

DATE: August 29, 1996

SUBJECT: FOOD SERVICE CONCESSIONS - RENOVATIONS' PROGRAM

RECOMMENDATIONS:

- 1) THAT the Board approve the concessions' upgrading concept as described in this report.
- 2) THAT the Board approve the renovations of the Spanish Banks East concession, as the first upgrade under the new concept. All plans to be subject to the satisfaction of the General Manager.
- 3) THAT the Board allocate sponsorship revenues originated through products sold at the concessions for the implementation of the concessions' upgrading concept plan.

BACKGROUND

The Board operates 19 concessions of which 9 are located in Stanley Park and 8 on Vancouver beaches.

The concessions date back to the 1950's and require upgrading, both in terms of decor and service levels.

A customer satisfaction survey was undertaken by a market research firm in August and October of 1994. Interviews were carried out with 700 visitors in 12 locations which represented a good cross section of our patrons.

The survey results were very positive and were incorporated in a Board Report dated March 2, 1995 recommending "That the Board approve concession improvements as outlined.." (see Appendix 1). The recommendation was approved by the Board at its meeting of March 13, 1995.

In July 1995, with funding provided by an NNR, the company Sunderland Innerspace Designs Inc. was selected to explore alternatives to the appearance, layout, merchandising and service levels of the concessions.

Sunderland Innerspace Designs Inc., is a consulting firm specializing in interior design, with considerable experience in food service outlets. Examples of their work can be found in 19 concessions at the new terminal building of the Vancouver Airport.

A review of three Park Board concessions was undertaken and specifically the consultant presented plans improving the Spanish Banks East concession.

The Concessions' Upgrading Concept include the following elements:

- A renovation of the counter, windows and merchandising, (all those areas visible to the public as they approach the serving area).
- A partially covered seating area to shelter customers during the unpredictable weather months.
- A "patio" style treatment to the outside area to provide ambiance and comfort for the remaining of the seating and traffic areas.
- Innovative signage before reaching the concession "Road Side Sign". Banner and blade signs above counter.
- Additional serving window in the case of Spanish Banks Concession.
- Treatment of the building face most visible to the public.

Copy of a rendering depicting the above concept is included as Appendix 5.

The work would take place during the Fall/Winter months in readiness for business in the early Spring with minimal loss of net revenue.

This scheme and scope of work would be common to all the concession renovations. Although many will have a "localized flavour" much of the background work such as logos, general signage and design specifications may apply, reducing the total design cost and bringing unifying elements into the overall renovations' plan.

The above concept was presented to the Senior Management Team and to the Income Operations Committee of the Board in the Spring of 1996. Favourable comments were received.

DISCUSSION

It is vital that a systematic plan be put in place to renovate these outdated units. The plan must consider new levels of service for a changing clientele, and a new image, if we are to maintain and increase revenues, customer satisfaction and an appropriate return to the Board.

The improvement plan would consist of two main categories:

- 1) Renovations, include substantial refurbishing mainly geared to the improvement of existing units where the building structure is relatively sound.
- 2) New Construction, include the development of a new concession in the Aquarium Plaza, and the construction of a new structure replacing the English Bay Concession.

Concessions' Renovations

A 10 year Concessions' Renovation Program

A renovations' priority listing of the concessions is attached to this report (see Appendix 2). The criteria include:

- Integrity of the building structure to warrant improvements.
- Potential for improved sales.
- Visibility of the units.
- Net return on capital invested.

Based on the above priorities a 10 year Concessions' Renovation Program has been prepared (see Appendix 3).

The estimated redevelopment costs are approximately \$1,946,000.

Five concessions are not shown in the renovations' plan. Three are deemed as lower priority and would be improved through NNR and regular maintenance funding. These are the Trout Lake, New Brighton, and the Cricket Clubhouse concessions.

The Children's Farmyard, and Lost Lagoon concessions will necessitate further review in terms of appropriateness of the site, future traffic patterns, and overall feasibility before any capital expenditure is recommended.

