



Date: January 25, 2000

**TO: Board Members - Parks and Recreation**  
**FROM: General Manager - Parks and Recreation**  
**SUBJECT: PROSPECT POINT CAFÉ - RENT REVIEW**

---

## RECOMMENDATION

- A. THAT the rent for the Prospect Point Café for the period December 1, 1999 - November 30, 2004 be set at 8% of total gross revenue (including liquor).
- B. THAT a payment in lieu of property taxes of \$5.00/sq ft be set until December 31, 2000 and the rate be reviewed each year effective January 1, 2001 to reflect any change in property tax assessments for businesses in Vancouver.
- C. 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.
- D. 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

In 1994 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 it became apparent that 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 and consequently more people visiting Prospect Point.

After lengthy 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 15<sup>th</sup> 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.***
6. ***THAT no legal rights shall be created by the passage of these resolutions and none shall arise hereafter except by the signing of the contemplated documents.***

## **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 markets are the tourist trade and park users.

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 families.

A variety of hot and cold foods and beverages are available from the take-out which is 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 improvements carried out during the first term of the agreement have significantly improved

the appearance and traffic-flow in and around the facility. The gift shop, take-out and outdoor seating areas have all been renovated to a high standard.

### **Performance during first 5 year term**

The Prospect Point Café has just finished their first five year term of their lease. The following is a summary of gross revenue and rent paid to the Board during this period:

<b>Year ending</b>	<b>Gross Revenue</b>	<b>Rent</b>	<b>Amount in lieu of Property Tax</b>
May 31, 1995	\$2,270,062	\$174,890	\$ 2,586
May 31, 1996	\$1,708,247*	\$119,577	\$ 7,934
May 31, 1997	\$2,423,156	\$176,942	\$12,918
May 31, 1998	\$2,450,763	\$196,061	\$18,084
May 31, 1999	\$2,541,925	\$203,354	\$23,244

\*The operations of all three business areas were closed for renovations effective November 15, 1995. The take-out and gift shop reopened on April 20, 1996 and the restaurant reopened on May 1, 1996.

This table indicates an 12% growth in sales from 1995 to 1999. This is considerably less than the revenue increase of 34% estimated by the owner, Mr George Frankel in his business plan which was prepared in 1994. There could be many reasons for the projections not meeting their target but staff are optimistic the pattern of steady growth will be maintained in the future.

### **Rent Review**

The present rent of 8% of gross sales, including liquor, is higher than other restaurant leases in our parks because of the opportunities to operate a gift shop and take-out business. These are less labor-intensive than a stand-alone restaurant and therefore can offer higher margins to an operator.

Current market rates in both the public and private sector have been reviewed. On a square footage basis the lessee is currently paying \$36.31 sq ft in rent and \$40.46 sq ft when the amount in lieu of property tax is factored in to the calculation.

It has always been difficult to compare our restaurant facilities with downtown establishments. On the positive side our facilities benefit from the summer tourist trade and the general influx of

visitors who are drawn to Stanley Park. Locations like Prospect Point are naturally scenic and the operator benefits from the heavy volume of bus tour traffic.

On the downside, Prospect Point is less of an attractive location in the winter months. It lacks the street appeal and proximity to downtown for visitors who do not wish to drive to a restaurant for either lunch or dinner.

It should also be recognized that in 1995 the lessee invested significant capital funds to upgrade the facility and the amortization period will stretch into the second five year term of the lease.

All these factors have been taken into account and it is recommended that the rent remains at 8% of gross sales for the next five years. The lessee has been current with his rental payments and the operational relationship with staff has been positive in recent years.

In discussions with the B.C. Assessment Authority the amount in lieu of property tax, \$5.00 sq ft is slightly under comparable locations in Vancouver. For reasons mentioned above the agency agrees that the current rate is fair for this location but it is recommended that during the next term any annual change to the property tax rate for businesses in Vancouver also apply to Park Board facilities.

## **SUMMARY**

In the first term of the lease the owner of the Prospect Point Café did not meet his revenue expectations but the pattern of growth is higher than the rate of inflation and with an upturn in the economy there are positive signs for the future.

The current rent of 8% of gross sales and the amount in lieu of property tax of \$5.00 sq ft are considered to be fair and reasonable when compared with other similar private and public establishments in the Lower Mainland.

Prepared by:

Revenue Services  
Stanley District  
Board of Parks & Recreation  
Vancouver, BC  
pj