

Report to Council



Date: August 27, 2018

File: 1140-50

To: City Manager

From: Shayne Dyrda, Senior Airport Finance and Corporate Services Manager and
Mike Olson, Manager, Property Management

Subject: Ironman Properties Ltd. Lease of Lands at Kelowna International Airport

Report Prepared by: T. McQueenie, Airport Administration Manager

Recommendation:

THAT Council approves the City entering into a Lease with Ironman Properties Ltd. in the form marked as Appendix A attached to the report of the Senior Airport Finance and Corporate Services Manager and Manager, Property Management dated August 27, 2018 with respect to City owned property located at 6220 Lapointe Drive.

AND THAT the Mayor and City Clerk be authorized to execute all documents necessary to complete the transaction.

AND FURTHER THAT the 2018 Financial Plan be amended to include these additional revenues.

Purpose:

To obtain Council's approval of a long term land lease with Ironman Properties Ltd. over a portion of land located on City owned property, adjacent to the Kelowna International Airport (the "Airport").

Background:

The subject property is located in a recently completed subdivision located west of the Airport between Airport Way and Highway 97, known as the "West Lands". There are a total of five lots in the first phase of the subdivision with eight additional lots to be released in future phases. The purpose of the subdivision is to provide property for long term land lease for airport related uses in order to support current and future Airport operations.

Ironman Properties Ltd. is affiliated with Ironman Holdings Ltd., which has run a ground-handling operation at Kelowna International Airport (the "Airport") since 1985. Since that time, the scale of the operation has expanded and Ironman Holdings Ltd. now handles approximately 1,000 flights per month

providing above and below wing ground handling services for 8 airlines at the Airport. Entering into this Lease with the City will allow Ironman Holdings Ltd. to continue to operate and expand its operation at the Airport. Ironman Properties Ltd. intends to sublease the facility to Ironman Holdings Ltd.

Key Lease Terms/Conditions

Ironman Properties Ltd. proposes to enter into a 20-year Lease with the City of Kelowna (the "City") over the lands outlined in heavy black on the attached drawing marked Appendix B. Ironman Properties Ltd. intends to construct a prefabricated concrete tilt-up building. This building will accommodate an aviation based maintenance shop, offices, storage, tire repair, and an oil and lube facility, as shown on the drawings marked Appendix C.

The proposed lease rate is at fair market value as established by independent appraisal provided by Kent MacPherson Appraisals, dated for reference April 15, 2016.

Lease Component	Description
Tenure Type	Land lease for purpose of erecting an industrial/airport related facility
Land Lease Area	10,100 m ²
Building Gross Floor Area	1,115 m ²
Term	20 years
Renewal Consideration	None
Rent	\$58,839.00 per annum (increasing at 2% per annum, as per Airport Fees Bylaw 7982)
Lease Costs	Tenant to pay all costs
Site Condition on Expiry	Land and building revert back to the City upon expiry

Internal Circulation:

Graham Hood, Strategic Land Development Manager
Jackie Dueck, Controller
Mike Olson, Manager, Property Management
Johannes Saufferer, Acting Director, Strategic Investments
Jessica Hewitt, Communications Advisor

Legal/Statutory Procedural Requirements:

Notice of disposition of City-owned land has been published pursuant to Section 26 of the *Community Charter*.

Financial/Budgetary Considerations:

Rent will be paid at a rate of \$0.5412 per square foot over 2.496 acres for a total annual rent amount of \$58,839.00.

Airport Maintenance Charge will be paid at a rate of \$.0309 per square foot over 2.496 acres for a total annual airport maintenance charge of \$3,359.29.

The 2018 Financial Plan will be amended to include these additional revenues.

Considerations not applicable to this report:

Legal/Statutory Authority: N/A

Personnel Implications: N/A

Existing Policy: N/A

External Agency/Public Comments: N/A

Communications Comments: N/A

Alternate Recommendation: N/A

Submitted by:

S. Dyrdal, Senior Finance & Corporate Services Manager and M. Olson, Manager, Property Management

Approved for inclusion:



Sam Samaddar, Airport Director
Doug Gilchrist, City Manager

cc: Jackie Dueck, Controller
Genelle Davidson, Divisional Director, Financial Services
Mike Olson, Manager, Property Management
Graham Hood, Strategic Land Development Manager
Johannes Saufferer, Director Strategic Investments
Jessica Hewitt, Communications Advisor