



September 27, 2018

TO: Park Board Chair and Commissioners
FROM: General Manager – Vancouver Board of Parks and Recreation
SUBJECT: Park Board Concession Strategy: A Fresh Approach

RECOMMENDATION

THAT the Vancouver Board of Parks and Recreation approve the proposed Park Board Concession Strategy and implementation plan as described within this report and as outlined below:

- A. Support a refreshed concession program that appeals to a wide range of park users and aligns to Park Board strategies and initiatives to:
 - balance traditional nostalgic favorites with fresh and current trends;
 - prioritize locally sourced high quality foods;
 - provide a range of healthy choices;
 - maintain green & sustainable food service operations;
 - offer convenience and affordability;
- B. Continue to operate existing locations under multi-operator agreements, with the intention to consolidate locations as they become available to create operational and financial efficiencies;
- C. Assess the feasibility of offering alcohol sales at select Park Board run concessions through an alcohol sales pilot at the English Bay and Kitsilano Beach concessions, in collaboration with the current restaurant operators;
- D. Seek opportunities to convert seasonal concession operations to year-round cafés or full-service restaurants in high demand locations, subject to the consideration of long-term master planning processes and Park Board strategies;
- E. Identify new concession sites that would enhance the park user experience, recognizing that currently the only feasible location is Queen Elizabeth Park and therefore a concession should be considered in the scope of work when developing the park's Master Plan; and
- F. Maintain the current high quality seasonally adaptable mobile food service network and expand where needed as the City continues to grow, develop, and densify.

REPORT OVERVIEW

In response to the Board motion directing staff to review the Park Board concession operations and to develop a fresh strategy, this report provides an overview of the evaluation process, the operating model and financial considerations, improvements made, and recommendations for moving forward.

BOARD AUTHORITY / PREVIOUS DECISIONS

As per the [Vancouver Charter](#), the Park Board has exclusive jurisdiction and control over dedicated City of Vancouver park lands, and over the facilities and services provided on those lands. This includes the power to prohibit and/or impose terms and conditions on the selling of any products or the provision of any services in all areas under Park Board jurisdiction.

On November 2, 2015, the Board passed the motion titled [Serving-up a Fresh Concession Strategy](#), which directed staff to explore other affordable concession operating models for its concession network. The Board also requested that this initiative be broad in scope, giving consideration to diverse business models, repurposing of existing locations, and the introduction of new locations/concepts.

BACKGROUND

Concession Network Overview

The Park Board operates a network of 13 concession sites (see Appendix A), most of which run on a seasonal basis from April to October; the exceptions being the Stanley Park Information Booth (which is open year-round) and the Railway Café (which operates in conjunction with Stanley Park Train events held throughout the year).

All 13 concession sites are operated by individual third parties who are responsible for managing daily operations and staffing. These operators are paid a percentage of sales as a management fee for provision of services, and costs associated with their staffing are paid out of this management fee. All other aspects of concession operations are controlled and administrated by Park Board and City of Vancouver (CoV) staff. This includes setting concession menus, purchasing food and supplies, warehousing and delivery, maintaining buildings and equipment, and overall financial administration.

Park Board concessions offer Vancouverites and visitors a core standardized menu across the network and feature a selection of long standing comfort food options (e.g. burgers, fries, fish & chips, etc.). Product and service delivery across the network varies and most of the concession buildings are aging and in need of significant capital investment/upgrades.

Initial Review / Consultant Findings

In order to respond to the November 2015 Board motion, an external consultant (fsSTRATEGY) was retained in February 2016 to lead the initiative and deliver strategies to address the goals and objectives of the strategy, which included:

- Improving customer experience (e.g. service standards, product quality, diversified menu choices, etc.);
- Modernizing the service delivery model;
- Maintaining affordable pricing;
- Championing sustainability practices (e.g. local food, etc.);
- Securing capital investment for improvements/upgrades; and
- Enhancing financial performance.

As part of its work, fsSTRATEGY completed a detailed operating model analysis which included a situation review, best practice assessment, preliminary recommendations, potential go forward approaches, and financial projections. The consultant's review also provided information on continued self-operation, highlighting feasibility, operational and financial impacts, as well as capital and maintenance requirements. Many of the findings from fsSTRATEGY's work were considered in the development of the recommendations from staff detailed in this report.

