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FAQs

These are some of the most frequently asked questions I get about Buying or Selling a hospitality venue.

What kind of financing is available for a new hospitality venture?

- One of the most popular financial vehicles for restaurants and pubs is a loan program handled through the major chartered banks and backed by the Federal Government. It has different names at various banks but it can be referred to as a BIL (Business Improvement Loan) SBA (Small Business assistance), SBL (Small Business Lending). The first place to start is to approach the Commercial or Small Business Lending Department of your own chartered bank. Be organized and prepared when meeting with your banker. You will need a Business Plan. You should be prepared to have approximately 30% cash down. The loans have the following criteria:
 - Maximum \$350,000 for a business only; or, \$500,000 if it involves buying the real estate
 - Interest rate of Prime +2% (depending on which bank you deal with)
 - In the event of loan default, the bank will get a large portion of the loan repaid from the Federal Government, so the risk to the bank is minimal.
- The loan is secured by the chattels (furniture, fixtures, equipment and leasehold improvements) of the facility but not including the good will of the business. The facility has to appraise high enough to justify the loan. The upfront fees of a small business loan usually include the cost of the appraisal.

What steps do I have to take to get a license from the City of Calgary?

- You apply at City Hall at the Licensing Department. You need to bring with you 2 sets of floor plans for the business you are buying. These drawings should include the table and chairs layout; sinks; refrigerators; bathrooms; exits; patios and kitchen placement and layout.
- You will also need 2 sets of site plans. The site plan shows the placement of the restaurant on the lot or within a building; any parking available to the business and entrance and exits for vehicles.
- Take the above noted drawings to the licensing counter and complete a BUC (Business Use Confirmation) application. Provided that the 2 different sets of drawings are in order, a file is opened on your application and you're provided a file number that begins with PE. This is a control number to follow your file. It usually takes approximately 8 – 10 days to circulate your file through the various City departments before approval is given. Upon receiving your approval letter, you can then apply for a license from AGLC (see below). Your approval is usually subject to getting fire and health inspections done (see # 4 below).
- For further information on the City of Calgary Licensing procedure please click on the following hyperlink: www.calgary.ca and follow the tabs from the home page to City Business – Running a Business – Licenses and Permits.

What steps do I have to take to get a license from AGLC (Alberta Gaming & Liquor Control)

- You must have your approval from the City of Calgary before applying for an AGLC license to serve liquor. You apply

at the AGLC office. Before applying for an AGLC license, you must get your own Criminal Check done through any precinct of the Calgary Police Service or the Commissionaire's office (there's a company called Back Check that offers this criminal clearance but their reports are not acceptable to AGLC). The applicant will not get a license if they have a criminal record. The approval process takes about 3 or 4 days.

What inspections of my new business are required by the City of Calgary?

- The facility must pass fire, health inspections and HVAC. Instructions are given on your approval from the City on arranging these inspections upon the closing of your purchase.

Is it better to buy an existing facility or build a new one?

- Historically, from a financial standpoint, it's usually less expensive to buy an existing business that meets your criteria and then you can do your own décor features. Building a new facility will probably run over budget and not be completed in the time frame allotted. Much of the money invested in a pub or restaurant can't be seen – it's in the plumbing, electrical, air make-up system, roof-top units, and kitchen equipment etc. Some larger franchise companies like to build "from scratch" as they have the contractors and resources. The facility has to be built to their specifications.

Is it best to buy a franchise or have an independent facility?

- Buying a franchise versus doing your own concept is a very personal decision. Franchisees seem to have a better track record of success. It is sometimes easier to get financing for a Franchise as they have an established business model. The Franchisor charges royalties to the Franchisee for the benefit of large quantity buying power, national advertising and brand recognition.
- However, for the individual who wishes to make all their own decisions and only be responsible to himself, a Franchise may be too restricting. So, this decision comes down to your personal style.
- What information will a Landlord need to know about me and my experience for a lease assignment?
- When selling a hospitality business, there are actually 2 sales made. The first is the sale of the particular business to the Purchaser. Then the Purchaser has to be sold to the Landlord. This second sale is often more difficult than the first. Landlords want financial and operational credibility from their Tenants. They are being asked to give up a known Tenant for someone they don't know. Therefore, you will need to have a resume outlining any hospitality experience of yourself or someone on your team who will be working in the business. To prove financial strength, you may need a personal net worth statement or financial statements from your company that is buying the business. Depending how the Lease is worded, the Landlord may not release the present owner from the obligations of the Lease for a period of time.

What is the secret to success in the hospitality business?

- Some keys to a successful hospitality business are assumed – good location, offering a varied menu and good food, friendly service, a clean facility and an interesting and innovative concept.
- In addition to the above, the KEY factor to success is CONTROL.
- Reviewing sales and expenses on a daily or weekly basis is crucial. There are many ways that your profit can be eroded and as an owner, knowledge is power. Some things to watch for are:
 - Staff pilferage of food and beverage
 - Waste due to spoilage or poor kitchen prep
 - Portions that are too large
 - Purchasing the wrong items or paying too much
 - Checking invoices and shipments to ensure they match
- Losses can occur from any or all of the above as it's truly a "nickels and dimes" business and having control is paramount.

What can I expect as a new owner of a small business?

- You will have many roles in your new business. You will be:

- A human resources person who will hire and fire staff
- A coach who will train and develop the staff
- A payroll clerk who prepares staff pay and deductions & benefits
- A bookkeeper who will prepare records for your accountant
- A purchasing agent who will try and get the best product at a good price
- A tax collector who prepares GST reports
- A VLT monitor responsible for reports to AGLC (if applicable)
- A sales and marketing coordinator for your business
- A chief “cook and bottle washer”

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Some questions to ask Gord:
