclusions have changed in the past two and a half years and have responded to state that market rental values for the most part have not fluctuated significantly during that time.

### **The Discontinuation of Leasing the Premises**

The multitude of restaurants on Denman Street and the significant amount of leasing space available in the West End raises the important issue of whether the financial return on continuing to rent these premises is in the best interests of the community.

Including the amount in lieu of property tax of \$1.50 sq ft. the Board is currently receiving approximately \$13,000 from the tenant or \$4.86 sq ft. If the consultants are correct in their predictions and rents of up to \$30.00 sq ft. are attainable (with an initial capital expenditure by the Board for improving the premises) then the question on the value of the space for commercial as opposed to recreational use is significant.

The possibility of expanding the West End Community Centre has been investigated before and would not only be logistically difficult but also cost-prohibitive. Recently, the Coal Harbor Community Centre has added 23,102 sq ft of recreation space and amenities to the heavily populated West End community.

The cost of converting the restaurant space for programmable space, although thought to be reasonable, has not been determined at this time and is dependant on final use. Since there are no funds earmarked for this project in the current capital plan and the Board will be losing \$13,000 in annual rental revenue the Association will be asked to participate in improvements that will be required to convert the space for programmable purposes.

The Burgess evaluation is comprehensive and provides the Board with different options if a decision is made to continue leasing out the premises. Since it is staff's recommendation, however, to explore alternate uses for Community Centre purposes, it would be advisable to postpone seeking another market evaluation at this time as was resolved by the Board at their meeting in November, 1997.

### **Utilization of Premises for Programmable Purposes - Formation of a Committee**

The West End Community Centre is at capacity with existing programs and activities. There is a strong demand for both programmable space and better administrative space at the Centre and both functions should be explored in some detail before a final decision is made regarding these premises.

It is proposed that the best way to achieve this result is for a committee consisting of Park Board staff and Association Board members to review alternative uses and after appropriate public consultation and feedback present their conclusions in a recommendation for the Board's consideration.

## **SUMMARY**

The space currently leased by the Denman Garden Inn restaurant becomes available for alternate uses at the end of this year. The current lessees are aware that their lease will not be renewed.

The limitations of the existing Centre for providing expanding existing community recreation services gives the Board the opportunity to utilize the premises for other purposes.

A committee made up of West End Community Centre Board members, Park Board staff and patrons will seek appropriate community input and bring their recommendations back to the Board for approval later this year.

Prepared by:

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**APPENDIX B**

## **SUMMARY OF MARKET RENTAL EVALUATION**

### **DENMAN GARDEN INN**

#### **1. Leased in Current Condition**

If the space was leased in its current condition with little improvements and not exposed to national tenants, a rental rate between \$21.00 - \$24.00 could be expected. (Potential rent - \$56,175 - \$64,200)

#### **2. Improving the Premises**

If the Board was willing to improve the space and aggressively market it over several months, a rental rate between \$25.00 - \$30.00 sq.ft. could be anticipated from a national or well established restaurant tenant. (Potential rent - \$66,875 - \$80,250)

Improvements would include updating the interior, relocating or renovating the washrooms, modernizing the store front and patio, improving accessibility to community centre patrons and providing additional signage. The costs of these improvements would likely be approximately \$100,000 but the increased rental rate would in effect amortize these costs.

#### **3. Retail versus Restaurant use**

If retail use was targeted for the premises there would likely be more difficulty in obtaining a retail rent comparable to that received elsewhere on Denman Street. The consultant believes this is due to the setback which for a restaurant can be partially used as a patio. Traditional retailers prefer clear frontage and exposure to attract business more so than restaurants.

For retail use, the space is oddly configured with the rear section (kitchen) having minimal use for display and sales purposes. The area of 2,675 sq.ft. is much larger than typical space in the area and retailers may have difficulty supporting rent on this large space. A rental rate in the region of \$20.00 sq.ft. is suggested with relocation of the washrooms and improved signage needed. (Potential rent - \$53,500)

#### **4. Potential for Smaller Unit**

Another option is the possibility of retaining the kitchen at the rear for use by the Community Centre and only leasing the front portion of approximately 1500 sq.ft. The setback still limits retail use but a smaller restaurant operation such as a coffee shop/deli might be feasible. Potential rent would depend on tenant improvements but could be around \$25.00 sq.ft. (\$37,500)

The smaller size of space may also appeal to quasi-office use such as medical or dental, resulting in higher rents, although the work required to achieve such a tenancy may be more expensive.

Likewise, the practicality of using just the kitchen space for programmable purposes might have limited value for potential uses.