



**City of Kingston
Information Report to Council
Report Number 21-293**

To: Mayor and Members of Council
From: Peter Huigenbos, Commissioner, Business, Environment & Projects
Resource Staff: Same
Date of Meeting: November 16, 2021
Subject: Portsmouth Olympic Harbour – Harbour Restaurant Lease Update

Council Strategic Plan Alignment:

Theme: Corporate business

Goal: See above

Executive Summary:

After approximately 45 years as a tenant at Portsmouth Olympic Harbour (POH), the Harbour Restaurant, has provided notice to the City that it will no longer operate its event and catering services. Staff are finalizing a mutual end to the tenancy as per the terms of the lease agreement and will report back if Council direction is required. Staff are also working with the owner of the Harbour Restaurant and community partners to potentially transition the space into a new community/commercial kitchen supporting a number of Council priorities.

This repurposing has the potential to address a number of Council's strategic priorities related to fostering social enterprise in a City space, supporting social enterprise opportunities for the production and distribution of local foods, investing in innovative workforce development and skills training. It can also aid in the City's pandemic recovery efforts as well as support the City's commitment to equity, diversity and inclusion through collaboration with programs such as the

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Your Way Food Business Incubator Program that supports underrepresented and newcomer women.

Staff intend to bring back a report that will provide details of community partners and a business model for the space in late 2021 or early 2022 seeking direction from Council.

Recommendation:

This report is for information only.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

**Peter Huigenbos, Commissioner,
Business, Environment &
Projects**

ORIGINAL SIGNED BY CHIEF
ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Community Services	Not required
Craig Desjardins, Acting Commissioner, Corporate Services	
Brad Joyce, Commissioner, Transportation & Public Works	Not required
Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required

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Options/Discussion:

The Harbour Restaurant has been a tenant at POH since August 1, 1976. The current lease with the City ends on December 31, 2022. The tenant operates as a banquet hall and special event venue occupying 10,753 square feet on the second floor of the POH facility. The tenant also operates a small snack bar on the ground floor on a year round basis occupying 2,313 square feet on the ground floor.

Unfortunately, the business has not been in operation since the pandemic started in March 2020. The tenant has continued to pay the City rent through support of federal and provincial commercial rent subsidy programs, and also received some rent reduction in 2020 as part of the City's rent reduction program for commercial tenants before the federal and provincial programs were applicable to the Harbour Restaurant. The tenant has provided notice to the City that it wishes to end the tenancy and not reopen its business now that the pandemic restrictions for indoor event spaces are being lifted. The tenant has provided several reasons for ending its long term relationship with the City, but the primary reason for not reopening is the cost required to reopen. The business has no current employees and would have substantial re-start costs to get back up and running with a limited amount of time remaining on the lease. City staff discussed a potential extension to the lease; however, the owner has indicated that it is not something that he wishes to pursue.

Following a 2016 visioning exercise for the Kingston Penitentiary and POH, Council endorsed the recommended vision in July of 2017 which included the demolition of the POH building and replacing it with a new facility following a detailed design consultation with the public. The public engagement was to commence in 2019 with reconstruction commencing most likely in 2021.

In May of 2019, Council deferred a number of large capital projects in the 15-year capital plan to enable funding in the short term for a series of strategic Council priorities. Projects such as POH had been deferred to beyond 2022. The City's draft 2022 capital budget shows a further deferral to beyond 2024.

The Harbour Restaurant space is fully equipped with commercial kitchen appliances and catering items owned by the tenant. Since July, the tenant has been very supportive with City staff in exploring a potential repurposing of the space to provide a community kitchen to serve a variety of needs in the community. This repurposing has the potential to address a number of Council's strategic priorities related to fostering social enterprise in a City space, supporting social enterprise opportunities for the production and distribution of local foods, and investing in innovative workforce development, including addressing skills shortages in the labour market. It also can aid in the City's pandemic recovery efforts as well as support the City's commitment to equity, diversity and inclusion.

City staff are exploring the opportunity with partner groups that may have access to operating funding through a variety of government programs, networks of stakeholders in a number of sectors including food security, agriculture, immigrant support services and entrepreneurial, start-up businesses. These funds could be used to pay for the operating costs of the space including utilities and possibly rent. City staff are also looking forward to exploring the potential

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of using social finance tools to meet the fixed capital requirements of this project while working with community partners and social/impact investors.

Existing Policy/By-Law:

None

Notice Provisions:

None

Accessibility Considerations:

None

Financial Considerations:

Staff have adjusted the 2021 year end operating projections to account for a partial loss of lease revenue with the departure of the Harbour Restaurant. The draft 2022 operating budget has been adjusted recognizing there is a potential use of the space for a non-profit community partner that may have the capacity to pay some of the costs of the previous for-profit tenant.

Contacts:

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Other City of Kingston Staff Consulted:

Lakshay Raheja, Innovation Analyst, Strategic Partnerships & Airport

Exhibits Attached:

None