

# Report to Council



**Date:** December 10, 2018

**File:** 0610-50

**To:** Doug Gilchrist, City Manager

**From:** Shayne Dyrdal, Senior Airport Finance & Corporate Services Manager and  
Mike Olson, Manager, Property Management

**Subject:** Callahan Construction Company Ltd. Sublease of Lands at Kelowna International  
Airport  
Report Prepared by: Paul Crenson, Acting Airport Administration Manager

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## **Recommendation:**

THAT COUNCIL approves the City entering into a Sublease with Callahan Construction Company 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 December 10, 2018;

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

## **Purpose:**

To obtain Council's approval of a two-year land and building sublease with Callahan Construction Company Ltd. over a portion of land located on Federally owned property leased to the City.

## **Background:**

The subject property is located off of Airport Way, north of the Airport Terminal Building, on the lands leased from Her Majesty the Queen in Right of Canada as represented by the Minister of Transport to the City of Kelowna (the City) (the Subject Property). The City entered into a land sublease for the Subject Property with Callahan Construction Company Ltd. (Callahan) in 1982, which expires on December 29, 2019. During the term of the land sublease, Callahan constructed a building (the Building) on the Subject Property and subleased portions of the Building to aviation related tenants. Callahan intends to continue to sublease the Building to aviation related tenants.

## Key Lease Terms/Conditions

Callahan Construction Company Ltd. proposes to enter into a two-year Sublease with the City over the lands and building outlined in Schedule A of Appendix A. Callahan Construction Company Ltd. intends to sublease portions of the building to tenants supporting the operation of the Airport.

The proposed lease rate of \$5 per square foot for the building area reflects the limited term of the lease and has been confirmed to be indicative of fair market value by an independent appraisal provided by Kent MacPherson Appraisals, dated for reference June 29, 2018.

Lease Component	Description
Tenure Type	Land and building sublease
Leasable Floor Area	11,650 ft <sup>2</sup>
Term	2 years
Renewal Consideration	None
Rent	\$5.00/ft <sup>2</sup> (\$58,250.00 per annum) Increasing at 2% per annum, as per Airport Fees Bylaw 7982
Lease Costs	Tenant to pay all costs
Additional Consideration	Lease includes license of lands surrounding building
Site Condition on Expiry	Land and building revert back to the City upon expiry

### Internal Circulation:

Johannes Saufferer, Acting Director, Strategic Investments  
Jackie Dueck, Controller  
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 an annual rate of \$58,250.00, increasing at 2% per annum. The Airport Maintenance Charge will be paid at an annual rate of \$1,470.24, increasing at 2% per annum. These additional revenues will be included in the 2020 Financial Plan.

**Considerations not applicable to this report:**

**Personnel Implications: N/A**

**Existing Policy: N/A**

**External Agency/Public Comments: N/A**

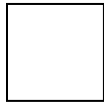
**Communications Comments: N/A**

**Alternate Recommendation: N/A**

Submitted by:

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

**Approved for inclusion:**



Doug Gilchrist, City Manager  
Sam Samaddar, Airport Director

cc: Derek Edstrom – Acting Divisional Director, Community Planning and Strategic Investments  
Genelle Davidson – Divisional Director, Financial Services