

Date: October 19, 2005



TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: Sequoia Grill and Seasons in the Park - Rent Reviews

RECOMMENDATION

- A. THAT the rent for the Sequoia Grill for the term January 1, 2005 – December 31, 2009 be set at 6% for the first \$3,500,000 of gross revenue (including liquor) and 4% for gross revenue beyond \$3,500,000;*
- B. THAT the rent for Seasons in the Park for the term March 1, 2005 – February 28, 2010 be set at 6% for the first \$4,500,000 of gross revenue (including liquor) and 4% for gross revenue beyond \$4,500,000;*
- C. THAT a payment in lieu of property taxes of \$5.89/sq ft be set at both restaurants from the start of the new terms and the rate be reviewed each year effective January 1, 2006 to reflect any changes in property tax assessments for businesses in Vancouver;*
- D. THAT an allowance of \$291.65 per month be credited to Sequoia Grill for maintaining the landscaping surrounding the building within the area outlined on the plan (Appendix A of this report);*
- E. THAT an additional five year option be given to Sequoia Enterprises Inc. for both restaurants;*
- F. 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;*
- G. 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

Both the Sequoia Grill and Seasons in the Park (Seasons) are fine dining restaurants operated by Sequoia Enterprises Inc. Their owner, Brent Davies, has operated The Teahouse (Sequoia Grill) since 1977 and Seasons since 1989.

The present status of the two leases is that the Sequoia Grill has two five year options remaining that expire on December 31, 2014 and Seasons also has two five year options that expire on February 28, 2015.

DISCUSSION

Both restaurants have been paying the Board a rent of 5 ¼% of gross revenue since 1995. While the absolute return to the Board from these restaurants has on average increased over the term due to growing sales, the rate of increase has not kept pace with the growing Park Board costs in running the two parks involved (Stanley and Queen Elizabeth). Also, all more recent licences for restaurants or gift shops in parks have been signed at rates in excess of 6% of gross revenue.

Hence, the rent increase reflected in this report was considered appropriate by Parks staff.

In 1995 the Board agreed that the leased restaurants should start paying an amount in lieu of property tax and that it be phased in to reach market levels over a period of five years. In 1995 The Teahouse paid \$3.00/sq ft and this was increased by \$0.50 a year until a rate of \$5.00/sq ft was reached in 1999. It is currently \$5.89/sq ft based on subsequent citywide increases.

In the case of Seasons, since the lessor had spent significant capital funds on renovating the restaurant, the Board agreed to postpone the payment of an amount in lieu of property until 2000 and then the market rate should be established. It also now sits at \$5.89/sq ft.

The following is a summary of rents received from the two restaurants in 2004.

Sequoia Grill

Year Ending	Gross Revenue	Rent	Amount in lieu of Property Tax
Dec 31, 2004	\$3,275,528	\$171,965	\$30,558

Seasons in the Park

Year Ending	Gross Revenue	Rent	Amount in lieu of Property Tax
Dec 31, 2004	\$4,578,495	\$242,737	\$38,503

Additional five year options

Mr. Davies has requested that the Board consider an additional five year option for both licences as part of the current rent negotiations. Mr. Davies advises that his company has invested substantial funds in the construction, expansion and on-going maintenance of the two restaurants. The Sequoia Grill underwent significant renovations in 2004 which were paid by the tenant. Seasons has received approximately \$400,000 in upgrades in the last two years.

The Board has traditionally granted licence extensions to tenants who make significant capital investments in the Park Board properties which they occupy and the current Sequoia Enterprises' requests fall within these parameters. Hence, Parks staff recommend the extension options for both establishments to 2019.

Seasons maintaining public washrooms

When Seasons renovated the restaurant in 1990, part of the agreement was that they maintain and provide supplies for the public washrooms in the basement of the building. Over time the restaurant has felt that this commitment has become more onerous, even with a \$600 per month operating cost contribution by the Park Board which commenced in 2000.

Hence, in consideration of the rental rate increase, Parks staff recommend that the Park Board resume its responsibility to maintain the public washrooms and cease the \$600 per month contribution to the tenant as of March 1, 2006.

Sequoia Grill Landscape maintenance responsibility

The original lease gave the landscape maintenance responsibility for the area surrounding the building to the Park Board. In return the Board billed the tenant for approximately \$1000 per annum for the service. Using the cost escalation formula in the original lease, this amount is now about \$3500. However, the variety and complexity of the landscape has vastly increased over the intervening period and current real costs to the Board have been in excess of \$8000 per annum.

The tenant and Park staff have agreed that the tenant will take over responsibility for this landscape maintenance (as much of it relates to the tenant's outdoor restaurant patio area). Parks staff recommend that the Board contribute \$3500 per annum in the form of rent reduction to the tenant in recognition of this responsibility.

SUMMARY

Sequoia Enterprises Inc. has been a successful long term tenant in both Stanley and Queen Elizabeth Parks. There is a good history of building maintenance and improvements by the tenant at both sites. The restaurants are well respected and have provided a good financial return to the Park Board in the past. Staff look forward to a continuation of this trend under the new rental terms outlined in this report.

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