

Date: February 6, 1997

**SUBJECT: GRANVILLE ISLAND FERRIES LTD.
- RENT REVIEW AND EXTENSION OF LICENSE AGREEMENT**

RECOMMENDATION:

- A. THAT the Board extend the license agreement of Granville Island Ferries Ltd. (operating as False Creek Ferries) for two years, for the period January 1, 1997 to December 31, 1998.**
- B. THAT the rent be set at \$10,800 per year for the years 1997 and 1998.**
- C. THAT no legal rights shall arise hereby and none shall arise hereafter until execution of the contemplated document.**

PURPOSE

Granville Island Ferries Ltd. has requested a five year extension to its license agreement to use the dock at the Aquatic Centre. The licence term expired on December 31, 1996.

The purpose of this report is to recommend the granting of an extension to this licence agreement, and the amount to be charged as rent for the period of the extension.

BACKGROUND

On December 20, 1982, the Board invited proposals from experienced ferry service operators who were interested in providing ferry service in English Bay and False Creek and required access to Park Board property. All costs were to be borne by the ferry company and the location of the docking facility was subject to the approval of the General Manager.

On April 18, 1983, the Board approved the award of landing rights at the Aquatic Centre to Granville Island Ferries Ltd. for a five year period. Granville Island Ferries built its dock there, and commenced operations on August 1, 1983.

Since the dock extends into the Province's waterlot, it was necessary for the Board to apply for a new waterlot lease. On October 20, 1987, the Board received the executed lease for Provincial Waterlot 6092. A 30 year lease was issued by the Province to the Board for ferry dock, ramp and float purposes.

The Province's policy is to charge a lease payment based on 50% of the rental amount charged to a sub-lessee. This annual payment has increased to \$5,191 for the current three year period (March 9, 1995 to March 8, 1998).

On February 5, 1990 the Board approved an extension of Granville Island Ferries' license agreement to December 31, 1991, at an annual charge of \$5,325 for 1990 and \$5,590 for 1991.

On February 3, 1992, the Board approved a two year extension of the agreement to December 31, 1993, with a right of first refusal for an additional three years. The rent was set at \$5,870 for 1992 and at \$6,150 for 1993.

On January 17, 1994, the Board approved a 3 year extension of the agreement to December 31, 1996, at a rent of \$10,080 per annum for the years 1994 to 1996.

Granville Island Ferries' regular scheduled service from the Aquatic Centre dock currently connects directly with Granville Island and Vanier Park.

DISCUSSION

Lease Payment

The dock and ramp adjacent to the Aquatic Centre were built by Granville Island Ferries in 1983. This investment and further improvements made by the company were taken into account in setting the initial rent. From 1983 to 1993, rent increases were modest and generally in line with inflation.

In setting the rent for the three year period 1994 - 1996, staff considered that the company's initial capital investment had been fully amortized. As a consequence, after years of receiving a discounted rent, in 1994 it was brought up to a level deemed to be comparable to rents charged by Canada Mortgage and Housing Corporation to Aquabus Ferries Ltd and Granville Island Ferries for their docks on Granville Island, and by the City of Vancouver to Aquabus for its City-built dock at the foot of Hornby Street.

Both Aquabus and Granville Island Ferries use docks on Granville Island as part of their ferry routing. Aquabus is currently charged \$3,600 per annum for its 20 foot dock, and Granville Island Ferries \$5,520 per annum for its approximately 30 foot dock. Although these rates were based on the ridership and revenues of the respective companies, they are both equivalent to approximately \$15 per foot per month.

Canada Mortgage & Housing Corporation is currently renegotiating lease rates with both Aquabus and Granville Island Ferries Ltd. It anticipates that this process may take up to 6 months as, in addition to reviewing passenger usage figures for both companies, it is looking at the ferry services in the context of overall transportation and public access to Granville Island. At present, it does not anticipate that there will be a significant increase in the rent it will be charging to Granville Island Ferries.

In 1993, the City' s Housing and Properties Department negotiated a five year agreement with Aquabus for its Hornby Street dock, for the period January 1, 1994 to December 31, 1998, with a rent review after 2½ years. The rent for the first 2½ years of the lease period was set at \$10,080/yr, a charge of \$15 per foot per month for the 56 foot dock ($\$15 \times 12 \text{ months} \times 56' = \$10,080$).