Public Engagement

To inform the analysis, the consultant completed a comprehensive stakeholder and public engagement program in the second quarter of 2016, which consisted of three main activities:

- Online surveys (over 4,600 responses);
- Intercept interviews (approximately 200);
- Focus groups (four in total); and
- Stakeholder workshops (six in total), including one with Park Board Commissioners

Survey questions were designed to identify usage, visitation, purchase behavior trends, as well as customer preferences in several areas, including menu options, existing likes/dislikes, and opportunities for improvement, etc.

The engagement highlighted that while over half of Vancouver residents visit parks and or beaches at least one time per week in the summer, 67% respondents told us that they typically leave parks/beaches to buy food and beverages elsewhere. Those aged 19 to 39 were most likely to leave and respondents aged 60 and over were more likely to stay and purchase from park and beach concessions.

Respondents were also asked to identify the elements they liked about Park Board concession services, as well as areas of opportunity.

Liked	Opportunities
Convenient/accessible – 25%	Increase healthy options – 27%
Basic needs met – 7%	Serve alcohol – 22%
Fish & chips – 6%	Increase variety – 20%
Variety – 6%	Lower prices – 14%
Nostalgia – 6%	Improve quality – 13%

Overall, there was support for traditional favourites, with the top preferred products being alcohol, fish & chips, coffee, and frozen desserts.

The Board received a staff briefing on the consultant report outcomes in July 2016. Through the consultant's analysis, engagement activities, and Commissioner feedback, it became apparent that there were many desired outcomes and also many competing interests. It was also clear that a shift away from focusing on affordable operating models was needed and more work was required to ensure that the strategy reflected not only general industry practices, but also feedback specific to Vancouver park visitors.

To better evaluate current concession operations against industry best practices, staff began working more closely with the operators and suppliers to develop a more thorough understanding and assessment of their overall operations and unique customer needs. As a

direct result of this closer oversight, several opportunities were identified that would enhance customer service and financial performance.

The research, engagement, and financial analysis supports:

- continuing with the current self-operation management model, with more active oversight, for a period of 3 years, while exploring opportunities to consolidate when current operators choose to no longer pursue the concession opportunity;
- offering a consistent look and feel to Park Board concessions;
- aligning food service operations with Park Board strategies, policies, and initiatives to support local food, healthy lifestyles, and green operations;
- refreshing the menu regularly to improve customer satisfaction and increase revenues;
- providing year-round service in some locations to align better with park use;
- identifying locations that could benefit from concession and/or alternative food services;
- adding alcohol sales to select park concessions to improve the customer experience and provide increased revenues;
- upgrading equipment and interiors at all existing sites, with further structural capital improvements for identified sites;

It was also acknowledged that the focus and attention required to develop this customized solution should not preclude or prevent the introduction of short-term improvements to the concession network. As a result, several enhancements were introduced by the Park Board's concession team in 2017 and 2018.

DISCUSSION

In developing the initial components of the Park Board Concession Strategy and program, and taking the “likes” and “dislikes” of park visitors into consideration, staff looked to provide recommendations in the following areas:

- A. Concession Program Updates**
- B. Concession Operating Models**
- C. Introduction of Alcohol Sales**
- D. Conversion of Existing Concessions**
- E. New Concession Locations**
- F. Mobile Food Vendors**

A. Concession Program Updates

In November 2017, staff provided the Board with a progress update on the concession strategy. During this update, Commissioners were advised of several improvements introduced to the Park Board concession program in 2017, as well as those planned for 2018. A summary of these improvements and their impacts are provided below.

Balance traditional nostalgic favorites with fresh and current trends

The feedback received through the 2016 public engagement process confirmed that there were several opportunities for improvement and to expand the customer base, while maintaining and enhancing the highly valued traditional concession menu offerings.

In 2018, the concession menus received a significant refresh to remove less popular items, increase the quality of traditional items, and introduce some new items that reflect Vancouver food trends.

Some of the well-received changes to traditional favorites included updating burgers with a fresh baked brioche bun, increasing scoop ice cream and local gelato options, and sourcing higher quality products overall.

To attract park patrons who would typically leave to seek their favourites elsewhere, a number of new appealing items were introduced to the menu. This included offering a sustainable fish taco with a vegetarian variation, introducing mixed-greens salads, enhancing the fresh fruit cup, and offering kombucha on tap (tea-based fermented beverage). As well, traditional ramen noodles and affogato (espresso & ice cream) were piloted at select locations, with a premium coffee program introduced at Second and Third Beaches.

