



Date: May 30, 2003

TO: Board Members - Parks and Recreation
FROM: Finance Committee - Board of Parks & Recreation
SUBJECT: Brockton Totem Poles Gift Shop - Licence Extension

RECOMMENDATION

A. THAT the Board approve a two year licence extension to Destination Canada Gifts Inc., from July 1, 2004 to June 30, 2006 to operate the Gift Shop at the Brockton Totem Poles site in Stanley Park under the same rent formula as the first three years.

B. THAT no legal rights shall arise and no consents, permissions or licences 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.

C. THAT once the form of all legal documentation has been approved by the General Manager and the 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

The following motions were approved at the June 26, 2000 Board Meeting:

THAT the Board approve the award of a three year operating licence, with a two year extension at the Board's option, to Destination Canada Gifts Inc. to operate a food service and gift shop at the Brockton Totem Poles Visitor Centre.

THAT the annual rent be the higher of \$120,000 or 10% of gross sales up to \$1,000,000, 12% of gross sales between \$1,000,000 and \$1,500,000, 15% of gross sales between \$1,500,000 and \$2,000,000 and 20% of gross sales over \$2,000,000.

DISCUSSION

The catalyst for constructing the Brockton Totem Poles Visitor Center was the lack of public washrooms at this very busy location. It had long been a source of frustration and inconvenience for visitors who had to walk to the Brockton Cricket Pavilion or Oval to use the nearest public washrooms.

Adding the component of a small gift shop and food service at the Brockton Totem Poles was a way to fund not only the washrooms but also an Interpretative Court showing the history of the First Nations peoples who once lived in this area (Burrard, Musqueam and Squamish nations).

Funding in the amount of \$500,000 from the City's Capital Financing Fund was approved by City Council in 2000 to assist the Board's funds in building the Center and this amount is being repaid from gift shop revenues over a period of 8 years at \$78,000 per annum. The loan will be retired in July, 2009.

After a public request for proposals and a competitive selection process Destinations Canada was awarded the contract to complete the interior of the Gift Shop and granted an operating licence for up to 5 years.

One of the reasons Destinations Canada was awarded the contract at the Totem Poles site was their previous experience in the gift shop industry and their knowledge of the First Nations and local Vancouver gift market.

The agreement with Destinations Canada called for a three year term with a two year option that could only be exercised by the Board. The reason for the short term was to give the Board the opportunity to assess the performance of the Operator rather than commit to a longer term from the start of the agreement.

Under the terms of the agreement the Board has to advise the Tenant no more than 12 months and no less than 9 months prior to the expiry of the term (June 30, 2004) if it wishes to renew the agreement for a further two years.

Rent

The rental formula is the higher of a fixed guarantee of \$120,000 per annum or an escalating percentage that increases in increments depending on the level of annual sales.

Percentage rent is 10% of gross sales up to \$1,000,000, 12% of gross sales in between \$1,000,000 and \$1,500,000, 15% of gross sales between \$1,500,000 and \$2,000,000 and 20% of gross sales over \$2,000,000.

Performance

In the first year of operation (July 1, 2001 - June 30, 2002) gross sales at the Gift Shop were \$1,266,746 with rent being \$141,421. When the amount in lieu of property tax (\$3,937) is added to this total the rent on a square foot basis equates to \$193.81/sq ft.

In the second year of operation (July 1, 2002 - June 30, 2003) gross sales are projected by the Operator to be \$1,600,000 which together with the amount in lieu of property tax (\$4,095) would realize \$179,095 to the Board, or \$238.79/sq ft.

When this gift shop is compared to other top retail locations (the high end of Robson Street, Granville Island, the pre-security area of Vancouver International Airport) it is the highest rent per square foot in the City.

Staff are also very satisfied with other aspects of the operation such as the service to the public, quality of the food and beverage selection (food and beverage sales are approximately 10% of the total sales) and general cleanliness of the area.

SUMMARY

Destinations Canada has proven to be a very satisfactory tenant and performed in their first two years to a high standard.

The financial return to the Board for the Gift Shop has been excellent when compared to other similar operations in Vancouver.

Prepared by:

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pj