



Date: April 13, 2006

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: Concession Strategy Study

RECOMMENDATION

- A) THAT the Board receive the attached report by the JF Group entitled Concession Strategy Study;*
- B) THAT the Board approve the implementation strategy contained in this report for changes to our food delivery processes.*

BOARD POLICIES

- A) On January 14, 2002 the Board approved a Request for Proposals call for new food services operations at Kitsilano Beach and Sunset Beach to replace the existing take-out concessions.
- B) On March 14, 2005 the Board approved retaining a consultant to assist in the development of a food plan strategy for an amount not to exceed \$30,000 and partner with the Aquarium in the operation of the “Trailer Concession” for the next 13 months as a pilot project.

BACKGROUND

Food services are offered in parks by the Board in two fashions.

1. Independent restaurateurs lease Park Board buildings and manage all aspects of their operations. The Board collects a percentage of their gross sales as rent for the facilities.
2. The Board annually contracts with independent operators to run one of the Board’s food concession stands. The Board sets the menu and prices and provides most of the products to the operators who receive a percentage of gross sales for their efforts.

DISCUSSION

Over the past decade, the concession operation has seen an ongoing drop in gross sales, hence reduced revenue for the Board. The food choices have also been criticized for not keeping pace with changing public expectations for quality / more healthy food.

The restaurants have proven more successful in keeping abreast of public tastes and providing a fairly constant revenue stream for the Board. Two new restaurants have been added to the existing six facilities in the last four years.

While not a core service within parks and recreation, the Board has always felt that the provision of food in parks is a desirable service to the park users. At issue is how that food is provided. The attached report does not deal with the current landlord-tenant relationships in the six operating restaurants. However, it does recommend replacing some of the existing concession sites with similar table service / licensed facilities. This report outlines an implementation strategy which incorporates both concessions and restaurants.

The success of the Watermark Restaurant – nearly \$2,000,000 in gross sales in the first five months, returning \$86,600 to the Board after paying for the new washrooms – supports the report recommendations that we change our relationship with food services.

INTENT

1. The Board should move from a matriarchal to an entrepreneurial model of food / drink delivery. Currently in concessions, the Park Board
 - sets the menu
 - sets the prices
 - buys the product
 - distributes the product
 - provides free living accommodation in about half the concessions

The Park Board should

- move to a landlord/ tenant relationship
 - let food experts decide on menu and pricing
 - assist with bulk purchasing as requested
 - leave product distribution to suppliers
 - convert living accommodation to covered seating and storage
2. The Board should pursue outside sources of capital to pay for facility redevelopment or upgrading. Capital plan funding over the last 20 years has been limited, producing only one major renovation and two small facilities – information and souvenirs. Other priorities have dominated the Capital Plans.

3. The Park Board should attempt to reduce its risk in food service redevelopment by relying on the expertise and borrowing power of its new partners. Almost all the capital received in the last 20 years to upgrade Park Board restaurants has come from the tenants who have operated these facilities.

STRATEGY

1. Staff recommend that new revenue streams should be created from high potential sites to create a financial cushion to buffer further change.
 - a) The Board will take back a site in the transition area between the convention centre expansion and Harbour Green Park. The approved design includes a restaurant site for an approximately 6,500 square foot two level facility on the edge of the seawall. The site will be returned to the Park Board in January 2008.

Based on our experience with the Watermark project, staff recommend that the Board hire designers and apply for a development permit prior to offering the site as a “request for proposals.” The certainty of a development permit in place should increase the RFP bidding level and hence provide more long term revenue to the Board.

- b) The best opportunity for concession redevelopment is the site on the beach at the foot of Denman. Staff recommend that, simultaneous with the Harbour Green Park process, the Board retain a designer and proceed to development permit this summer. The cost of both these consulting contracts will be covered by capital plan funding for concession upgrading.
2. Staff recommend that the Board move early on the protection of productive but vulnerable sites’ income streams. The “trailer” at the aquarium plaza is our third highest producer but is progressively losing market share to the Aquarium food services. The trailer’s redevelopment has been intended since the salmon stream project, but internal funding has not been available. The Board should issue an ‘expression of interest’ call this autumn to be able to assess market interest in the site as well as a second opportunity to combine this new facility with the information booth and Lumberman’s Arch concession under a single management structure.
3. To expand the economic range of interest in managing existing concession facilities, the Board should offer groups of concessions as a bid bundle. The economies of scale and logistics should make the operation of the four Point Grey facilities attractive in terms of geographic proximity, bulk ordering, storage and potential specialization.

This should be undertaken after the Harbour Green and foot of Denman restaurants have opened to have extra income to cover any short term slumps in net revenue to the Park Board.

With an award of the proposal call for the Point Grey beach concessions, the warehouse/ distribution function should be stopped. Given the development timing of the restaurants, warehouse closure would be in Spring 2009.

4. Three of the more promising locations for redevelopment have specific impediments which could affect the economic success of the projects.
 - a) Sunset Beach concession sits on an old water lot leased from the Provincial Government. Discussions in 2003 with provincial officials were not successful in arriving at an economic solution beneficial to the Park Board. This issue will have to be reopened and business models for various options developed. This could commence in the fall of 2006.
 - b) Second Beach concession is currently our most productive operation and appears to have significant latent demand in terms of seawall traffic year round. However, the pool related washrooms/ changerooms, which are part of the existing concession structure, do not meet current building code requirements in terms of space and fixtures. It is unclear how much washroom expansion would be required as part of concession redevelopment, but it could amount to nearly \$2 million. This compares to \$800,000 for the Watermark. Again, an array of business models need to be developed and renewed.
 - c) Third Beach is probably the most scenic concession site in the system. Although it has ample parking, it is at the end of the parks' one way road system, hence it seems remote. Also it may not generate off season seawall traffic as, unlike Second Beach, it is a long walk from the West End in the rain. A business decision on this site should await the outcome of the previously discussed difficult sites.

In the interim all three will benefit from independent management. Based on tourist requests all three operators expressed interest in acquiring licensing to sell beer and wine with their food offerings. This would entail covered and open seating within a cordoned area of their patios.

CONCLUSION

The one size fits all approach to Park Board concessions is no longer a good model. Clientele and expectations are now quite varied, particularly for those sites which are now part of the English Bay seawall system. Food and service choice are what our clients seek. The entrepreneurial models outlined in the consultant's and staff's reports are seen to be the best route to achieving client satisfaction, rebuilding our aging food infrastructure and providing a good financial return to the Board.

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