To highlight these changes, the menu boards at all concession locations were updated to a more modern blackboard design creating uniformity across all locations. The plan is to build on this design to create more consistent and engaging concession signage for the 2019 season. Additionally, concession shirts were standardized and updated to include the message: *Your purchase supports keeping beaches and parks beautiful. Thank You.* This engaging and informative messaging has received positive feedback from customers.

Prioritize locally sourced high quality foods

Our Commercial Operations Food & Beverage team has taken a very active role in overseeing concession operations, streamlining administration, and sourcing local products. Some improvements include:

- sourcing a locally roasted coffee for the new premium coffee program;
- partnering with a local bakery and a local small-batch organic kombucha brewer;
- using locally grown mixed-greens;
- fostering new local supplier relationships to improve product quality, negotiate better pricing, and increase direct buying opportunities.
- shifting to smaller and more frequent deliveries direct from suppliers to the concessions, ensuring fresh product via frequent turnover and reducing warehousing reliance and related CoV Supply Chain costs by over 60%.

Provide a range of healthy choices

As part of the menu refresh, enhancing the range of healthy options offered was also an important consideration. Some examples include the new sustainable fish & vegetarian tacos, local mixed-greens, and fresh fruit cup. As well, the new low calorie and low sugar organic kombucha being offered meets the BC Healthy Beverage guidelines. In the first two months, the Park Board sold over 25,000 servings of this popular healthy beverage.

Maintain green & sustainable food service operations

Over the past two operating seasons, Park Board concessions were the first to embrace the City of Vancouver's [Single-Use Item Reduction Strategy](#) by implementing initiatives such as:

- Removing plastic straws and switching to lids with a sip portal;
- Offering wooden cutlery only as opposed to plastic;
- Using recycled coffee and plastic cups;
- Continued use of compostable Non-Polylactic Acid (PLA) lined packaging;
- Offering discounts to patrons who supply their own travel mug.

Offer convenience and affordability

Working with our existing and new operators, one of the focuses has been to ensure there are convenient and affordable menu items for all visitors. Based on concession operator and customer feedback, menu offerings were adjusted and customized to align with the local community that the concession served. Some examples include:

- All-day breakfast sandwich served at New Brighton, Second and Third beaches;
- Pulled pork sandwiches served at Spanish Banks East;
- Scoop ice cream served at Trout Lake;
- Kombucha served at all locations;
- Corn dogs served at New Brighton.

By lowering operational costs and working directly with suppliers, staff were able to maintain stable pricing for both the 2017 and 2018 seasons. If food costs remain relatively stable, current menu prices can be maintained for 2019.

B. Concession Operating Models

In collaboration with fsSTRATEGY, a comprehensive review of potential operating models was performed, with an initial scan of concession operations in other major cities demonstrating that there is no consistent model being employed.

Taking into consideration the Park Board's interest in including the current self-operation approach as a potential go-forward option, four (4) possible concession operating models were identified for consideration and analysis.

OPTION #1: Self-Operated; Multiple operators (current model)

- Park Board is responsible for much of the concession operations; assumes all liability and retains net profit;
- Operator is responsible for labour and is paid a commission;
- Multiple operators can result in differences in service levels.

OPTION #2: Self-Operated; Single operator; Management fee agreement

- Park Board would be responsible for concession operations but with less day-to-day oversight; would assume most liability, and retain net profit;
- Operator would collaborate on menu and pricing, provide consistent labour and customer service delivery, and be paid a commission.

OPTION #3: Self-Operated; Single operator; Profit/loss management agreement

- Park Board would be much less involved in concession operations, but would provide input into menu and pricing; would assume joint liability and be paid a commission of gross revenue;
- Operator would be responsible for all operations, provide consistent labour and customer service delivery, and retain all net profit.

OPTION #4 – Third Party Lease(s)

- Park Board would have no involvement in operations; would be paid a commission of gross revenue;
- Operator would be responsible for all aspects of operation including capital improvements; would retain all net profit.

In evaluating the qualitative and quantitative aspects of each model, staff identified menu and pricing as a key component in selecting the optimal operating model going forward. Maintaining full control or joint-decision making authority over this aspect will help to ensure that the Park Board concessions continue to benefit from the nostalgia and customer loyalty from the past while ensuring that future operations comply with food policies and programs. With the exception of third-party leases, the remaining 3 operating models provide sufficient control in this regard. As a result of this, the option to pursue third-party leases for system-wide concession operations is not recommended by staff.

