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## **500 Water Street Request for Proposals Staff Report to Council**

Report Number: 2023-36

Department(s): Economic Development; Legal and Procurement Services

Author(s): Elizabeth Hawkins, Karen Reynar, Tracy Assis, Paul Voorn

Meeting Date: May 29, 2023

### **Recommendations**

1. That the report entitled 500 Water Street Request for Proposals dated May 29, 2023 be received; and,
2. That staff be directed to issue a request for proposals to seek a new tenant for 500 Water Street on substantially the terms set out in this report; and,
3. That staff be directed to evaluate the proposals based substantially on the criteria listed in this report; and,
4. That staff be directed to finalize the terms of a new long-term lease based substantially on the terms set out in this report; and,
5. That the CAO be directed to execute the lease for 500 Water Street with the successful proponent; and,
6. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

### **Purpose**

This report seeks direction from Council to issue a Request for Proposal (RFP) seeking a new tenant for 500 Water Street (formerly Cachet Restaurant), and to negotiate and execute a lease with the highest ranked proponent based substantially on the terms set out within this report.

## Background

The current lease for the Town owned building located at 500 Water Street will be concluded on May 29, 2023. The building is a keystone property, located in the Heritage Conservation District at the intersection of Water and Main Streets. The property has been operating as a restaurant for the past two decades. It has significant patio space overlooking Fairy Lake and is in a prime location for continued use as a dining establishment. With the conclusion of the current lease, staff recommend issuing a new request for proposals to seek a new tenant.

## Discussion

Staff are seeking Council's approval to commence the RFP process and to enter into negotiations with the selected leaseholder based on the following general guidelines.

### Vision for RFP

The RFP will seek proposals for a new long-term lease of 500 Water Street for use as a unique and elevated dining establishment that complements and enhances the existing cultural and economic vibrancy of the Main Street historic district. Main Street Newmarket is currently home to over fifteen dining establishments and cafes. The RFP will emphasize the need for a commercial operation that capitalizes on the year-round nature of the street while also bringing new flavours, dining experiences or styles of cuisine to the area that create positive connections with the rest of the district.

### Evaluation Criteria

The RFP will assess and prioritize proposals that strongly demonstrate:

- **Business Experience** – including experience with similar commercial operations, industry experience and financial experience with similar projects;
- **Financial Capacity** – including demonstrated ability to lease, credit rating and letters of support from financial institution;
- **Financial Plan** – including a capital investment plan to support the long-term viability of the project, and a minimum investment in the interior, façade and/or accessibility renovations to the property;
- **Business Plan / Development Proposal** - commercial vision for the property with preference given to proposals that add unique offerings to the district, and development proposal, including concept plan and project timetable; and
- **Offer to Lease** - including proposed fixturing period, concept plans and proposed minimum rent payable.

In addition to reviewing and evaluating written proposals, the Town will be inviting the highest scoring proponents for a presentation / interview.

## Timing of RFP Process

Staff are prepared to issue the RFP shortly and expect to have an executed lease agreement with the successful proponent by the fall. This timing reflects an expedited process, and staff will continue to advance the process ahead of these timelines where possible to ensure that the space is operational as soon as possible.

## Key Lease Terms

**TERM:** The term of the lease is expected to span a ten (10) year initial term with an option for the tenant to extend for an additional period of two (2), five (5) year terms if the lease is in good standing.

**RENT:** The rent payable for the extension periods will be based on an escalation mechanism set out in the lease. Staff will obtain a formal fair market value rent appraisal and the RFP will indicate that the minimum rent payable proposed for the premises during the initial term will be evaluated against that appraisal amount.

**RENT DURING FIXTURING / RENOVATION PERIOD:** The Town's draft lease which will be appended to the RFP indicates that rent is expected to be paid during the renovation period. However, proponents may indicate in their proposal a different arrangement. This will be an evaluated item as part of the "Offer to Lease" portion of the evaluation structure.

**OPERATIONAL EXPENSES:** The tenant will be required to pay all associated taxes (including HST and property taxes), utilities, heating and cooling costs, and the maintenance costs of the building (interior and exterior) and the leased property. The tenant would be responsible for its own fixturing costs and will be required to arrange its own snow clearing and landscaping for the property.

**PARKING:** The lease will confirm that the property has 20 parking spaces available for exclusive use by the tenant's customers and will confirm that the parking lot laneway must be kept clear to allow the property owner to the west to have access to its parking lot. The lease will not include any rights to parking spaces other than the 20 that are contained within the leased property.

**BUILDING CONDITION:** A building condition assessment from January 2023 will be appended to the RFP and the lease (also attached to the RFP) indicates that it will be the tenant's responsibility to investigate the condition of the building and to maintain, upgrade, and repair as needed. Proponents may, however, indicate in their proposal a different arrangement. This will be an evaluated item as part of the "Offer to Lease" portion of the evaluation structure.

**BUSINESS OPERATIONS:** The tenant will be required to operate six days a week.

## **Lease Occupancy**

The successful proponent will likely require a minimum fixturing period of 90 days, which suggests occupancy may occur in late 2023 or early 2024.

## **Conclusion**

Direction is sought from Council to have staff issue an RFP to select a suitable potential tenant for the lease of the 500 Water Street property, negotiate a lease for the premises that incorporates the essential terms set out in this report and thereafter sign a lease with that tenant.

## **Business Plan and Strategic Plan Linkages**

Council Priorities 2022-2026: Community and Economic Vibrancy; Extraordinary Places and Spaces

2021-2024 Economic Development Strategy

## **Consultation**

Staff from Legal & Procurement Services, Economic Development Office, Planning & Building Services and members of the Senior Leadership Team have been consulted on this matter.

## **Human Resource Considerations**

None.

## **Budget Impact**

All lease payments to be received from the successful leaseholder shall be collected as general Town revenue.

## **Attachments**

None.

## **Approval**

Karen Reynar, Director, Legal and Procurement Services

Chris Kallio, Economic Development Officer

Esther Armchuk, Commissioner of Corporate Services

Ian MacDougall, Chief Administrative Officer

500 Water Street Request for Proposals

## **Contact**

For questions on this report, please contact Tracy Assis, Manager of Procurement Services [tassis@newmarket.ca](mailto:tassis@newmarket.ca).