

Date: May 28, 2010



TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: Shaughnessy Restaurant - Rent Review and Lease Extension

RECOMMENDATION

- A. THAT the Board approve a rent of 6% of gross food and beverage revenue for the Shaughnessy Restaurant at VanDusen Garden Ltd., (Shaughnessy) for the period April 1, 2010 – March 31, 2015.*
- B. THAT the Board approve a five year renewal option for the Shaughnessy for the period April 1, 2015 – March 31, 2020 based upon a minimum capital expenditure of \$200,000 with the timing and the details subject to the approval of the General Manager.*
- C. THAT the Board may, at any time during the renewal option period, give the Shaughnessy one year's notice to vacate the premises and return to them the pro-rated amount of the capital expenditure as outlined in this report.*
- D. THAT all legal documentation is to be in a form which is satisfactory to the Director of legal services for the City of Vancouver and the General Manager*
- E. THAT the General Manager be authorized to execute and deliver such documentation on behalf of the Board.*
- 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.*

BACKGROUND

There has been a restaurant at VanDusen Gardens since 1984. In 1998 the Board consented to the assignment of the lease to the Shaughnessy Restaurant and its existing operator, Mr Chris Chatten.

During the past 12 years the lessee has invested capital funds in maintaining the restaurant to a high standard and contributed to the operation of the Gardens through the payment of annual rent and an amount in lieu of property taxes.

DISCUSSION

The Shaughnessy is an established full service restaurant with 150 indoor seats and 90 outdoor seats that caters to both Garden visitors and external customers. During the summer months and the annual Christmas Festival of Lights the lessee also operates a take-out kiosk in the Garden.

Recent gross revenues and rent have been as follows:

Year Ending	Gross Revenue	Rent	Amount in lieu of Property Tax	Total
Dec 31, 2008	\$2,076,834	\$124,610	\$16,252	\$140,862
Dec 31, 2009	\$1,991,766	\$119,506	\$16,629	\$136,135

There is one five year option remaining to renew the lease for the restaurant (April 1, 2010 – March 31, 2015) and the operator has written to the Board requesting to exercise that option. It is recommended to maintain the 6% rent on all gross revenues during that period which is consistent with other recent renewals with similar leased restaurants in Stanley Park and Queen Elizabeth Park.

The first phase of the redevelopment of the Garden is the new Visitor Centre which is underway and is scheduled to open in the summer of 2011. Food service improvements include a new casual dining service or “café” and the Shaughnessy Restaurant will remain in its present location. There will be a RFP for a Visitor Centre Café operator in the Fall of this year. In addition to the Café there is the potential to cater to functions in the new building.

Renewal Option

The restaurant operator has agreed to spend a minimum of \$200,000 on capital improvements in return for a further 5 year option from 2015 – 2020. The funds would be spent on renovations to the dining room, the washrooms and the outside patio area. These washrooms will now be used by the administration staff and restaurant patrons as the new Visitor Centre will have its own public washrooms.

The restaurant will also be able to use the former entrance area to the Garden as a patio that will accommodate up to 50 additional customers, thereby creating new revenue. Final design details for this area are presently under discussion.

The exact timing of the conversion of the existing gift shop to administration offices is unknown at this time but is projected to be in the Fall of 2011. It is difficult to predict exact dates when the Shaughnessy capital improvements can take place as their operational requirements must also be taken into account. For that reason it is recommended that the General Manager approves the time that the work is carried out and the monies be spent. The lessee has indicated the exact amount of his capital expenditure will be a minimum of \$200,000 and a maximum of \$300,000.

The Garden Pavilion

The next phase of expansion at VanDusen Garden will be the Garden Pavilion that could include a new restaurant space and event area. At present this Pavilion has only been considered in the Master Planning stage and is as yet unfunded. There are therefore no anticipated dates for construction.

In order not to eliminate the possibility of funding becoming available in the 2015-2020 period it is recommended that if the new Pavilion does go ahead with a new restaurant then the Shaughnessy operator be given one year's notice and the capital monies already spent be reimbursed on a pro-rated basis depending on the final date of termination of the Shaughnessy lease. For example, if the lessee spends \$200,000 on capital improvements as indicated in this report, and the lease is terminated on March 31, 2018 to coincide with the opening of a new restaurant in the Garden Pavilion, then the lessee is reimbursed \$80,000 (40% of the capital improvements) to compensate for the early termination. There would be a RFP for a new restaurant operator at that time.

SUMMARY

The Shaughnessy Restaurant has operated to a high standard at VanDusen Garden for 12 years and provided the Garden with a consistent rent during that time which has helped defray expenditures in their operating budget.

The new improvements will upgrade existing facilities at the Garden and provide increased revenues to both the operator and the Garden through maximizing the use of the new outdoor seating area.

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