To provide for redevelopment costs the 10 year plan highlights two sources of funding that together amount to \$1,161,400.:

- . Available concession improvement funding from the 1994-96 Capital Plan: \$280,000
- . Funding from Corporate Sponsorship contracts derived from concession sold products: \$881,400.(see Appendix 4 for breakdown of sponsorship funding).

The approximate shortfall in funding for the next ten years would be \$784,600.

The First Concessions' Renovation

The Spanish Banks East concession was selected, based on the established criteria (in Appendix 2), as the best overall candidate to initiate the renovations' program.

Sunderland Innerspace Designs Inc., were requested to review requirements and provide more refined estimates. The cost of the renovations is approximately \$179,000.

The table below illustrates a favourable estimated payback for the intended renovations based on additional revenues.

Unit	a)New Improve-	b)Main- tenance	Total	Net new revenue	Pay Back	Pay Back
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	ments		(1 Yr)	on		
		a+b)		a)	a+b)	
Spanish	\$161,226	\$17,740	\$178,966	\$28,919	5.5	6.2
Banks					Yrs	Yrs
East						

New Construction

The Aquarium Plaza Food service Unit

The area in Stanley Park adjacent to the Vancouver Aquarium will undergo a major redevelopment due to the phasing out of all animal exhibits.

The closure of the exhibits has acted as a catalyst for a new vision to emerge. A master plan for the lower and upper Zoo areas is being prepared providing context for the redevelopment of food service units.

This new context has redefined the role of a new food service unit in the Aquarium Plaza as the focal point of the area, replacing the existing Duck Pond and Trailer concessions.

Review of the suitability and role of the Children Farmyard concession will be undertaken within the scope of the area master plan.

The firm Thomas Consultants Inc. was engaged by the Board in January 1996 to explore alternatives to the existing food services concessions in the area. They recommended the creation of a unit in the Plaza, and two small satellite kiosks. The estimated cost was approximately \$1,150,000.

Two sources of funding were identified for the construction that together amount to \$776,000.:

- . Available funding from previous Capital Plans: \$376,000.
- . Requested from the 1997-1999 Capital Plan: \$400,000.

The approximate shortfall in funding would be \$374,000.

The English Bay Food Service Unit

Situated in one of the most prestigious locations in Canada, the existing concession at English Bay hardly needs lengthy comments in terms of its insufficiency to address issues such as, image, comfort level, and service.

What could become a signature service for the Park Board is in need of replacement.

A review of this concession will be initiated as a separate study that will consider in addition to the above, the competition from Denman Street businesses and future sources of funding.

A cursory estimate of the cost to replace this unit is approximately \$500,000.

SUMMARY

Many of the Board's concessions are over 40 years old and have not undergone major renovations.

They have not been updated to meet current public expectations in terms of service, comfort level, and visual impact.

Continuous standard maintenance will not significantly raise the profile of the service. Moreover the antiquated "look" will be encapsulated and will be seen as a deterrent to promote sales.

The concessions have been used as a revenue harvest, and unlike a business, no significant funds have been reserved to keep the assets current and maintain their earning potential.

The gross annual sales from all concessions for 1995 (excluding taxes) was \$3,132,000., resulting in a 42.5% net return to the Board amounting to \$1,330,000. (excluding taxes).

A systematic redevelopment program is necessary to ensure that returns to the Board are maintained and increased. The 10 year program as shown is very conservative if taken in the context of the dynamic changes that have occurred, over the last 5 years, in the food service industry.

Historically capital funding has been allocated for parks and community centre renovations, and little has been spent in concession upgrading.

The Board has an option to use sponsorship revenues to finance also general programs. However, sponsorship moneys may prove to be a finite source of income and would not provide the stability and flexibility necessary to fund on going programs.

JUSTIFICATION

It is vital to rejuvenate the Board's concessions if they are to maintain their profitability and good service to the public.

The high profile of the units locally, as well as with tourists, impacts on the image that the Park Board and the City of Vancouver showcases.

Adequate funding is imperative in order to protect the existing investment in concessions and to secure future revenue enhancement capabilities.

The proposed renovations address the above concerns while ensuring that the Board's Concessions in Stanley Park and the Vancouver beaches remain a valuable asset and fulfil the contemporary need of our visitors.

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