At the rent review carried out by the City in late 1996, the rent charged to Aquabus for the second 2½ years of the lease term (July 1 1996 - December 31 1998) was increased by 7%, to \$10,800 per annum. This increase was to reflect inflation.

Granville Island Ferries has a shorter float at the Aquatic Centre than Aquabus has at its Hornby Street dock. The float leading from the ramp is 14 feet and the landing float with the covered shelter is 18 feet x 20 feet. However, these docks provide both companies with similar business opportunities in the same area of Vancouver. Since the shorter float at the Aquatic Centre dock does not adversely impact on the level of business, the rent for the 1994 - 1996 period for Granville Island Ferries' Aquatic Centre dock was set at \$10,080, the same rate as that charged to Aquabus.

Granville Island Ferries owns its dock and incurs some annual costs which Aquabus, using a City owned dock, does not. These costs include property taxes, engineer' s inspections for structural soundness, and development permit charges. The company estimates that these expenses totalled approximately \$1,400 in 1996. In addition, its costs in respect of maintenance may be more than those of Aquabus. Aquabus is only responsible for cleaning costs and for maintenance for reasonable wear and tear due to its use of the City' s dock, whereas Granville Island Ferries must pay all costs of maintaining and repairing its dock. Granville Island Ferries estimates its annual costs for maintenance of the dock at \$500, and considers that, within the next year or two, it may have to undertake some structural work on the dock pilings.

However, Granville Island Ferries 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 Granville Island Ferries' dock (although some unauthorised boaters do use it). Another benefit for Granville Island Ferries is the close proximity of the Aquatic Centre and Sunset Beach parking lots which are well used by their patrons who do not wish to drive to Granville Island.

Staff consider that the disadvantage to Granville Island Ferries of incurring additional costs is a trade-off with the advantage of having exclusive landing rights at its own dock and two nearby parking lots. City staff, dealing with the Aquabus lease, agree with this assessment. For this reason, no adjustment has been made to the proposed lease rate because of additional costs incurred by Granville Island Ferries.

Staff recommend that the Board continues to charge the same rate to Granville Island Ferries as the City charges Aquabus. This would require an increase of approximately 7% over the rate charged by the Board from 1994 - 1996, to a rate of \$10,800 per annum for the term of the licence agreement

renewal, commencing January 1, 1997. This represents a charge of approximately \$16 per foot per month.

Renewal Period

Granville Island Ferries has requested a renewal period of five years. The Board and the City are currently examining the feasibility of a single consolidated policy to deal with the entire False Creek area. This may result in changes in the way the ferry companies operate, introduction of new ferry routes and new operators, and possible sharing of some or all of the docking facilities by the operators.

For this reason, staff recommend that the renewal period be for two years only, to December 31, 1998. This expiry date will also coincide with the expiry of the City' s current lease with Aquabus for its Hornby Street dock and will allow the City' s and the Board' s future dealings with the two companies to be consistent with each other.

General

Granville Island Ferries has been responsive to any concerns of the Board and has been a good tenant over the years. It has generated good business from the Aquatic Centre dock and its ferry service is well used by both tourists and local commuters. Supporting the ongoing operation of the ferry service is consistent with a general policy to promote the use of transit rather than private vehicles by visitors to Granville Island and Vanier Park.

JUSTIFICATION

The rent which the Board proposes charging to Granville Island Ferries for use of the Aquatic Centre dock, for the two year period from January 1, 1997 to December 31, 1998, includes an increase of approximately 7%. The amount of the rent payments will be the same as the rent the City currently charges Aquabus for use of its dock at the foot of Hornby Street for its similar ferry service in False Creek.

A two year renewal period will put this lease on the same renewal schedule as the City' s lease with Aquabus, and will not commit the Board far enough into the future as to unduly delay any future plans by the Board and the City for changes in the ferry service operations in the False Creek area.

Prepared by:
Administrative and Revenue Services Division
Board of Parks and Recreation
City of Vancouver