



Date: September 4, 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 appointment of Lubor Trubka Associates Architects and his consultant team to provide design development, construction documents, tendering, contract administration and all required permits for a fixed fee of \$153,000.*
- C THAT the Board approve that funding of \$353,200 be borrowed from the Corporate Sponsorship Fund and paid back within 5 years through increased gift shop revenues as indicated in this report.*
- D. THAT the Board approve a ten year licence 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 the contracts be on the terms and conditions outlined in this report and on such other terms and conditions as are approved by the General Manager of the Park Board in consultation with the Director of Legal Services;*
- F. THAT upon approval of the contracts by the General Manager of the Park Board in consultation with the Director of Legal Services, the General Manager of the Park Board be authorized to execute the contracts on behalf of the Board;*
- G. THAT no legal rights shall arise hereby, and none shall arise until execution of the contemplated contract, and the Board reserves the right to rescind this resolution at any time up to the execution and delivery of the contemplated contract by the General Manager of the Park Board;*

## **POLICY**

The Board reviews and approves the schematic designs for major construction projects. The awarding of consulting contracts over \$30,000 is a Board decision.

## **BACKGROUND**

In 2001 the Brockton Totem Poles Visitor Center was constructed. The lack of public washrooms at one of the busiest tourist locations in B.C. 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 \$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 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 initial agreement with Destination Canada called for a three year term with a two year option that was exercised by the Board in June, 2003 and the agreement was extended in 2005 by five years, from 2006 to 2011. In the seven 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, the retention of an architect, and report back to the Board once a plan had been developed.

At the Board meeting on July 21, 2008, following discussion about the cost of the expansion and concerns from another park stakeholder about the amount of notice he received before the report was going to be presented to the Board, the following resolution was carried:

***THAT the matter be deferred to the September 15, 2008 Board meeting to allow further consultation with all the stakeholders and to allow alternate utilitarian designs to be put forward.***

## **DISCUSSION**

### **Building Design and Costs**

The proposed addition of 1900sf to the existing Brockton Totem Poles Interpretative Centre was presented to the Board on July 21, 2008. This was the preferred option since it was designed as a logical continuation of an existing building, with the same architectural language, in order for the expansion to feel seamless and not as an “add on” element. The Board asked staff to explore and put forward the utilitarian design option with a cost comparison.

Lubor Trubka Associates Architects was retained to prepare an alternative utilitarian design and cost comparison for both options. (Appendix ‘A’) The utilitarian option (#2) consists of an exposed block wall building with a flat roof. The estimated cost savings for this option, over the original option (#1), are \$52,900. The overall expansion cost estimate is \$1.3 million, from which the lessee has agreed to cover two-thirds of the cost (\$867,000) and the Park Board pay one-third of the cost (\$433,000).

This project does require a Development Permit, and as a part of that regulatory review the project will likely need to be taken to the Urban Design Panel. In anticipation of the regulatory review, staff has met with the City’s urban design team, who advise the Development Permit Board and the Director of Planning on design aspects of project. Urban design staff believes that securing approval for option #2 might be challenging, given that this is the most visited tourist location in BC and that the building is situated in the middle of the park, exposed to the views on all four sides. Therefore both the proponent and staff recommend that the Board proceed with the option 1. (See view analysis – Appendix ‘B’)

### **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’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 Destinations 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 three 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 Destinations 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 ten 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 \$353,200 investment in five years. Destinations 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 amount (\$79,800) can be used to reduce the initial capital cost from \$433,000 to \$353,200. 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>

### **Consultation with other Park Stakeholders**

Following the Board meeting staff sent a letter to all Stanley Park stakeholders with copies of the previous Board report and appendices advising them that the matter was being deferred to the September 15<sup>th</sup> meeting. If there were any questions or concerns about the project stakeholders were asked to contact staff and as of this date no inquiries have been made.

In addition, staff met on several occasions with the operator of the Prospect Point Café, Mr Daniel Frankel, to discuss ways in which the Board could assist in promoting his business in light of the expansion at the Brockton Totem Poles Interpretative Centre. The operator of Legends of the Moon has also indicated that he will discuss cross marketing initiatives with Mr Frankel.

### **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.

Destinations 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.

Staff have reviewed alternative design costs for the project and have consulted with all Stanley Park stakeholders as directed by the Board at their last meeting.

Prepared by:

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pj