



Date: October 21, 2004

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: Prospect Point Café – Postponement of Rent Review

RECOMMENDATION

That the Board approve the postponement of a rent review and a review of the amount in lieu of property tax for the Prospect Point Café for one year, until December 1, 2005.

BACKGROUND

In 1984 the Board awarded a ten year lease to the Prospect Point Café to operate a restaurant/gift shop/take-out at Prospect Point in Stanley Park. One of the conditions was the expenditure of at least \$500,000 in capital improvements.

During the first ten year lease, the popularity of the facility resulted in a service that was at times barely adequate for the heavy volume of visitors. The increase in tourism in Vancouver, particularly in the cruise ship industry, resulted in more people visiting Stanley Park on tour buses and consequently more people visiting Prospect Point.

After discussions concerning improvements to the facility the Board approved the following recommendations in November, 1994:

1. THAT the Board approve a new five year lease with two five year renewal options to the Prospect Point Café, commencing December 1, 1994.
2. THAT the rent for the first two years (Dec 1, 1994 – Nov 30, 1996) be set at 7% of total gross revenue (including liquor) and the next three years (Dec 1, 1996 – Nov 30, 1999) at 8% of total gross revenue (including liquor). Payments are to be made monthly by the 15th day of the following month.
3. THAT a payment in lieu of property taxes of \$1.00 sq.ft. be charged effective December 1, 1994, \$2.00 sq.ft. effective December 1, 1995, \$3.00 sq.ft. effective December 1, 1996, \$4.00 sq.ft. effective December 1, 1997 and \$5.00 sq.ft. effective December 1, 1998.

4. THAT the renovations to the facility, estimated to cost \$1,500,000 be completed to the satisfaction of the General Manager within a two year time frame (Dec 1, 1994 – Nov 30, 1996). Failure to comply with this condition would result in the Board having the option to immediately terminate the lease.
5. THAT a rent review and a review of the amount in lieu of property taxes take place before each five year renewal option.

In January, 2000, the Board approved the rent at Prospect Point remaining at 8% of total gross revenue for the next 5 years (December 1, 1999 – November 30, 2004). The amount in lieu of property tax would remain at \$5.00/sq.ft. until December 31, 2000 and be reviewed each year effective January 1, 2001 to reflect any change in property tax assessments for businesses in Vancouver.

DISCUSSION

The Prospect Point Café is divided into three types of businesses; restaurant, take-out and gift shop. It is a diverse operation, and very different to other restaurant operations in Stanley Park. The prime market is the tourist trade singly and in tour groups. The main selling attractions have been gift items and take-out food.

The location of the business is at an historic lookout point and is included as a stopover point on most city tour routes. The restaurant is a licensed, full service facility with a large outdoor patio. The concept is casual dining with an emphasis during the daytime on affordable meals for park visitors. However, this has not proven as successful as the gift shop.

A variety of hot and cold foods and beverages are available from the take-out kiosks which are extremely busy during the summer months. The gift shop is approximately 400 sq. ft. and offers a wide variety of merchandise including local and Canadian souvenirs and gifts.

The Prospect Point Café is entering the final five year option period of its lease. The operator of the Café, Mr. Daniel Frankel, has had preliminary discussions with staff concerning significant capital improvements at the facility and the possibility of re-establishing the historic signal station at Prospect Point lookout which would serve as an interpretative centre and food service outlet. The original signal station was removed in 1939 and the site terraced and laid out in its present state to give a series of lookouts on different levels.

A formal proposal and business plan has not yet been finalized by Mr. Frankel. Since both the term of the lease and the rent review would likely be impacted by these changes it is recommended that the current rent and amount in lieu of property tax remain for one more year and a review take place before December 1, 2005.

In 2003 the Prospect Point Café paid the Board a rent of \$161,077 on gross revenues of \$2,013,463. The amount in lieu of tax was \$28,671.

SUMMARY

The operator of the Prospect Point Café has had initial discussions with staff over future improvements at this location that could benefit both the operator and the Board. A rent review for the final five year term of the current lease should be postponed for one year as both the rent and any future extension to the lease could be impacted by the acceptance of the operator's proposal.

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