

# Report to Council



**Date:** December 4, 2017  
**File:** 1120 21 024  
**To:** City Manager  
**From:** J. Säufferer, Manager, Real Estate Services  
**Subject:** Bluebird Beach Park – Amenity Opportunity Update  
Report Prepared by: A. Warrender, Property Officer Specialist

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## **Recommendation:**

THAT Council receives, for information, the report from the Manager, Real Estate Services dated December 4, 2017, providing a summary of the due diligence completed to determine the potential for a third-party partnership to help finance all or part of the recently required park property at 4010-4020 Lakeshore Road;

AND THAT Council directs staff to continue to explore boutique-type amenity opportunities as part of the park development in order to animate the park and provide additional services and revenue streams.

## **Purpose:**

To provide Council with an update on the due diligence undertaken to explore the viability of amenity provisions at the recently acquired Bluebird Beach Park.

## **Background:**

The acquisition of 4010-4020 Lakeshore Road (the “Bluebird Beach Park”) was a significant opportunity for the City to cost-effectively acquire a major future beach park. The park’s centralized location will allow for a diversity of city-wide users to enjoy increased waterfront recreation and leisure opportunities on a scale similar to that currently available at key parks such as Boyce-Gyro, Rotary, and Sarsons.

Given that the Bluebird Beach Park acquisition was not anticipated at the time of the drafting of the City’s 2030 Capital Plan, no allowances were made to fund the construction of the park. In order to enable public access to the Bluebird Beach Park within the near-term future, staff have explored a number of alternative options, including:

- Temporary/intermediary park construction opportunities that facilitate public access to the park in a less capital-intensive manner; and/or,

- Generating significant capital to construct the park by entering into a partnership with a third party developer or food & beverage operator.

Further information with respect to both of these options is provided below.

### **Temporary/Intermediary Park Construction**

Bluebird Beach Park's natural features, direct access, flat land, and stable foreshore, allows for the development of an informal park with relatively low implementation costs. Additional information with respect to the proposed improvements and costs associated with this option are provided in the staff report to council titled *Interim Park Access* and dated December 4, 2018.

### **Capital Generation Through Third Party Partnership**

Given the various benefits associated with a potential third party partnership to fund all or a portion of the construction of the park, the original acquisition council report included a recommendation that "[Staff] undertake a Request for Expression of Interest ["REOI"] process for a commercial operator within the proposed park". A preliminary site drawing showing how the proposed use could be incorporated into the park is included in the attached Schedule A.

As an initial step in the REOI process, staff commissioned a feasibility study to determine the viability of a food and beverage operation at the Bluebird Beach Park. Key findings of the study, which was completed by Tradecraft Consulting Inc., were as follows:

- The competitive market area currently supports over 800 restaurant seats year round, with that number increasing to well over 1,000 seats during the summer months with patio seating options.
- Primary local market competitors include the Eldorado and Smack Dab, both of which offer prime lakeside dining opportunities.
- A Bluebird Beach Park restaurant would be considered a "destination" rather than a "convenience" establishment:
  - While Lakeshore Road is relatively busy and includes some retail amenities in the immediate vicinity of the park, the location is peripheral relative to the majority of Kelowna's population.
  - Patronage would be driven by the quality of the offering and the unique waterfront orientation, not because of a central location, ease of access, or high visibility.
  - Park users would be the primary draw for any restaurant operator, but this demand will be highly seasonal and less reliable than a location closer to the downtown core.
- Given the various factors outlined above, attracting a national restaurant operator is unlikely.

The feasibility study also included a financial analysis to determine the potential capital contribution a third-party amenity operator could make towards construction of the Bluebird Beach Park. Given market lease rates, building construction costs, operating costs, and anticipated venue demand, initial results of the financial model did not support a large scale food and beverage operation.

#### *Conclusion*

After further analysis and due diligence, staff have come to the conclusion that the development of a large scale amenity building for a restaurant use within the park is currently not feasible. Marketing the concept as a long-term land lease opportunity and trying to subsidize the construction costs of the proposed park through the lease will not provide the necessary incentive to attract a quality developer.

Notwithstanding the above, given the benefits of site animation, provision of a public amenity, and revenue generation, staff recommend the on-going pursuit and consideration of boutique-type amenity opportunities such as cafés, coffee shops, seasonal or artisanal food providers or outdoor event and activity services.

Staff continue to be open for opportunity with respect to potential partnerships that leverage third-party resources in a manner that is complementary to municipal objectives and sensitive to the long-term development of Bluebird Beach Park, while providing substantial benefits to our community in the form of park amenities, such as restroom facilities.

#### **Existing Policy:**

The Bluebird Beach Park acquisition and development is framed within the context of the following municipal policies:

**7. Provide Spectacular Parks.** *Provide spectacular parks where people pursue active, creative and healthy lifestyles close to where they live and work.*

**Objective 7.14** Provide waterfront parkland along Okanagan Lake

**Policy.1 Waterfront.** Waterfront parkland acquisition will concentrate on areas along Okanagan Lake to increase public ownership of the foreshore.

**Objective 7.14** Develop park partnerships

*Policy .1 Partnerships.* The City will create community and enhance quality-of-life through partnerships developers, residents' associations, property owners, non-profit organizations, private enterprise, user groups and individuals on the acquisition and construction of all classes of parks.

**Objective 7.16** Development Parkland to respond to user needs

*Policy .2 Park Accessibility.* Design parks to meet the needs of a variety of user groups, including families, youth, and seniors.

**Internal Circulation:**

Manager, Parks and Public Spaces  
Manager, Property Management

**Considerations not applicable to this report:**

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Financial/Budgetary Considerations:

**Submitted by:** J. Säufferer, Manager, Real Estate Services

**Approved for inclusion:** D. Edstrom, Director, Strategic Investments

Attachments: 1. Schedule A - Subject Property  
2. Schedule B - PowerPoint

cc: R. Parlane, Manager, Park & Building Planning  
M. Olson, Manager, Property Management