



Date: July 21, 2008

**TO:** Board Members - Parks and Recreation  
**FROM:** General Manager - Parks and Recreation  
**SUBJECT:** Brockton Totem Poles Interpretative Centre –  
Expansion to Gift Shop and Public Washrooms

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## RECOMMENDATION

- A. THAT the Board approve an expansion to the Brockton Totem Poles Interpretative Centre of approximately 1900 sq. ft. as illustrated in Appendix 1.*
- B. THAT the Board approve Lubor Trubka & Associates to provide detailed drawings that will be brought back to the Board for final approval before an application for a development permit.*
- C. THAT the Board approve that funding of \$353,200 be borrowed from the Corporate Sponsorship Fund and paid back within 6 years through increased gift shop revenues as indicated in this report.*
- D. THAT the Board approve a ten year license extension to Destination Canada Gifts Inc. from July 1, 2011 to June 30, 2021 to operate the Gift Shop at the Brockton Totem Poles site in Stanley Park with a revised rent formula of 10% of gross sales commencing July 1, 2010 until June 30, 2015 and 14% of gross sales from July 1, 2015 until June 30, 2021.*
- E. 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.*
- F. 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

In 2001 the Brockton Totem Poles Visitor Centre was constructed. The lack of public washrooms at one of the busiest tourist locations in BC 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 Centre and this amount is being repaid from gift shop revenues over a period of 8 years at \$79,800 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 License 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 initial agreement with Destination Canada called for a 3 year term with a 2 year option that was exercised by the Board in June, 2003 and the agreement was extended in 2005 by 5 years, from 2006 to 2011. In the 7 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 the lessee has maintained the premises to a high standard and provided a valuable but limited service to the hundreds of thousands of visitors who visit this site every year.

The popularity of the site, especially for bus tours, has resulted in the public washrooms being heavily congested throughout the summer months and the gift shop requiring additional space to enable customers to be serviced in a more comfortable manner.

On April 21, 2008 an expansion of the gift shop and public washrooms was brought to a Committee meeting of the Board with a proposal to extend the existing building (2,250 sq ft) at the rear by approximately 1200 sq ft. The Committee was in general agreement to proceed with the next step of retention of an architect, and to report back to the Board once a plan had been developed.

## **DISCUSSION**

### **Building Design and Costs**

Staff retained the services of Lubor Trubka Associates Architects (the architect of the original building) to design the addition to the Visitor Centre. After the first program meeting with the architect it became evident that the estimated size was too small to accommodate the requirements of both Destination Canada and the Board and the size was increased to 1900 sq. ft. The lessee requested storage space to service the expanded gift shop so that his portion would be 1,515 sq ft and the Board's increased space for

washrooms would be 385 sq. ft. It should be noted that currently the operator rents storage space in the Stanley Park Service Yard and transports his inventory to the gift shop on a daily basis in the summer.

The washroom increase would enable the Ladies' washroom to expand from 5 stalls to 13 stalls and the Mens' washroom to expand from 2 stalls and 2 urinals to 3 stalls and 4 urinals. There would also be a new family washroom in addition to the other new washrooms.

Mr. Trubka has incorporated similar design features, finishes and materials into the expansion so that the effect is one seamless building that does not look any different than the original building.

The cost of the expansion is now estimated at \$1.3 million, a figure that has been confirmed by an independent quantity surveyor.

### **Trees in the proposed expansion area of the Centre**

At the Committee meeting staff advised the Board that they would instruct the architect to design the addition with as little impact to the adjacent trees as possible. The addition has been staggered at each end so that the existing trees are left alone. There is one tree, however, a 60 ft. red maple, that is located in the middle of the addition that will have to be removed. Staff have contacted Parks Canada and they have advised the Board that they do not anticipate any issues with the removal from a commemorative integrity perspective since this tree appears to have no commemorative significance. In addition, a Parks Canada environmental assessment specialist has indicated that the tree does not have any significant wildlife value. Staff will continue to liaise with Parks Canada staff during the planning process.

### **Rent with Destination Canada**

The present 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 rent is 10% of gross sales up to \$1,000,000, 15% in between \$1,000,000 and \$2,000,000 and 20% over \$2,000,000.

