



Agenda Item: Discuss and Consider Rates for Concessionaire Use of Amenities and Utilities

Background: The Park Board of Trustees enters agreements with local and regional small business owners as concessionaire partners at the parks managed by the Park Board. In the upcoming 2023 season, at least seven concessionaire partners may operate at Parks in facilities (pavilion, mobile unit, storage) and/or use utilities provided by the Park Board.

Per the Board of Trustees’ approved financial structure for the Concessionaire Partner Program, those partners selected for future operations must submit an administrative fee and percentage of gross sales to conduct business on park property. These payments do not include use of facilities or utilities. A rental structure for all concessionaire partners occupying and using facilities and/or utilities will offset Park Board incurred costs.

The Finance and Operations Committee reviewed the three scenarios below during the September committee meeting and asked staff to return with some additional information about market rates to align with the plan to cover asset costs 100%.

The rental scenarios to consider are based on the following assumptions:

- \$16,000 paid to the Park Board annually as percentage of gross sales earned [based on prior year actuals]
- Average cost per square foot per month for commercial rental in Galveston is between \$1.48 and \$1.59 [based on a sample of 12 properties]
- Cost to place mobile concession unit in service at Stewart Beach is \$75,000
- Lifespan of mobile concession unit is 4 to 5 years
- Park property is a premium business location
- The rent calculations are based on square footage of space issued to the concessionaire

Scenario 1: Low Rental Rate = Return on Investment of 2.74%

Location	Description	Total Sq. Ft.	Price /sq. ft./Month	Annual Lease Expense
East Beach	Pavilion Cantina	250	\$1.00	\$3,000.00
Stewart Beach	Mobile Amenity	272	\$1.00	\$3,264.00

Scenario 2: Below Average Rental Rate = Return on Investment of 7.09%

Location	Description	Total Sq. Ft.	Price /sq. ft./Month	Annual Lease Expense
East Beach	Pavilion Cantina	250	\$1.25	\$3,750.00
Stewart Beach	Mobile Amenity	272	\$1.25	\$4,080.00

Scenario 3: Average Rental Rate = Return on Investment of 11.45%

Location	Description	Total Sq. Ft.	Price /sq. ft./Month	Annual Lease Expense
East Beach	Pavilion Cantina	250	\$1.50	\$4,500.00
Stewart Beach	Mobile Amenity	272	\$1.50	\$4,896.00

Scenario 4: Above Average Rental Rate = Return on Investment of 15.8%

Location	Description	Total Sq. Ft.	Price /sq. ft./Month	Annual Lease Expense
East Beach	Pavilion Cantina	250	\$1.75	\$5,250.00
Stewart Beach	Mobile Amenity	272	\$1.75	\$5,712.00

Scenario 5: High Rental Rate = Return on Investment of 20.15%

Location	Description	Total Sq. Ft.	Price /sq. ft./Month	Annual Lease Expense
East Beach	Pavilion Cantina	250	\$2.00	\$6,000.00
Stewart Beach	Mobile Amenity	272	\$2.00	\$6,528.00

Utilities Proposal

The concessionaire partner shall pay for electric, water, sewer and trash removal. Internet/Wi-Fi, data and phone lines are not utilities supplied by the Park Board. Each concessionaire will be responsible for providing their own Wi-Fi, data and/or phone connectivity.

The partner shall pay any maintenance and repair costs of utilities which are attributed to neglect or breakage by concessionaire, including failure to report any issue.

Some utilities are already in place and are supplied by the Park Board, while other utility needs for future use may require separate meters. The two scenarios below address how each of those options will be managed:

- If a separate meter is installed, then the partner shall maintain a maintenance/service agreement to cover billing and payment, routine maintenance, and servicing of utilities used for operation.
- If the utilities are not on a separate meter, then the partner shall be billed by the Park Board for use of utilities at a flat rate per month according to the following schedule:

Type and Size (Based on Consumption)	Monthly Fee	Examples of Use
Electric – non A/C space	\$ 100.00	refrigerator, computer
Electric – A/C space < 200 Sq Ft	\$ 150.00	refrigerator, computer
Electric - A/C space 200-800 Sq Ft	\$ 200.00	refrigerators, ice machines, computer
Water – less than 2,000 gallons per month	\$ 50.00	
Water – 2,000 to 4,000 gallons per month	\$ 75.00	
Water - 4,000 to 10,000 gallons per month	\$ 125.00	
Water – more than 10,000 gallons per month	Market Rate	
Trash - one 96 gallon trash can emptied weekly	\$ 25.00	
Trash - two 96 gallon trash can emptied weekly	\$ 50.00	
Trash -three 96 gallon trash can emptied weekly	\$ 75.00	
Trash - additional cans	\$25 per	large debris removal or dumpster use additional



Staff Recommendation: Staff recommends the committee approves \$1.50 per square foot per month for rent (scenario 3) and the utilities proposal to support the costs incurred by the Park Board to service the facilities used by concessionaire partners.

Funding Source (if applicable): Rental and utilities fee revenue will be booked at the Park where the operation is located