OAKVILLE

REPORT

ADMINISTRATIVE SERVICES COMMITTEE

MEETING DATE: APRIL 23, 2019

FROM: Economic Development and Legal Departments

DATE: April 2, 2019

SUBJECT: **Bronte Harbour Banquet and Conference Centre**

LOCATION: 2340 Ontario Street
WARD: 1

RECOMMENDATION:

That staff undertake an Expression of Interest process to explore partnership options for the long-term lease and operation of the Bronte Harbour Banquet and Conference Centre.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The Town is the owner of the Bronte Harbour Banquet and Conference Centre (BHBCC) facility located at 2340 Ontario Street.
- Negotiations are in progress with the Federal and Provincial Governments to acquire the land on which the facility is located; the Town has a five-year lease of these lands.
- In 2018, Council authorized staff to hire consultants to investigate options for the future use of the facility.
- This report provides an update regarding the status of the facility, on-going negotiations, and the consultant report regarding future use of the building.

BACKGROUND:

The Town recently acquired ownership of the Bronte Harbour Banquet and Conference Centre from Halton Region and is currently in negotiations to acquire the land on which the facility is located. The negotiation process is complex as it involves both federal and provincial levels of government.

The Town currently leases the underlying lands and the remainder of the Bronte outer harbour from the Federal Government on a five-year lease that expires on April 14, 2023. The head lease contains a termination clause that would allow the Federal Government to terminate the lease at any time on 60 days' notice. The

Federal Government advised that they would not consider a lease without this termination right, and would not consider a lease for a term longer than five years.

The majority of the BHBCC was previously subleased to a tenant who used the space for a restaurant and banquet and conference centre. This tenant decided to leave at the end of 2018 when its sublease expired. There are now only two tenants currently occupying a small portion of the BHBCC, the Halton Regional Police and an engineering firm. Both of these tenants have subleases that expire on October 31, 2020. A consultant was engaged in 2018 to undertake consultation and develop a plan for the future development, management and operations of the facility.

This report provides an update regarding the status of the facility, negotiations for the land purchase, and the consultant's study. A recommendation regarding the long-term use of the building is provided; a separate addendum report on this agenda will address the short-term use of the building.

COMMENT/OPTIONS:

Facility Status

The majority of the building is vacant with the exception of two subleases that expire in 2020. Facilities staff continue to maintain the building. All of the equipment used in conjunction with the restaurant and event operations was owned by the former lessee and has been removed. Consideration for short-term leases will need to identify responsibility for the acquisition and installation of equipment; facility cleaning; security; insurance; access to various parts of the building, etc. Longer term operations will require upgrades to the building as contemplated in the consultant's report.

Negotiations

The five-year lease from the Federal Government with a 60-day termination clause makes it difficult for the Town to attract a subtenant who would need to invest heavily upfront in leasehold improvements to improve the space. That is why Council directed staff to negotiate the purchase of the lands underlying the BHBCC and the surrounding Outer Harbour. A summary of these negotiations is included in the Confidential Appendix "A". At this point, staff cannot predict when or if these negotiations will ultimately be successful.

Harbours Business Plan

Through the Harbours Master Plan, staff has already committed to undertake a comprehensive business review of marina operations within both Oakville and Bronte inner harbours. With the Town assuming the oversight of the Bronte Outer Harbour marina, that facility will be included in the business plan review.

Consultant Report

In 2018, the Town engaged *A Day in Life Management Consulting Ltd.* to create a development and operating plan for the BHBCC. The completed report includes a market analysis; stakeholder engagement; benchmarking; case studies; best practices; industry trends; demand review; analysis of two development scenarios; governance; lease and financing models; recommendations for redevelopment; and feedback from potential active investors.

Stakeholder engagement was undertaken as part of the analysis for the report and included a cross section of groups and individuals including town officials, Bronte Village BIA, restaurant entrepreneurs, local associations and the then-current facility operator. Consultations highlighted the significant interest in developing a waterfront restaurant that would serve the local community and also be a draw for visitors from outside Oakville.

