



June 22, 2016

TO: Park Board Chair and Commissioners
FROM: General Manager - Vancouver Board of Parks and Recreation
SUBJECT: Prospect Point Café - Lease Line Amendments

RECOMMENDATION

- A. THAT the Vancouver Park Board approve the amendment of the existing Prospect Point Café lease line to accommodate an adjustment to the building footprint for a new café at a net zero increase to the overall leased area;
- B. THAT subject to approval of Recommendation A, the Vancouver Park Board approve the amendment of the existing Prospect Point Café lease line to relocate the current 60 seat licensed outdoor patio to the south west corner of the building, adjacent to the new café at a net zero increase to the overall leased area;
- C. THAT subject to approval of Recommendations A & B, the lease line amendments outlined in this report shall comply with the terms and conditions of the current lease agreement, and to such other terms and conditions as approved by the General Manager of the Park Board in consultation with the Director of Legal Services for the City of Vancouver;
- D. THAT the General Manager be authorized to execute and deliver the lease line amendments on behalf of the Board;
- E. 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.

POLICY

The Vancouver Park Board approves all use of lands under its jurisdiction.

BACKGROUND

By way of lease assignment, Stanley Park Operations Ltd. (SPO), a subsidiary of The Capilano Group of Companies, has held the lease for, and operated, Prospect Point Café since 2014.

There are three types of businesses operated at the Café: a restaurant, take-out food kiosks, and a gift shop. The restaurant is a licensed, full service operation with 187 interior seats and 60 seats on the outdoor patio. In addition to an ice cream stand, a variety of hot and cold foods and beverages are available from two take-out kiosks. An interior gift shop offers a wide variety of merchandise, including Canadian and local products and gifts.

On March 31, 2014, the Board approved a lease assignment to SPO, whereby SPO would assume the lease for the balance of the term expiring on November 30, 2019. The Park Board further approved four consecutive 5-year extensions of the lease, running from December 1, 2019 to November 30, 2039, subject to SPO making significant capital investments to upgrade the facilities, address any building deficiencies, and implement changes to enhance revenue generation.

At the time, SPO committed to spend a minimum of \$1.3 million on a complete renovation which would include enhancements to the existing restaurant, creation of a west coast retail experience, and a new licensed cafe. The conceptual plans presented for the renovation showcased a design that would:

- Incorporate historical references and interpretive elements
- Realign the entry way and open up the interior
- Enhance the outdoor patio area
- Extensively use natural materials

DISCUSSION

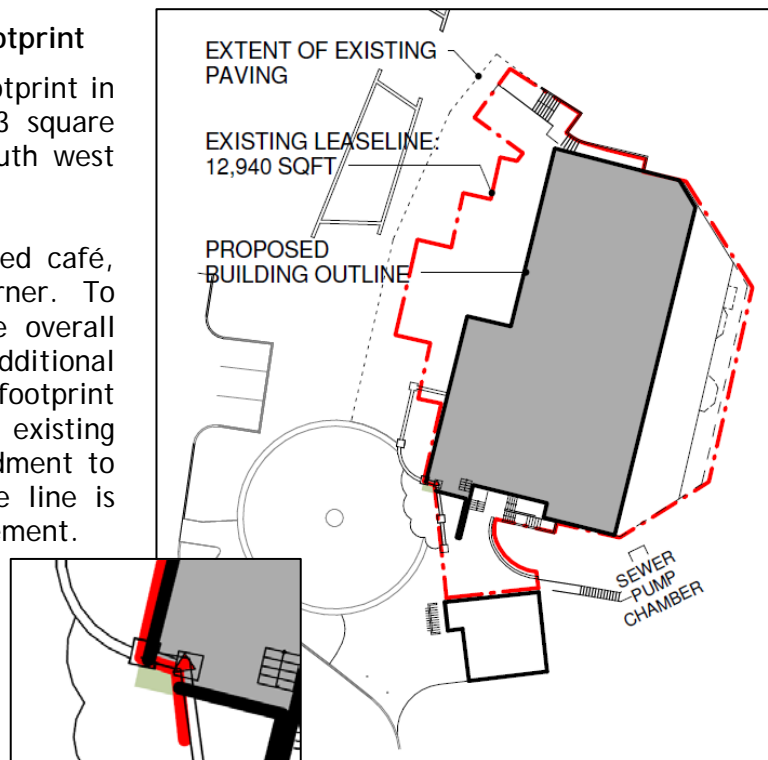
Upon possession of the building, SPO learned that immediate improvements would be required to address deficiencies within the building in order to ensure continuation of operations, and that their planned future renovation would need to be re-evaluated. To date they have spent \$800K to correct deficiencies and convert the existing ice cream kiosk into an ice cream shop.

The next phase of work is planned to commence in late summer 2016. The planned work will feature improvements to the existing restaurant, development of a west coast retail experience, and a new licensed café with adjoining patio. Investment for this phase is estimated at \$2.3M for a cumulative investment total of \$3.1M. Plans have been submitted for Development Permit and Building Permit review and approval, and the work will also be subject to First Nations review.

Lease Line Amendment - Building Footprint

As shown in Figure 1, the building footprint in the existing lease line includes a 13 square foot (4ft x 3.25ft) cut-out in the south west corner of the building.

In order to complete the new licensed café, SPO requires squaring out this corner. To maintain a net zero increase to the overall leased area, SPO would offset the additional square footage gained in the building footprint with an equivalent reduction to the existing patio area (see Figure 2). An amendment to their current building footprint lease line is required to accommodate this improvement.



