

Date: March 12, 2010



TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: English Bay Bistro – Award of Contract

RECOMMENDATION

- A. THAT the Board grant to Cactus Restaurants Ltd (“Cactus”):**
- (a) a licence, on terms acceptable to the Board, permitting the licensee to use the designated site at English Bay to construct a restaurant at the sole cost of the licensee (which restaurant will be owned by the Board other than trade fixtures and furniture which will be owned by the licensee), subject to the approved Development Permit design package and subject to the issuance of all required permits.*
 - (b) an offer to lease the restaurant subject to the completion of construction of the restaurant to the satisfaction of the Board in accordance with the terms of the licence. The term of the lease would be 5 years and Cactus would be granted 5 further 5 year options to renew for a total of 30 years.*
- B. THAT the annual base rent for the first term and the first 5 year option term (first 10 years) be set at \$240,000 per year plus 4% of all revenue over \$4 million.**
- C. THAT the lease provide that the rent will be subject to review by the Board if and at the time that the tenant exercises the second 5 year option and again if and at the time that the tenant exercises the fourth 5 year option.**
- D THAT the Board reimburse Cactus for site improvements outside of the leased area, by way of an annual payment of \$50,000 plus financing costs per year for five years (\$250,000), to be deducted from their rent payable to the Board .**
- E. THAT all legal documentation is to be in a form which is satisfactory to the Director of Legal Services for the City of Vancouver and the General Manager.**
- F. That the General Manager be authorized to execute and deliver such documentation on behalf of the Board.**

G. 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.

BACKGROUND

On May 1, 2006, the Board approved the “Concession Strategy Study” by the JF Group for changes to our food delivery processes. The approved strategy included the development of a new bistro to replace the existing concession at English Bay.

On January 15, 2007 the Board awarded a contract for architectural services for the new English Bay Bistro, up to and including all submissions required for the approval of a Development Permit, to Acton Ostry Architects Inc.

On April 28, 2008, the Board approved the design concept for the English Bay Bistro for public consultation.

On July 7, 2008, after receiving feedback from 195 people, with 73.3% support, the Board approved the redevelopment of the existing English Bay concession and requested that staff seek a development permit.

The Development Permit was approved on October 7, 2009 and a Request for Proposals (RFP) was issued on December 2, 2009.

DISCUSSION

The RFP identified a business opportunity for a successful proponent to construct and operate a new restaurant at English Bay. There were approximately 30 inquiries from interested restaurateurs and three formal proposals were submitted. A selection team made up of Park Board staff evaluated the proposals and interviewed the three proponents based on the following main criteria:

- Business reputation, capabilities and experience
- Financial return to the Board
- Vision for the restaurant
- Quality of proposal
- Ability to achieve targets

The selection team recommends the Cactus Restaurants Inc.(Cactus Club) proposal as the best overall submission with particular emphasis on their proven ability to provide the Board with a first class casual dining and take out experience at English Bay.

The Cactus Restaurant Group

The Cactus Restaurant Group was established in 1988 and is Vancouver owned and operated. Its *Cactus Club Café* brand is well known as being amongst the most successful casual fine dining restaurant operations in BC and Alberta with 20 locations generating annual sales over \$115 million.

The Cactus Club proposal and discussions with Cactus management have addressed the following issues:

Term: The initial term of the lease will be 5 years with five options to renew in each case for an additional 5 year term.

Rent: The guaranteed base rent of \$240,000 gives the Board assurance that no matter what level of sales is achieved, they will be getting a guarantee of 6% of the first \$4,000,000 of gross revenue. This is a similar rent to other comparable park board restaurants. The rent on all revenues over \$4,000,000 will be 4%.

Taxes: Similar to our other leases, an amount in lieu of property tax will be charged based on the size of the main floor of the restaurant (4,212 sq ft) multiplied by an appropriate amount as determined from time to time in consultations with the BC Assessment Authority (2009 rates were \$6.25/sq ft).This amount is increased or decreased each year depending on City of Vancouver commercial tax rate changes.

Rent Reviews: There will be a rent review after 10 years (if the Tenant exercises the second 5 year option) and again at 20 years (if the tenant exercises the fourth 5 year option). The rental rate following each rent review will be no less than the rental rate paid in the immediately preceding term or option term as the case may be. In the case of the first rent review only, any increase in the base rent will be no more than the compounded annual CPI over the first 10 years. There will be no such limitation on rent increases under the second rent review.

Operations and Management Plan: Cactus has agreed to abide by a plan that ensures that impacts on neighboring properties are minimized. These include the following:

- hours of operation,
- noise and odor management,
- maintenance of building and grounds,
- safety and security provisions for patrons and park users
- monitoring and communication protocols with local neighbors as required
- parking and traffic management

Menu Selections: The Cactus menu is extremely varied with a wide selection of choices. The restaurant prices are consistent with other casual fine dining establishments.

Take-Out: Cactus has advised staff they intend to offer lower priced fare with a far greater selection than traditional concession food. The large outdoor seating space should be a popular addition for beach visitors.

Sustainable Practices: Cactus is a founding partner in both the Vancouver based *Ocean Wise* and *Green Table Network* programs. The restaurant has been designed to a LEED Gold standard.

Construction Schedule: Cactus has advised staff that subject to receiving all permits in a timely manner they intend to commence construction after Labour Day and intend that the restaurant will be open in June, 2011. The inconvenience to patrons at English Bay will be minimized during the construction period.

SUMMARY

The proposal by the Cactus Restaurant Group has offered the Board an opportunity to partner with one of the leading restaurant companies in BC. The terms of this agreement ensures that the Board receives a guaranteed rent structure that will be carried forward for the first 20 years of the lease

This is an exciting progression in the Board's food service strategy and will result in a significant improvement to our customer service at English Bay.

Prepared by:
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PJ