

February 27, 1997

SUBJECT: STANLEY PARK DINING PAVILION - LEASE EXTENSION

RECOMMENDATIONS:

- A. THAT the Board extend the lease of the Stanley Park Dining Pavilion for one year (January 1, 1998 - December 31, 1998) under the current terms and conditions.**
- B. THAT after 1998 the present banquet room be utilized as an Interpretative Centre.**
- C. THAT a payment in lieu of property taxes for 1998 be set at \$1.50/sq. ft.**
- D. THAT no legal rights shall be created by the passage of these resolutions and none shall arise hereafter except by the signing of the contemplated document.**

BACKGROUND

In 1974 the Board invited public bids to operate the Stanley Park Pavilion. Pavilion Enterprises were awarded a three year lease with a two year renewable option following a review of the bids received.

In 1977 the Board granted a new five year lease to expire on March 31, 1982 in recognition of certain capital improvements made at this location. In 1978 the Board agreed to an assignment of the sublease to Pavilion Enterprises (1978) Ltd. following retirement of one of the original partners.

In 1980 the Board approved extending the lease to expire on December 31, 1985.

On August 8, 1983 the Board approved a further five year lease extension for the term January 1, 1986 to December 31, 1990.

The rent from January 1, 1984 to December 31, 1987 was set at \$3,300 per month + 9% of gross sales over \$450,000 excluding liquor and off-site catering.

On April 25, 1988 the Board approved a rent of 7.5% of gross sales, including liquor for the period of January 1, 1988 to December 31, 1990. The Board also extended the lease until December 31, 1995.

On September 30, 1991 the Board approved a rent of 9% of gross sales (excluding liquor) for the period January 1, 1991 to December 31, 1995.

In 1994 and 1995, due to the fact that the planning for the former Lower Zoo/Pavilion area was not yet complete, the Board extended the lease for two years (December 31, 1997) under the current terms and conditions. In 1995, in order to be consistent with other leased Park Board restaurants the Board also resolved to charge the lessee an amount in lieu of property taxes and that it be phased in until it reaches its true value. In view of the restaurant's uncertain tenure it was believed an amount of \$1.00/sq. ft. was appropriate.

DISCUSSION

John Carveth, the owner of Pavilion Enterprises (1978) Ltd. has written to the Board (Appendix 1) requesting a renewal lease of five years with a five year option. Mr Carveth states that he requires the stability and assurance that a long-term lease provides, both for his business and employees, as well as park visitors.

The planning for the Pavilion and its surrounding area has been a slow process, mainly due to the lack of available funding in the past and current Capital Plans.

As mentioned in Mr Carveth's letter, the Stanley Park Ecology Society now occupy the second floor of the Pavilion. The lessee has been kept apprised of this development and staff have had ongoing discussions about the different alternatives for the future use of the facility.

Facility Condition Survey

The Stanley Park Pavilion was built in 1913 and is classified as a Class "A" heritage building. Staff last met with the lessee on January 10, 1997 to discuss amongst other matters, a preliminary condition survey that was being carried out on the building. The survey, prepared by our staff, identify deficiencies and approximate costs as follows:

Seismic Upgrade	\$400,000
New fire sprinkler system and controls	130,000
Replace heating system and controls	100,000
Kitchen /basement improvements	75,000
Plumbing /electrical improvements	38,000
2nd Floor suite upgrade	30,000
Misc improvements	27,000
Total	\$800,000

The only capital funding that has been allocated to the Pavilion in previous capital plans is \$77,000 towards the cost of a sprinkler system.

The seismic evaluation was carried out by Sayers Engineering Ltd in 1990 and inflated to present day costs. The Pavilion has been built in many stages and the consultant' s review of the available drawings and physical building indicate that significant upgrades will be required in order to meet the current Vancouver Building By-law. The report states that because such extensive renovations are required the character of the building will undoubtedly change and careful consideration of all the architectural items will be required in order to carry out a successful upgrading.

Interpretation Centre

The Pavilion is a facility centrally located in Stanley Park which is envisaged to serve as the major interpretative centre for the park. Presently the Stanley Park Ecology Society and our Wildlife and Interpretative staff are programming in the upstairs rooms and throughout the park.

\$60,000 has been allocated in the 1997-99 Capital Plan to further expand the Board' s interpretative and education activities . In 1997 a portion of these funds will be used to retain a consultant who will conduct a programming study for the future Centre. It is still envisaged that the main component of the Centre will be the existing banquet room which has an area of 1800 sq. ft. This area would contain displays, activities and programs of the highest calibre and be a valuable resource from both an educational and historical perspective.

Lease with Pavilion Enterprises (1978) Ltd

Under discussion at the moment with the lessee of the Pavilion are the following issues:

1. Removal of the banquet room from the leased area

In 1996 the banquet room generated the following sales:

Food	\$143,394
Liquor	62,147
Hall rentals	2,700
	\$208,241

The remainder of the facility, which includes a 100 seat cafeteria, covered deck and seasonal gift shop, generated sales of \$563,749.

From total sales of \$771,990 the banquet room therefore contributed

27% of total revenue. The Board receives a rent of 9% of gross sales, excluding liquor, so that in 1996 the banquet room generated rent of \$13,148 for the Board.

In future discussions with the lessee it will be made clear that the

present banquet room be excluded from the leased premises after 1998.

2. Long-term lease extension

The request from the lessee for a long-term lease extension and the injection of monies to renovate the existing premises should result in the whole food service operation being updated. One potential improvement is the enclosure of the deck area. A cost-benefit study should be carried out to see if the deck enclosure could be used on a year-round basis. This project has many potential benefits and could compensate for the removal of the banquet area for functions.

It is envisaged that the new area could be utilized during the busy summer months as additional cafeteria seating during the day and be used for functions during the evenings. During the winter months it could be used solely for functions. The location is more attractive than the present banquet room and there is good potential for increased revenues for the lessee and increased rent for the Board.

The lessee has been asked to meet with the Heritage Planning Group to discuss renovations to the Pavilion. In addition, Mr Carveth has been requested to prepare preliminary pro forma financial statements so that he can discuss with staff whether an improvement of this magnitude is viable from a business perspective.

3. Short-term lease extension

Since there are many unanswered questions regarding the future of the foodservice operation, the high cost of renovating the building, and any concerns from the Heritage Commission it is believed that it would be premature to negotiate a long-term lease with the lessee at this time.

A one year extension, to December 31, 1998 would enable the lessee to continue to operate under the present terms and conditions of the lease and accept bookings for the banquet room up until the end of the extension period.

The payment in lieu of taxes at the Pavilion was approved by the Board to commence in 1997 at \$1.00/sq. ft. In view of the restaurant' s uncertain tenure at this time it is proposed that the increase for 1998 be moderate and that a rate of \$1.50/sq. ft is appropriate in the circumstances.

JUSTIFICATION

Pavilion Enterprises (1978) Ltd requires an extension to their lease in order to continue the operation of their business. The issue of any long-term extension is related to many unanswered questions and the approval of such a lease would be premature at this time.

The one year extension will enable the lessee to operate in an effective manner and at the same time continue discussions with staff concerning future changes to the Pavilion.

Prepared by:
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