

Date: January 21, 2010



**TO:** Board Members – Vancouver Park Board  
**FROM:** General Manager – Parks and Recreation  
**SUBJECT:** The Teahouse and Seasons in the Park – Rent Reviews

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## RECOMMENDATION

- A. *THAT the rent for the Teahouse for the term January 1, 2010 – December 31, 2014 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, 2010 – February 28, 2015 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 \$6.21/sq ft (2009 rates) be set at both restaurants from the start of the new terms and the rate be reviewed each year to reflect any changes in property tax assessments for businesses in Vancouver;*
- D. *THAT an additional five year option be given to the Sequoia Company of Restaurants for both restaurants;*
- E. *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;*
- F. *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 Teahouse (at Ferguson Point in Stanley Park) and Seasons in Queen Elizabeth Park (Seasons) are fine dining restaurants operated by the Sequoia Company of Restaurants. Their owner, Brent Davies, and his company Sequoia restaurants Inc. have operated the Teahouse since 1977 and Seasons since 1989. Also operated by the Sequoia Group are the Sandbar restaurant on Granville Island and Cardero's in Coal Harbour.

In 2005 the Board increased the rent to both restaurants from 5¼% of gross revenue to 6% of gross revenue on an amount that represented their projected annual revenue at that time and a lower amount, 4%, on any revenues over that amount. The reasoning was twofold, firstly that the base rent should be increased to match other similar Park Board restaurants and secondly to provide an incentive for the restaurants to increase their sales and pay a reduced rent on any additional revenues.

The present status of the two leases is that the Sequoia Grill has two five year options remaining that expire on December 31, 2019 and Seasons also has two five year options that expire on February 28, 2020

## DISCUSSION

Along with the rest of the restaurant industry the Teahouse and Seasons have undergone difficult periods during the recent recession. Industry sales were 5.6% lower in 2009 than the previous year.

The following is a summary of rents received from the two restaurants in 2008 and 2009:

### The Teahouse

<b>Year Ending</b>	<b>Gross Revenue</b>	<b>Rent</b>	<b>Amount in lieu of Property Tax</b>	<b>Total</b>
<b>Dec 31, 2008</b>	<b>\$3,255,907</b>	<b>\$195,354</b>	<b>\$30,100</b>	<b>\$225,454</b>
<b>Dec 31, 2009</b>	<b>\$3,062,310</b>	<b>\$183,739</b>	<b>\$31,050</b>	<b>\$214,789</b>

### Seasons in the Park

<b>Year Ending</b>	<b>Gross Revenue</b>	<b>Rent</b>	<b>Amount in lieu of Property Tax</b>	<b>Total</b>
<b>Dec 31, 2008</b>	<b>\$4,673,247</b>	<b>\$276,930</b>	<b>\$37,926</b>	<b>\$314,856</b>
<b>Dec 31, 2009</b>	<b>\$4,913,032</b>	<b>\$286,521</b>	<b>\$39,123</b>	<b>\$325,644</b>

The performance of the Teahouse, a decline of 6%, is consistent with industry trends but the increase of 5.1% at Seasons can largely be attributed to better accessibility, due to the completion of both the Metro Vancouver reservoir improvements and the Canada Line construction.

### **Building Inspections**

Similar to other lease and licence agreements staff requested that both restaurants conduct independent building inspections so that an assessment could be made of the condition of the buildings. Both parties could then discuss required building improvements that could be implemented during the next term.

#### **Teahouse**

The general condition of the Teahouse is very good and the tenant has maintained the building to a high standard. They are presently in the midst of or are planning to carry out several improvements to both the building exterior and interior with a value of approximately \$350,000.

The Board is responsible for the pitched central cedar roof that was last replaced in 1994. It is showing signs of some deterioration and will be examined more fully this year.

#### **Seasons**

Similar to the Teahouse, the tenant has made ongoing improvements to the building that include recent upgrades to the kitchen and dining areas. They have estimated that recent and planned improvements for 2010 are in the \$300,000 range and over the last three years they have spent in excess of \$500,000 in repairs and maintenance.

The Board is responsible for the cedar roof at Seasons and it is scheduled for replacement in 2010 as part of the 2010 capital plan roof replacement fund.

### **Future Building Inspections**

The condition that each restaurant conduct a building inspection at their cost within one year from the end of each lease term has been agreed upon by the tenant and will be included in both lease renewals.

### **Additional five year options**

The tenant has requested that the Board consider an additional five year option for both lease agreements as part of the current rent negotiations. The Board has traditionally granted lease 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, it is recommended that five year extensions be given to both establishments.

### **SUMMARY**

The Sequoia Company of Restaurants and their owner, Brent Davies, have had a successful relationship with the Board since the late 1970's. They have maintained both the Teahouse and Seasons to a high standard and have continued to upgrade and improve the buildings on a continual basis.

The restaurants are both acknowledged to be two of the finest in the City and have provided the Board with a solid financial return in the past. Extending the terms of each lease by an additional five years is good business for both the tenant and the Board.

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