



Date: March 1, 2005

TO: Board Members - Parks and Recreation

FROM: General Manager - Parks and Recreation

SUBJECT: Stanley Park Dining Pavilion – New Sublease with Point Group Holdings Ltd.

RECOMMENDATION

- A. *THAT the Board approve a 10 year sublease with a five year option of the Stanley Park Dining Pavilion to Point Group Holdings Ltd. or a corporate entity dedicated for this purpose by the principals of Point Group Holdings Ltd. , from April 1, 2005 – March 31, 2015.*
- B. *THAT the rent for the first 10 year term be set at 6.25% of gross revenue (including liquor) with a guarantee of \$1,000/month in the first year, \$2,000/month in the second year and \$3,000/month in years three through ten.*
- C. *THAT an annual payment in lieu of property taxes of \$2.75/sq ft be set for 2005 and the rate be revised each year to reflect any change in property tax assessments for businesses in Vancouver.*
- D. *THAT the tenant agree in the Sublease to make improvements to the Pavilion during the first year of operation to the value of approximately \$1,164,000. Both the improvements and the timeline for the improvements will be to the satisfaction of the General Manager.*
- E. *THAT the Board approve a period of 6 months from the date of the commencement of the Sublease whereby the rent and payment in lieu of property tax are both waived in order to allow the tenant to carry out capital improvements.*
- F. *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.*

BACKGROUND

On December 10, 2001 the Board approved a ten year lease of the Stanley Park Dining Pavilion with the International Culinary Institute of Canada Inc. or a corporate entity designated for this purpose by the principals of the International Culinary Institute of Canada Inc. from January 1, 2002- December 31, 2011.

The corporate entity designated to operate the Pavilion, CHIC Management Services Inc., vacated the premises on November 5, 2004.

DISCUSSION

A Request for Proposals (RFP) was issued in mid-November and two responses were received by the Board in December. One proposal was incomplete and the other proposal from Point Group Holdings Ltd. met all the required conditions set out in the document.

Daniel Frankel, President of Point Group Management is already known to the Board as the operator of the Prospect Point Café and Mill Marine Bistro in Harbour Green Park. In addition, the company operates Bridges Restaurant on Granville Island and the café and catering service at the Coal Harbour Community Centre.

The following are the main features of the Point Group proposal:

1. Concept

The concept consists of three distinct themed areas; the Tea Garden and Gallery, the Rose Garden Ballroom and the Veranda Grill.

The Tea Garden and Gallery will consist of a dining room, a waiting lounge (bar area) and a retail/gallery space. Afternoon tea and evening high teas will be served in the dining room. The Gallery store will offer educational books and a large selection of loose leaf teas and other gift items themed around the Tea Garden concept.

The Rose Garden Ballroom will be decorated with a rose garden theme and cater to private functions, weddings, and other parties.

The Veranda Grill will serve food at reasonable prices in a family-friendly environment with a “Banff terrace” ambience. Menu items will include home-made soups and grilled sandwiches, pizzas, freshly baked pastries, and items from the grill.

2. Improvements to the Pavilion

The proponent has submitted a list of improvements to a value of \$1,364,000 that will be carried out in two phases during the first year of occupancy. An estimated \$200,000 of these improvements will be funded by the Board through previous

capital plans and major maintenance funding. A breakdown of the improvements is shown as an appendix to this report. (Appendix A).

The first phase (approximately \$586,000) will be pre-opening purchases, improvements and start-up costs in order to enable being ready by the Victoria Day long weekend in May. The second phase (approximately \$778,000) involves improvements to the building's services and infrastructure and will take place after the summer season from November 2005 – February 2006.

It should be noted that at this time the improvement budget is based on estimated prices to perform the work and could change depending on contract prices at the time of carrying out the work.

The proponent has agreed to provide a letter of credit for \$50,000 payable to the Park Board if the capital improvements are not completed by March 1, 2006.

3. Ten year term plus one five year option

The recommended term of ten years with a five year option is consistent with other leased operations whereby a tenant offers significant capital funding in order to improve and upgrade a Park Board facility. In this case, the Pavilion is a heritage building which requires both infrastructure and cosmetic improvements in order to update its stature as a major attraction to both Vancouver residents and visitors to Stanley Park.

4. Rent and amount in lieu of property tax

In their proposal the proponent offered the Board a rent of 6¼% of gross revenue (including liquor) for the first ten year term. There is a guaranteed fixed rent of \$1,000/month in the first year, \$2,000/month in the second year and \$3,000/month in years 3-10. The rent would be reviewed at the end of the ten year term if the five year option is exercised by the tenant.

In the RFP an amount in lieu of property tax for 2005 of \$2.75/sq ft for the main floor area of 9,325 sq ft was specified (\$25,644). The tax rate is revised each year to reflect any change in property tax assessments for businesses in Vancouver.

In the first full year of operation the proponent estimates gross revenue of \$1,500,000 with rent and taxes resulting in a payment of \$119,325 to the Board.

5. Waiving the rent and taxes for the first 6 months

As an incentive for the proponent to carry out all the capital improvements during the first year staff recommend that there be no rent or tax payments during the first six months of the lease. (April 1 – September 30, 2005). As of October 1, 2005 both the

rent and taxes will be paid by the lessee, even if sections of the Pavilion are closed during the winter months for renovations.

SUMMARY

The proposal from Point Group Holdings Inc. meets all the requirements of the recent Request for Proposals and pays the Board a rent that is equal or higher than other Park Board restaurants. The infusion of capital funding ensures that the Board's most significant heritage building will get immediate renovations and improvements in the forthcoming year.

Prepared by:

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