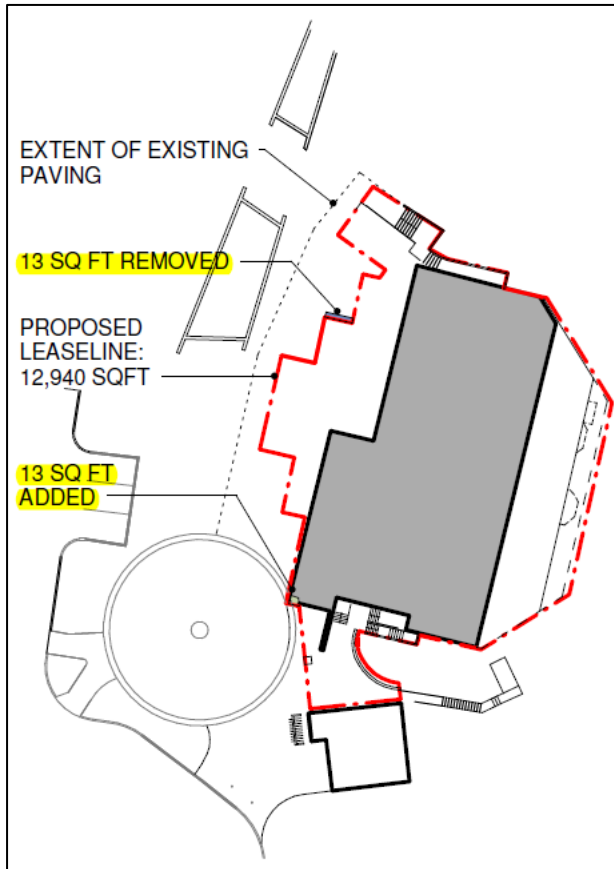


Figure 2: Proposed Building Footprint Amendment

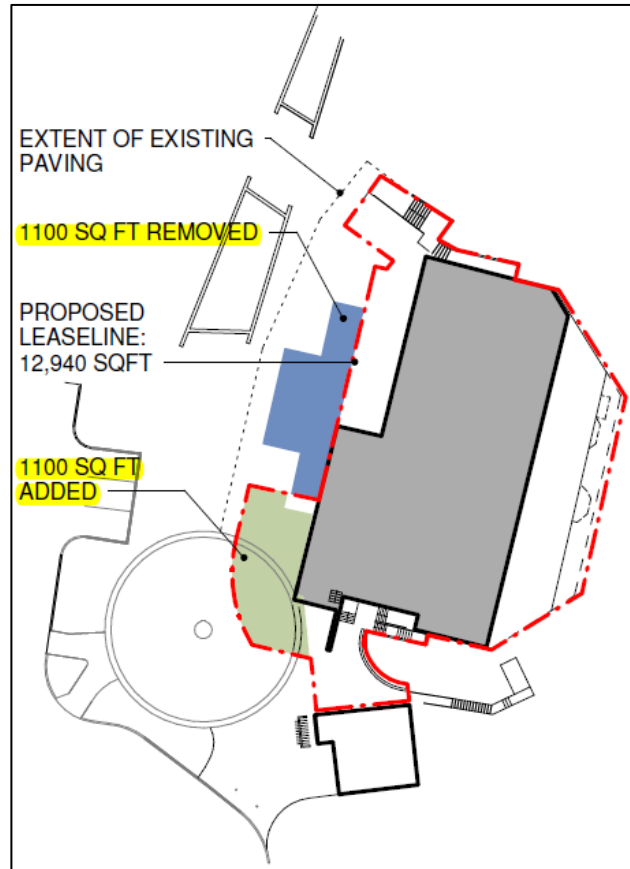


Figure 3: Proposed Patio Relocation Amendment

Lease Line Amendment - Patio Relocation

The Prospect Point Café currently has a 60 seat licensed outdoor patio associated with the restaurant. To accommodate the new design and business operations, SPO needs to relocate the existing patio so that it is adjacent to the new café. To maintain a net zero increase to the overall leased area, SPO would offset the additional square footage gained in the new patio area with an equivalent reduction to the existing patio area (see Figure 3). An amendment to their current patio lease line is required to accommodate this improvement.

Future Improvements

SPO's next phase of proposed investment and improvements is planned for the fall of 2017 and will include:

- Enhancements to the public plaza and compass relocation/realignment
- An improved landscape plan, including re-greening of parking spaces

These improvements and work is estimated at approximately \$500K, for a cumulative investment total of \$3.6M. This future phase will require public engagement, First Nations review, and Vancouver Park Board approval prior to proceeding.

SUMMARY

The Capilano Group of Companies (CGC) has a strong track record in successfully developing, improving, and operating facilities, including two Park Board assets, Prospect Point Café and Stanley Park Pavilion, which are both managed through CGC's subsidiary, Stanley Park Operations Ltd.

The investments proposed by SPO will enhance the value of the Prospect Point Café, enhance customer experiences, and support increased revenues which will benefit the Park Board, its stakeholders, and the community.

Accordingly, staff recommend that the Board approve the proposed amendments to the existing Prospect Point Café lease line, which will enable Stanley Park Operations Ltd. to:

- Justify their \$3.1M investment (\$800K to date + \$2.3M proposed for 2016);
- Make important legacy improvements to a key Park Board asset;
- Enhance the competitiveness of this landmark location; and
- Enhance future financial returns to the Park Board.

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