Date: February 25, 2002

TO: **Board Members - Parks and Recreation**

FROM: **General Manager - Parks and Recreation**

SUBJECT: **Stanley Park Dining Pavilion - New lease with the International Culinary Institute of Canada Inc.**

RECOMMENDATION

A. THAT the Board approve waiving the rent and amount in lieu of property tax for the first three months (January - March, 2002) for the lease at the Stanley Park Dining Pavilion with the International Culinary Institute of Canada Inc. (operating as Dubrulle)

B. THAT the lease contain provisions that the improvements to the agreed value of $715,000 be still carried out in the first five year term but that if this is not accomplished and the lessee has shown that he has made every best effort in raising these funds, then this commitment could be carried forward for an additional two years.

C . THAT no legal rights shall arise and no consents, permissions or licences are granted hereby and none shall arise or be granted hereafter unless and until all contemplated legal documentation has been executed and delivered by all parties.

D. THAT once the form of all legal documentation has been approved by the General Manager and the Director of Legal Services for the City of Vancouver, that the General Manager be authorized to execute and deliver such documentation on behalf of the Board.

BACKGROUND

On December 10, 2001 the Board approved a 10 year lease of the Stanley Park Dining Pavilion with the International Culinary Institute of Canada Inc. or a corporate entity designated for this purpose by the principals of the International Culinary Institute of Canada Inc. from January 1, 2002 - December 31, 2011. Two of the resolutions were as follows:

1. ***THAT the rent for the term January 1, 2002 - December 31, 2006 be set at $67,000 per annum with an inflationary increase to reflect the annual cost of living increase in Vancouver. For the period January 1, 2007 - December 31, 2011 the rent will be the lesser of fair market rent or 7% of total gross revenue (including liquor).***

2. ***THAT the tenant agree in the Sublease to make improvements to the Pavilion over the first five years of the term be in an amount not less than $900,000, of which $185,000 will be reimbursed from Park Board Capital funds . The improvements will be carried out to the approval of the General Manager.***

DISCUSSION

Waiving the first 3 months rent

In order to allow the lessee to reinvest operating net revenues into the renovation program the Board set the rent for the first five years at $67,000 per annum plus any annual inflationary increase . This amount will maintain the revenues that presently flow into the Board's operating budget from the lease of the Pavilion.

At the time of the Board resolution the lessee had not finalized the level of improvements that would be carried out at the start of the lease. It was later determined that the kitchen and the some of the public areas on the main level required some updating before Dubrulle opened for business.

Part of the renovations that have taken place in the past month have involved the Board removing asbestos floor tiles in order for the lessee to install a new floor in the kitchen and other areas of the main level.

Since this work has resulted in the facility remaining closed since Dubrulle took over the lease on January 1, 2002, it is recommended that the rent and property tax payments be waived for the first three months of the year.

Dubrulle's Renovation Budget

Dubrulle has planned a phased restoration and upgrade at the Pavilion over the first five years of the sublease with a planned budget of $715,000 from their funds and $185,000 from Park Board capital funds.

The majority of the funds will go towards improving the building's infrastructure and the balance into new furniture, furnishings and equipment. The School has indicated that once they have operated the building for a season they will have a better understanding of the priorities.

The two stages of the renovation program were originally projected to take place in January 2003 and November 2004 and all renovations would be completed during the first five year period. In their proposal they stated that a sizable portion of the renovation budget was anticipated to come from the Zajac Foundation and VanCity Savings Credit Union.

In their application for a loan Dubrulle's financial institution raised the concern that five years might not be enough time to repay a loan if the fundraising drive or projected operating revenues were slower than had been forecast. They stated that in order to approve the application the Board's resolution should allow some flexibility to take into account the possibility that the School might be unable to raise enough capital funds to complete the renovations in the first five years.

After discussions with Dubrulle and our solicitor it is recommended that the Board change this resolution to allow more time for the fundraising drive on condition that firstly, every effort is made by the School to reach its goal in the first term, and secondly that the improvements, if not made in the first term, must be carried out within the subsequent two years.

SUMMARY

The two proposed changes to the resolutions approved by the Board in December, 2001 will respond to financial issues raised by Dubrulle.

The waiving of rent for the first three months of 2002 while renovations are in progress is a reasonable business decision given the unexpected delays.

The change in the resolution allowing the School more time if their fundraising efforts and operating revenues are slower than anticipated will give Dubrulle's financial institution greater comfort that any loan will be amortized over a longer period of time.

Prepared by:

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