



Date: July 30, 2003

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
**SUBJECT: GRANVILLE ISLAND FERRIES LTD. - RENT REVIEW
AND EXTENSION OF LICENSE AGREEMENT**

RECOMMENDATION

- A. THAT the Board extend the license agreement with Granville Island Ferries Ltd. for the dock at the Aquatic Centre for three years, for the period January 1, 2000 to December 31, 2002
- B. THAT the license fee be set at \$8,177 for 2000, with increases for 2001 and 2002 based on inflation, subject to capital improvements of \$10,000 being made to the dock over the three year license term and, if this expenditure is not made in full during this term, the unspent balance will be added to the rent due for the third year of the license term.
- C. THAT no legal rights shall arise and no consents, permissions or licenses are granted hereby and none shall arise or be granted hereafter unless and until all contemplated legal documentation has been executed and delivered by all parties.
- D. THAT once the form of all legal documentation has been approved by the General Manager and Director of Legal Services for the City of Vancouver, that the General Manager be authorized to execute and deliver such documentation on behalf of the Board.

BACKGROUND

Granville Island Ferries Ltd. (GIF), which operates as False Creek Ferries, has provided a year round passenger ferry service from the dock by the Aquatic Centre since 1983. It currently connects directly from there to Granville Island and to the Maritime Museum at Vanier Park.

The latest one year license agreement with GIF expired on December 31, 1999 and GIF has requested an extension. The license fee paid to the Board for 1999 was \$10,962.

The Board has a 30 year lease from the Province of B.C. for the water lot into which this dock extends, which expires in 2015. The Province has been charging the Board an annual lease payment

based on 50% of the license fee paid by GIF to the Board.

DISCUSSION

GIF constructed, and maintains, the ramp and dock at the Aquatic Centre. From 1983 to 1993, GIF's rent was discounted to allow for its expenditure on the initial capital cost and further improvements. From 1994 to 1999, rent was set on the understanding that the capital investment had been fully amortized.

Aquabus is the only other company operating a passenger ferry service in False Creek similar to that provided by GIF. It uses a City-owned dock at the foot of Hornby St. While the two companies' docks are of different sizes (the Hornby St. dock is longer), the two ferry companies were considered to be receiving broadly similar net benefits from their use of these two docks and from 1994 onwards GIF's rents for its dock were brought up to a level comparable to the rents charged by the City to Aquabus.

At the rent reviews for the 1999 license year, both GIF and Aquabus' rents were raised by 1.5% to reflect inflation, to \$10,962. Both license agreements expired on December 31, 1999.

As GIF's Aquatic Centre dock and Aquabus' Hornby St. dock have been the two companies' main links to the Downtown and West End, Board and City staff have been attempting to treat them consistently. The following summarises the respective arrangements for the two docks:

Ferry Company	licensor	ramp & dock	responsibility for structural repairs & maintenance	responsibility for regular maintenance & cleaning	access
Granville Island Ferries	Board	built & owned by GIF	GIF	GIF	GIF has exclusive access
Aquabus	City	built & owned by City	City	Aquabus	Aquabus has exclusive ferry company access, private boaters can also use dock

GIF has exclusive use of its dock, whereas Aquabus shares landing rights at its dock with other users (other than commercial ferry operators). This could involve Aquabus having to wait while another user is at the dock. In theory, this should not happen at GIF's dock, although unauthorized boaters do use it. So, while GIF does have an advantage over Aquabus in this area, it may not be sufficient

to offset the additional major maintenance costs GIF has to incur. This factor has been taken into account in the current recommendations for the license renewal.

“Blueways” & ferry services in False Creek

Limiting ferry operations to two companies allows for healthy competition, without the congestion and customer confusion which might arise from having more operators. The City currently does not contemplate issuing licenses for any more ferry companies in False Creek.

There are major changes taking place in the False Creek area, which should be taken into account in determining any longer term arrangements with both ferry companies. There are currently 10 ferry docks in place, and plans for at least three more. In addition to GIF’s services to Granville Island and Maritime Museum, one or both of the ferry companies operate routes to Stamps Landing, Science World, Fisherman’s Docks, Yaletown and Spyglass Place (near Cambie Bridge). At some docks (as at the Aquatic Centre and Hornby St.) the companies pay significant fees, at others there is a lower fee or no charge.

The City is in the process of conducting its “Blueways” review, which may result in changes to the usage of False Creek by marine traffic. When the City and the Board renewed the respective license agreements for only one year in 1999, it was hoped that by the end of 1999 they would be in a position to offer both GIF and Aquabus longer term arrangements which would deal appropriately and consistently with these changes. However, the review process is not yet far enough along to allow for this to happen. Given the complexity of the issues, the number of stakeholders involved, and the existing license agreements the ferry companies have with different landlords for the ferry docks (with expiry dates of up to December 31, 2002), it could take several more years for final implementation of major changes arising out of this review .

GIF License Renewal

The City’s waterlot lease with the Province for the Aquabus dock at Hornby St. expired in 1999 and is currently under review. Until the City knows whether, and on what terms, it will be renewed, it cannot agree on its future license terms with Aquabus for that dock. To allow continued consistency in the dealings with the two companies, Board staff also delayed finalizing any arrangement with GIF. However, in fairness to GIF, consideration of the renewal of its arrangement with the Board for the Aquatic Centre dock should not be delayed any longer.

Granting a three year extension of the license agreement would allow GIF some security of tenure for the immediate term without committing the Board significantly far into the future. It will allow it to commit the necessary funding to doing the required work on the dock and ramp. At the same time, it will allow some more time to clarify the future of ferry services in False Creek. City staff agree with this approach.

GIF has requested that, in setting its license fee for the Aquatic Centre dock for the next term, the Board take into account that GIF is responsible for structural repair and maintenance costs at the dock and ramp. GIF anticipates that it will have to incur costs of a minimum of \$10,000 over the next three years to replace worn-out piles and a section of the dock. This amount includes some work which was done in late 1999 after initial discussions were held with GIF on renewal of the license. Given that this dock will ultimately revert to the Board if it is left in place on expiry of the final license term some time in the future, it is not unreasonable that the Board offer GIF some assistance with these costs.

Previous rent increases, with a few exceptions, have generally been based on inflation. It is proposed that the license fees for 2000, 2001 and 2002 be set on the same basis, but that they be reduced by an amount for capital improvements of \$3,333 per annum (totaling \$10,000 over the three year license term). Any unspent balance of this \$10,000 would be added to the rent due for the final year of the term. This \$10,000 allowance would include the amounts spent in late 1999 and would be subject to the General Manager's approval of the relevant expenditure.

Applying an inflation rate of 1.5% to the 1999 license fee of \$10,962, with the reduction of \$3,333 for capital improvements, the 2000 license fee would be \$8,177.

Mr. Dave McInnes, President of GIF, has been advised of these recommendations and is in agreement with them.

JUSTIFICATION

To provide some degree of security to GIF, while still allowing the City and the Board the opportunity to properly assess the changes in False Creek before making a longer term commitment, the license term with GIF should be extended for three years, with a license fee that takes into account GIF's responsibility for paying for proposed structural repairs to the dock.

GIF has been responsive to any concerns of the Board and has been a good tenant over the years. It continues to provide a quality service which is well used by local residents and tourists. Supporting the ferry service is consistent with a general aim of promoting transit, and discouraging use of private vehicles by visitors to Granville Island and Vanier Park.

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