Given the goal to maintain the appropriate level of decision-making authority with the Park Board, combined with the results of a financial analysis, identified financial improvements, and positive feedback resulting from staff efforts over the past two years, staff have concluded that there is no immediate need to make a move away from the current system-wide operating model (self-operated; multiple operators). As existing sites become available, consideration will be given to consolidation opportunities. Three operators (Spanish Banks West, Spanish Banks East, and Jericho Beach) have already indicated that they will not pursue a contract for next season, and so staff will actively pursue an operator that will adopt the current vision for Park Board concessions.

Financial Implications

Actively working with our operators and suppliers over the past three concession seasons has resulted in 2017 sales increasing 16% over 2016. These increases in sales, combined with efforts to reduce operating costs, have resulted in a net revenue increase of 36%. The following table outlines the gross revenue (“sales”) as well as net revenue under the current operating model.

Year	Gross Revenue	Year over Year %	Net Revenue	Year over Year %
Full Year:				
2015	\$ 2,930,000	n/a	\$ 555,000	n/a
2016	\$ 2,938,000	0.3%	\$ 594,000	7.0%
2017	\$ 3,421,000	16.4%	\$ 806,000	35.7%
YTD July:				
2017	\$ 1,787,000	n/a	\$ 302,000	n/a
2018	\$ 2,079,000	16.3%	\$ 472,000	56.3%

Based on the financial results to the end of July 2018, year to date (YTD) gross revenue was up 16% over the comparable period in 2017. These positive sales results combined with further focus on controlling costs resulted in net revenues increasing by 56%. Some of these improvements can directly be attributed to the active operational oversight, product sourcing and purchasing by Park Board staff who oversee concession operations.

Operating Budget

The concession business provides a net surplus to the Park Board which helps to fund the delivery of other Park Board services. The Park Board's current self-operated model, with a management fee under multiple licenses, has contributed between \$500K to \$800K annually over recent years. The fluctuation in this range is directly tied to the overall efficacy of Park Board staff oversight, operator improvements, and in part to weather factors.

Shifting to either a self-operated management fee contract under a single licensee or a self-operated contract under a profit/ loss agreement could result in a slight improvement to revenue when compared to the current operations. This improvement is primarily due to an assumed 12.5% increase in revenues resulting from improvements to the overall concession operation, including improved menus and increased staffing compliments resulting in higher sales volumes. As is the case in any future oriented financial analysis, the actual outcomes may vary depending on the assumptions applied and their accuracy.

Based on this financial assessment, the financial benefit to be gained from a shift in operating model to one of the two single-operator models is not sufficient to support a definitive recommendation at this time. Future decisions with respect to the operating arrangement for new or renewed sites will aim to ensure the Park Board continues to generate the positive financial results experienced over the past few years.

Capital Budget

With the exception of the Information Booth and Railway Café, all areas that facilitate concession operations require interior maintenance and various degrees of equipment and technology upgrades. It is estimated that \$2,000,000 is required over the next 2 years to facilitate the identified maintenance and equipment requirements. The list of concession sites in Appendix A includes reference to any additional public amenities and services also located in each building.

Further to this, a building condition assessment report has identified that Lumberman's Arch, Third Beach, Spanish Banks East, Sunset Beach, and Kitsilano Pool concessions require varying degrees of immediate capital upgrades, which are estimated requiring an additional \$2,000,000, putting the optimal overall capital investment at roughly \$4,000,000.

The 2019-2022 Capital Plan has identified up to \$8.3M for "Park Washrooms, Fieldhouses, and Concession Renewals". The Park Board has discretion to allocate funding from this plan to fund the above-noted renewals either in part or full.

C. Introduction of Alcohol Sales

As presented in November 2017, research showed that 79% of survey respondents agree or strongly agree with the sale of alcoholic beverages at concessions, with a further 5% who neither agree nor disagree, and only 16% who disagree or strongly disagree against alcohol sales. Based on this data, it is recommended that the Park Board pilot alcohol sales through

two restaurant operator concessions on a two year seasonal basis to assess the feasibility of expanding the sale of alcohol to select Park Board run concessions.

Two current restaurant partners operate seasonal concessions May - September at English Bay and Kitsilano beach. Provided they are interested in formally pursuing the opportunity, it is felt that they are best suited to adhere to current liquor licensing requirements and regulations in the short term. Based on their expertise, they are best suited to assist Park Board staff in assessing the feasibility of expanding the sale of alcohol to select Park Board run concessions within the next 3 – 5 years.