### **Financial Performance**

The following is a summary of gross sales, rent, amount in lieu of taxes and square footage rent during the last 3 years of the agreement:

<b>Date</b>	<b>Gross Sales</b>	<b>Rent</b>	<b>Taxes</b>	<b>Rent + taxes per sq ft</b>
<b>July 1, 2005 – June 30, 2006</b>	<b>\$1,721,999</b>	<b>\$208,300</b>	<b>\$4,635</b>	<b>\$313</b>
<b>July 1, 2006 – June 30, 2007</b>	<b>\$1,663,978</b>	<b>\$199,597</b>	<b>\$4,774</b>	<b>\$301</b>
<b>July 1, 2007 – June 30, 2008</b>	<b>\$1,693,220</b>	<b>\$203,983</b>	<b>\$4,774</b>	<b>\$307</b>

When this gift shop is compared to other top retail locations (Robson Street, Granville Island, the pre-security area of Vancouver International Airport) it is believed to be the highest rent per square foot in the City.

### **New Rental Agreement with Destination Canada**

As indicated above, the cost of this project is estimated at \$1.3 million. The lessee has agreed to pay two-thirds of the cost (\$867,000) and it is recommended that the Board pay one-third of the cost (\$433,000). This formula was agreed upon based on the estimated cost of unfinished space being built for the lessee and the high cost of washroom/mechanical space being built for the Board. The lessee has also indicated that completing his allocated retail and storage space will cost another \$200,000 bringing his investment to approximately \$1 million.

In order to allow the lessee to finance his capital investment it is recommended to increase his term by an additional 10 years so that it would now expire on June 30, 2021.

It is also recommended that for the first 5 years of the gift shop expansion (July 1, 2010- June 30, 2015) the rent be set at a fixed rate of 10% of gross sales and that for the balance of the agreement (July 1, 2015 - June 30, 2021) the rent be set at a fixed rate of 14% of gross sales. These rental rates were negotiated with the operator and were based on market research and a formula that allows the Park Board to pay back the initial \$433,000 investment in five years. Destination Canada has agreed to these recommendations.

### **The Board's financing of their \$433,000 Capital Cost**

Since the current loan will be retired on June 30, 2009 the loan payment (\$79,800) can be used to reduce the initial capital cost from \$433,000 to \$353,200, in the first year. It is proposed that the balance of required funding be borrowed from the Corporate Sponsorship Fund which at the end of 2008 will have a balance of \$545,000

The fund will be repaid in 5 years which will be a faster rate than the original loan payback period which was 8 years.

The following is a summary of the effect this loan will have on the corporate sponsorship fund:

<b>Year</b>	<b>Opening Balance</b>	<b>Loan for Project</b>	<b>Loan Repayment</b>	<b>Annual Sponsorship Monies</b>	<b>Closing Balance</b>
<b>2008</b>	<b>\$345,000</b>			<b>\$200,000</b>	<b>\$545,000</b>
<b>2009</b>	<b>\$545,000</b>	<b>(\$353,200)</b>		<b>\$225,000</b>	<b>\$416,800</b>
<b>2010</b>	<b>\$416,800</b>		<b>\$76,200</b>	<b>\$225,000</b>	<b>\$718,000</b>
<b>2011</b>	<b>\$718,000</b>		<b>\$76,200</b>	<b>\$225,000</b>	<b>\$1,019,200</b>
<b>2012</b>	<b>\$1,019,200</b>		<b>\$76,200</b>	<b>\$250,000</b>	<b>\$1,345,400</b>
<b>2013</b>	<b>\$1,345,400</b>		<b>\$76,200</b>	<b>\$250,000</b>	<b>\$1,671,600</b>
<b>2014</b>	<b>\$1,671,600</b>		<b>\$76,200</b>	<b>\$250,000</b>	<b>\$1,997,800</b>

## **SUMMARY**

This project will provide the public with a much higher level of washroom service than the current facilities allow. The Board's cost will be repaid in full from the Corporate Sponsorship Fund within 5 years.

Destination Canada has proven to be a very satisfactory tenant since the Interpretative Centre opened in 2001 and has performed to a high standard.

The financial return from this lessee has been excellent when compared to other similar operations in Vancouver and the revised rental formula reflects the capital investment of the lessee, comparable market rents and loan payback expectations.

Prepared by:

Stanley District  
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pj