



Date: May 29, 2002

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: Harbour Green Café - Award of Contract

RECOMMENDATION

- A. *THAT the Board award a five year contract to a corporate entity with George and Daniel Frankel as the principals, to lease the new Café at Harbour Green Park for a period of five years.*
- B. *THAT the annual rent be set at 10% on the first \$500,000 of gross revenue and 12% on all revenue over \$500,000 with a minimum annual rent set at \$12,000 for the first year, \$24,000 for the second year and \$36,000 for years three to five.*
- C. *THAT an annual payment in lieu of property taxes of \$5.46/sq ft (2002 rates) be set from the date of opening and the rate be revised each year to reflect any change in property tax assessments for businesses in Vancouver.*
- D. *THAT the Board contribute \$150,000 as a fixturing allowance and the tenant agree to fund and complete all other improvements to the Café before the date of opening.*
- E. *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

Harbour Green Park is a newly developed 10 acre park situated approximately 500 metres to the east of the Coal Harbour Community Centre. The park has been developed for the Park Board using funds provided by Marathon Developments Inc. as a requirement for the development of the adjacent lands.

The park has a major water feature (fountains and a children's water park) and is bordered by a seawall linking Stanley Park to the Vancouver Trade and Convention Centre and Cruise Ship Terminal.

DISCUSSION

As part of the negotiations for the site Marathon agreed to build a Café and public washrooms. In order to allow the successful proponent to customize the interior to their own specifications Marathon have completed the building “shell” and given the Board an allowance of \$150,000 to be used by the Café operator to go towards the completion of the interior which consists of 1773 square feet. Adjoining the Café is an outside patio of 645 square feet.

The Board operates it’s own beach and park take-out concessions but leases out it’s restaurants and sit-down cafés to operators who have a background in managing similar facilities. Our experience has shown that the private sector is both willing to inject capital funds into our facilities and also to obtain the best financial return in a very competitive market place.

The proposal call was advertised nationally and locally and potential bidders were contacted. Only one proposal was received by the Board and the main reason given for not responding is that the overall Coal Harbour development is still a work in progress and several years away from completion. The area is still under construction and as such most businesses contacted were concerned about a viable cash flow in the first few years of operation.

The proposal from George and Daniel Frankel is of high quality and offers an acceptable level of remuneration to the Board. George Frankel has 20 years experience operating Bridges restaurant on Granville Island and the Prospect Point Café and his son Daniel has operated the Juice Bar at the Coal Harbour Community Centre for the past year.

The design of the Café will have a nautical theme to complement the spectacular view. In addition, the interior will incorporate interpretative murals that tell the historic story of Coal Harbour.

One of the objectives of the proponents is to promote and market the operation at the Harbour Green Café with their present operation at the Coal Harbour Community Centre. The menu at the Café will offer a selection of freshly made soups, salads, sandwiches, pastries, bagels and beverages and these can be transported to the Community Centre with relative ease. There are many healthy choices on the menu at the Café and there will be additional menus for both children and seniors. The proponents also intend to apply for a liquor licence to sell beer and wine at the Café.

The proposed annual rent to the Board is a percentage rent of 10% of gross sales up to \$500,000 and 12% over \$500,000. There will be a guaranteed base annual rent of \$12,000 in the first year, \$24,000 in the second year and \$36,000 in years three to five. The five year projected rent including an amount in lieu of property tax is \$279,925. This is equivalent to over \$31.00/sq ft which is considered a good rent by a leasing specialist in the food service industry.

SUMMARY

It is anticipated that the new Harbour Green Café will be a popular addition to the emerging Coal Harbour community. The selection of George and Daniel Frankel, who have a proven food service history with Park Board as well as other locations, should provide a high level of service at this location.

The proposed rent formula will enable the Board to obtain a higher return based on the projected increase in revenue for each year of the contract.

Prepared by:

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