For the pilot, it is envisioned that a small section of beach at English Bay, directly adjacent to the public walkway, would be reserved as an extension to the existing concession where food, non-alcoholic beverages, and a limited selection of beer and wine would be served. The offering would be similar at Kitsilano Beach, with a temporary small patio created on the hard surface outside the existing concession that would be open during the concession's regular hours of operation.

The physical attributes of our current concession buildings will require improvements and modifications to facilitate the sale of alcohol in order to accommodate operational and security needs, as well as to comply with Provincial and Municipal Liquor Control and Licensing regulations.

D. Conversion of Existing Concessions

Through the engagement process, 54% of participants stated they would support one or more concessions being converted to a café or full-service restaurant. Under all models, fsSTRATEGY's analysis contemplates that within 3-5 years Second Beach, Sunset Beach and Jericho Beach concessions could be reviewed as opportunities to become cafés or full-service restaurants. This could be undertaken to realize and maximize the food and beverage experience, financial potential, and year round operations at those sites.

Taking Park Board policies into consideration, and to allow for various master planning processes to be completed, only Sunset Beach is being considered for conversion at this time. If converting this location to a café or full-service restaurant is deemed viable, it is estimated that this potential opportunity could be pursued in approximately 5+ years.

E. New Concession Locations

Adding a concession to Vanier Park and re-purposing the Stanley Park Information Booth have been considered as potential new concession locations, however other planning processes have put both sites on hold at this time.

A new modular concession is to be contemplated at the Queen Elizabeth Plaza and reviewed under the Queen Elizabeth Master Plan. Initial assessments highlight that access to utility services, structure costs, and the seasonality of the site will need to be evaluated as part of the overall park plan. As new parks come on board, consideration will be given to their concession needs.

F. Mobile Food Vendors

Presently, 14 authorized mobile food vendors operate within the Park Board system. While these food concepts are popular with Vancouverites and have grown rapidly in recent years, it is

becoming increasingly difficult to identify and operationalize new locations within the park system that are economically viable for food service providers. Further, some recent mobile food vendor placements have received negative feedback due to their impact on the public realm and/or the natural environments in which they are located. However, as the city continues to grow, develop, and densify, it is anticipated that new mobile food markets will emerge. Accordingly, Park Board staff will continue to seek out and introduce new mobile food services as opportunities arise, in a balanced manner that will complement and enhance visitor experiences to Vancouver's park system.

SUMMARY

Working closely with our concession operators and suppliers over the past two years and evaluating the overall concession operations against industry best practice has been timely and invaluable. Through consultation and analysis, several issues and opportunities have been identified allowing staff to work with our existing dedicated operators to implement immediate and measurable changes, both from a customer service and a financial perspective. The process has allowed staff to consider short and long term plans that will reflect the needs and wants of the public, while aligning operations and deliverables with industry best practices and increasing revenues to the Park Board.

As such, staff recommend the Park Board approve the proposed Concession Strategy and related implementation plan as outlined in this report.

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Park Board Concession Sites

#	Concession Location	Details
1.	Jericho Beach	- facility includes first aid/life guard station & caretaker unit
2.	Kitsilano Pool	- facility also includes first aid/life guard station - building structure requires capital improvements
3.	Locarno Beach	- facility includes first aid/life guard station & storage & caretaker unit
4.	New Brighton Park	- facility includes first aid/life guard station & caretaker unit
5.	Spanish Banks East	- facility includes first aid/life guard station, storage & caretaker unit - building structure requires capital improvements
6.	Spanish Banks West	- facility includes first aid/life guard station & storage
7.	Stanley Park - Information Booth	- info booth operates year round
8.	Stanley Park - Lumberman's Arch	- building structure requires capital improvements
9.	Stanley Park - Second Beach	- facility includes first aid/life guard station & caretaker unit
10.	Stanley Park - Third Beach	- facility includes first aid/life guard station & storage - building structure requires capital improvements
11.	Stanley Park Train - Railway Café	- operates seasonally & in conjunction with train events
12.	Sunset Beach	- facility includes first aid/life guard station & caretaker unit - building structure requires capital improvements
13.	Trout Lake (John Hendry Park)	- facility includes first aid/life guard station & caretaker unit

NOTES:

- all concession sites also include public washroom facilities
- multiple use shared facilities increase complexity and costs for capital improvements.