



Date: December 19, 2003

**TO: Board Members - Parks and Recreation**  
**FROM: General Manager - Parks and Recreation**  
**SUBJECT: Kitsilano Beach Restaurant Facility**

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## **RECOMMENDATION**

*THAT the Board increase its contribution towards the Kitsilano washroom/lifeguard facility redevelopment to \$800,000 with payment terms as outlined in this report*

## **EXISTING POLICY**

On July 22, 2002 the Board approved a report which increased the scope of the project to include the redevelopment of the adjacent public facilities. These additions were to be the financial responsibility of the Board and the report estimated its contribution to the redevelopment to be \$500,000 for construction costs of the public facilities. These include public washrooms, public change rooms, a lifeguard station/storage and a gardener's storage area. This was a change from the original proposal call - see background - which envisaged retaining existing washroom/changing room/lifeguard facilities at Kitsilano Beach.

On November 4, 2002 the Board approved the design concept for the facility subject to some changes to the design of the lifeguard tower.

## **BACKGROUND**

The Board issued a request for proposals on January 14, 2002 seeking an operator to demolish and redevelop the Kitsilano Beach food concession as a restaurant and concession facility.

On June 19, 2002, the Board amended its request to the two finalists to include the redevelopment of the adjacent washrooms/ change rooms and lifeguard facility as part of their proposal.

On July 22, 2002, the Board accepted the amended proposal of Peter Barnett to undertake the development of the restaurant, concession and public facilities. The Board was to contribute \$500,000 towards the reconstruction of the public facilities. This contribution was to be in the form of a rent rebate over the first ten years of the proposed lease.

## DISCUSSION

In the intervening two years, the estimated cost of developing the project has increased substantially. The overall project has increased from \$3,200,000 to \$5,300,000 with the costs for the public amenities rising from \$0.5 million to \$0.8 million. The reasons are set out below.

1. In 2002 and 2003, construction costs in the lower mainland increased approximately 15%. This has increased the estimated cost of the public facilities portion of the project by \$87,000. (See attachment # 1).
2. Because of the protracted approval process, the consultant costs related to the project have increased. The Park Board share of the total consultant costs will be \$56,000.
3. The permit approving agencies (city departments) required that all service connections to the project be upgraded and replaced. This was unanticipated. Also the city application fees have been in excess of \$90,000. The public facilities portion is 26% of the total floor area of the entire project. Hence, the Park Board contribution to these costs will be 26% of these amounts or \$59,600 and \$23,400.
4. As the design progressed, Park Board staff sought additions to the public realm which were considered desirable, including fresh water showers on the plaza, additional seating and planters, bike racks and a new fenced service yard. The total of these costs is \$64,000. Additional minor design changes will cost \$10,000.

The cumulative result of the above four factors is an increase of \$300,000 in the cost of the washroom/change room/lifeguard facility.

The Park Board will not be paying for the public facilities at the time of construction. The successful proponent, Barnett, will finance construction of the public facilities and the Park Board will reimburse Barnett for such construction costs and related borrowing costs (interest) by reducing the rent for the concession and restaurant facility during the first ten years of the term of the lease.

The repayment schedule (rent reduction) will be based on a 10% capital cost repayment per annum or \$80,000 plus 7% interest for the first 5 years and \$80,000 per annum plus interest of 1.5% above prime for the second 5 years. In addition, \$30,000 of bridge financing during construction will be amortized in the first 5 years.

The resulting cash flow to the Park Board from the project lease is estimated as follows:

Gross Sales	\$3,600,000
6.5% rent	\$ 234,000
In lieu taxes	\$ 35,500
Total revenue	\$ 269,000
Rent rebate	
Years 1 - 5	\$ 117,400
Net revenue	\$ 152,100 per annum

Were the originally estimated costs to have held through 2005, the net revenue to the Park Board would have been \$199,400 per year.

The 2002 net revenue to the Park Board was \$65,000 for the existing food concession. The 2003 revenue to the Board - when the concession was temporarily run by the proponent - was \$22,300.

## CONCLUSION

The processing time for this proposed development has exceeded two years. This has overlapped an unusually large jump in building construction prices. The combination has created increased estimated costs, whereby the overall project now stands at \$5,300,000. The Park Board share of these costs has increased by \$300,000 to develop the public amenities as part of this project. While repaying this difference will reduce the Board's anticipated annual revenue for 10 years, the reduced amount is over twice as much as 2002 revenue from the site and an improved level of food service will be provided to park users.

Prepared by  
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