



Date: July 30, 2003

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: RENEWAL OF LICENSE AGREEMENT WITH AAA HORSE & CARRIAGE LTD.

RECOMMENDATION

- A. THAT the license agreement with AAA Horse & Carriage Ltd to operate a horse drawn tour service in approved areas of Stanley Park be renewed on its expiry for an additional 5 years, from May 1, 2003 to April 30, 2008, on the same terms as the existing license except for the changes noted in this report.**
- B. THAT the annual license fee paid to the Board by AAA for the period of the license agreement renewal be set at 6% of its gross revenues from its horse drawn tour operations and 10% of its gross revenues from sale of other items.**
- C. THAT the licence granted to AAA to occupy a portion of the Stanley Park Service Yard, be renewed for an additional period of 5 years from May 1, 2003, to run concurrently with its license to operate the horse drawn tour service, subject to AAA making capital improvements of a minimum of \$75,000 during the license term, as set out in this report.**
- D. 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.**
- E. THAT once the form of all legal documentation has been approved by the General Manager and Director of Legal Services for the City of Vancouver, that the General Manager be authorised to execute and deliver such documentation on behalf of the Board.**

BACKGROUND

AAA Horse & Carriage Ltd (AAA) has been operating a horse drawn carriage service in Stanley Park since 1987. After over a decade without a detailed license agreement, the Board entered into a five year agreement with AAA in 1998. The current license term expires on April 30, 2003. AAA has requested that the Board approve a license agreement renewal now, rather than waiting until the expiry date next April.

DISCUSSION

Previous and Current License Agreements

Prior to 1998, AAA paid the Board an annual concession fee of \$2,000, plus annual inflation increases. No rent was charged to AAA for its occupation of facilities in the Service Yard or the ticket kiosk.

Under the current license agreement for the five year term to April 30, 2003, AAA pays the Board a license fee based on the following percentage of revenues:

- 4% on the first \$300,000 and 6% on the balance of gross revenues from its horse drawn tour operations in Stanley Park.
- 10% of revenues from sale of other approved items. These revenues currently include commission from sale of tickets to other attractions and sale of souvenirs. During the current agreement term, approximately 15% of total annual revenues to the Board from AAA have been from this source.

With increases in AAA's revenues over the current term, the total annual license fee paid to the Board by AAA has risen from \$29,000 in year 1, to \$33,000 in year 4. This provides AAA exclusive rights to operate a horse drawn tour service in Stanley Park and to occupy approximately 2908 square metres in the service yard.

PROCESS

AAA has committed significant investment to its business since 1987 and has built up an extensive clientele. Staff have held discussions with AAA and both parties have agreed to the terms of the proposed new license agreement.

Proposed Terms of New License Agreement

It will be the same as the current agreement, with the following changes:

License Term and Renewal on Expiry

The license term will be May 1, 2003 - April 30, 2008. The agreement will include a provision that, if AAA wishes to discuss a renewal on its expiry in 2007, AAA will notify the Board of this fact by October 31, 2006 and, if the Board also wishes to renew, negotiations will then commence. This will give AAA time to make ongoing business commitments with knowledge of the terms of the future license or, if AAA will not be continuing to operate in Stanley Park beyond the end of the proposed new term, the Board will have the option of going out for proposals for an alternative service.

License fee

The license fee on AAA's gross revenues from horse drawn tour operations will increase to 6% on all of these revenues. The increase from the current 4% up to 6% on the first \$300,000 will provide extra revenue of \$6,000 per annum to the Board.

The current agreement allows for AAA to be charged for utility costs for its service yard and ticket booth locations. This requirement will not be in the new agreement, as the new higher license fee is deemed to include an amount in lieu of these charges.

AAA will continue to pay the Board 10% of its revenues from the sale of other approved items.

Capital Improvements

AAA will commit to spending a minimum of \$75,000 over the five year term on capital improvements to its facilities in Stanley Park. Details have yet to be finalised, and will be subject to the approval of the General Manager, but will likely include improvements to the paddock area and barn in the Service Yard and the departure location by AAA's ticket booth at Coal Harbour.

SUMMARY

With this additional license term, AAA will be able to invest now both in future business opportunities and in its facilities in Stanley Park. The amended fee in the agreement renewal reflects the value of the license to AAA and is considered to be appropriate in comparison to the Board's other leased operations. AAA has agreed to the proposed terms of the agreement renewal.

Prepared by:
Revenues Services
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