Analysis of the facility identified base building challenges including the lack of a service elevator; kitchen layouts that do not reflect industry standards for efficient space and labour utilization; dated and tired restaurant and event interiors; and a non-descript exterior with no sense of arrival on site. In contrast to the shortcomings of the existing building, many strengths were identified such as the premium waterfront location; gentrification of Bronte Village; ambiance of the marina and park setting; on-site parking; and existing patio and deck space.

Two development options were explored. The first option considered upgrades to the existing foot print of the building with an exterior face lift and updates to interior finishes, circulation and compliance with public building standards. If executed to meet market expectations, this option would help increase restaurant and event revenue. However, the renovation costs for this work were estimated at $5.2M and the consultant concluded that with these costs and the associated revenue projections, it would be difficult to achieve a successful operation.

The second option was a reimagining of the building that would create a hospitality platform to leverage the waterfront location and surrounding park and marina. Both internal and external upgrades to the building would be needed to open the building up to the water and make it an attractive and functional facility for today's market. It would require major renovations to improve the functionality, space utilization, appearance, and revenue potential for the building.

The consultant's key recommendation for the second option is to have a number of operations in the building including a casual and a chef-driven restaurant on the upper level, and event space and a café on the main level. The multi-use functionality would provide restaurant choices to the public, offering different price points and experiences; minimize the financial risk of having a single large

operation; allow higher yield rates to be negotiated; and facilitate continuous operation during times of renovation or lease changes. Other recommendations include:

- Construct a new entrance to resolve existing Universal Design issues; increase overall floor space (fill in existing staircase) and circulation in the building; add a multifunctional elevator; and increase the architectural appeal of the building.
- Develop an outdoor event space to expand peak season event capabilities.
- Change the name of the facility and designate facility parking from general park parking.
- Replace existing office type tenants with small retail operations that reflect the location and the facility's purpose as a hospitality centre.

The consultant indicated that to create the type of destination dining experience that is desired, significant capital investment would be required beyond that to sustain the building. Capital costs for the second option were estimated to be $7.8M. The project would need to be developed as a partnership between the Town and an active investor. The consultant advised that a long-term lease with renewable options would be necessary to secure significant capital investment from an investor and that the base building structure, infrastructure and exterior upgrades would be expected to be paid by the Town.

Conclusion

The BHBCC presents an opportunity to create a destination lakefront restaurant and event facility that is desired by the community. Significant costs are required to bring the building up to standards and to render it both functional and appealing for customers. As such, a long-term commitment is required for potential investors to consider a partnership with the Town for the proposed redevelopment of the building. To develop a long-term partnership, the Town needs to acquire ownership of the land on which the building is located.

The negotiation process for land acquisition and the process to find an investor/operator for the proposed waterfront restaurant could take years to complete. The recommendation in this report is to commence a process to find an investor to partner with the Town for the long-term, developing and implementing a destination waterfront restaurant and event facility, with upgrades to the internal and external building. It is expected that this process will include an Expression of Interest; a pre-qualification of operators; and an invitation to submit proposals. This process would run concurrently with the Federal Government negotiations for the land acquisition. The short-term use of the building will be addressed in a separate report.

CONSIDERATIONS:

(A) PUBLIC

Community stakeholders were consulted as part of the analysis undertaken by the consultant regarding the long-term use of the facility.

(B) FINANCIAL

Expenses will be incurred for the marketing and procurement of tenants, as well as broker commissions, as applicable.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Facilities staff will continue to maintain the building and address maintenance issues that may arise.

(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- enhance our economic environment
- provide outstanding service to our residents and businesses
- be accountable in everything we do

(E) COMMUNITY SUSTAINABILITY

The BHBCC has been identified as an excellent opportunity to create a destination waterfront dining location. This type of use for the building contributes to the livability of Oakville and would serve as a broader draw to Bronte Village, thus enhancing the local economy.

Confidential Appendix A – Summary of purchase negotiations
(See Confidential Agenda.)

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