



Date: April 28, 2005

TO: Board Members - Parks and Recreation

FROM: General Manager - Parks and Recreation

SUBJECT: Brockton Totem Poles Gift Shop - Licence Extension

RECOMMENDATION

- A. *THAT the Board approve a five year licence extension to Destination Canada Gifts Inc., from July 1, 2006 to June 30, 2011 to operate the Gift Shop at the Brockton Totem Poles site in Stanley Park under a revised rent formula of the higher of \$120,000 or 10% of gross sales up to \$1,000,000, 15% of gross sales between \$1,000,000 and \$2,000,000 and 20% of gross sales over \$2,000,000.*
- B. *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.*
- C. *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

The following resolutions were approved at the June 26, 2000 Board Meeting:

THAT the Board approve the award of a three year operating licence, with a two year extension at the Board's option, to Destination Canada Gifts Inc. to operate a food service and gift shop at the Brockton Totem Poles Visitor Centre.

THAT the annual rent be the higher of \$120,000 or 10% of gross sales up to \$1,000,000, 12% of gross sales between \$1,000,000 and \$1,500,000, 15% of gross sales between \$1,500,000 and \$2,000,000 and 20% of gross sales over \$2,000,000.

On June 5, 2003 the Board approved the following resolution:

THAT the Board approve a two year licence extension to Destination Canada Gifts Inc. from July 1, 2004 to June 30, 2006 to operate the Gift Shop at the Brockton Totem Poles site in Stanley Park under the same rent formula as the first three years.

DISCUSSION

In 2001 the Brockton Totem Poles Visitor Center was constructed. The lack of public washrooms at this very busy location had long been a source of frustration and inconvenience for visitors who had to walk to the Brockton Cricket Pavilion or Oval to use the nearest public washrooms.

Adding the component of a small gift shop and food service at the Brockton Totem Poles was a way to fund not only the washrooms but also an Interpretative Court showing the history of the First Nations peoples who once lived in this area (Burrard, Musqueam and Squamish nations).

Funding in the amount of \$500,000 from the City's Capital Financing Fund was approved by City Council in 2000 to assist the Board's funds in building the Center and this amount is being repaid from gift shop revenues over a period of 8 years at \$78,000 per annum. The loan will be retired in July, 2009.

After a public request for proposals and a competitive selection process Destination Canada was awarded the contract to complete the interior of the Gift Shop and granted an operating licence for up to 5 years.

One of the reasons Destination Canada was awarded the contract at the Totem Poles site was their previous experience in the gift shop industry and their knowledge of the First Nations and local Vancouver gift market.

The agreement with Destination Canada called for a three year term with a two year option that was exercised by the Board in June, 2003. The reason for the initial short term was to give the Board the opportunity to assess the performance of the Operator rather than commit to a longer term from the start of the agreement.

In the nearly four years since it opened the gift shop Destination Canada has proved to be an excellent tenant with a high quality operation. Revenues have exceeded expectations and are growing each year. The lessee has maintained the premises to a high standard and provides a good service to the hundreds of thousands of visitors who visit this site every year.

Stuart Colquhoun, Managing Director of Destination Canada has written to the Board requesting a five year extension to their lease. Even though there is one year left in the existing term, retail stores with customized inventory often have to place orders up to a year in advance. In addition, buying at trade shows is completed well before the busy tourist season and it is therefore prudent to renew the lease well before its expiry so that the lessee can secure product for the store.

Rent

The rental formula is the higher of a fixed guarantee of \$120,000 per annum or an escalating percentage that increases in increments depending on the level of annual sales.

The lessee has agreed that the rent be increased so that the percentage rent of gross sales in between \$1,000,000 and \$1,500,000 will be adjusted from 12% of gross sales to 15% of gross sales. Based on the 3% increment of \$500,000 in gross revenue and subject to revenues remaining strong, this will result in an additional \$15,000 per annum to the Board effective the 2006/7 season.

Financial Performance

The following is a summary of gross sales, rent, amount in lieu of taxes and square footage rent during the first four years of the agreement:

| Date | Gross Sales | Rent | Taxes | Rent + taxes per sq ft |
|---|--------------------|------------------|----------------|-------------------------------|
| July 1, 2001 - June 30, 2002 | \$1,265,323 | \$131,839 | \$3,937 | \$181.24 |
| July 1, 2002 – June 30, 2003 | \$1,550,115 | \$162,435 | \$4,095 | \$222.04 |
| July 1, 2003 – June 30, 2004 | \$1,581,395 | \$166,276 | \$4,372 | \$227.53 |
| July 1, 2004 - June 30, 2005 (projected) | \$1,730,000 | \$194,950 | \$4,500 | \$265.93 |

SUMMARY

Destinations Canada has proven to be a very satisfactory tenant and during the past four years has performed to a high standard. Their financial return has been excellent when compared to other similar operations in Vancouver and the amendment to the rental formula will result in an additional \$15,000 per annum to the Board during the extension term.

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