

# Report to Council



**Date:** July 11, 2022  
**To:** Council  
**From:** City Manager  
**Subject:** Regency Aero Lease Inc. - Lease and Consents to Subleases  
**Department:** Kelowna International Airport and Real Estate

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## **Recommendation:**

That Council approves the lease with Regency Aero Lease Inc. attached as Appendix A to the report of the Kelowna International Airport and Real Estate departments dated July 11, 2022;

AND THAT the 2022 Financial Plan be amended to include the annual revenue associated with the lease;

AND THAT Council approves the Consent to Sub-sublease from Regency Aero Lease Inc. to Kelowna Flightcraft Ltd. attached as Appendix B to the report of the Airport and Real Estate departments dated July 11, 2022;

AND THAT Council approves the Consent to Sub-sub-sublease from Kelowna Flightcraft Ltd. to Okanagan Mountain Helicopters Ltd. and Okanagan Mountain Helicopters FTU Ltd. attached as Appendix C to the report of the Airport and Real Estate departments dated July 11, 2022;

AND FURTHER THAT Mayor and City Clerk be authorized to execute all documents necessary to complete a long-term lease and a consent to sub-sublease and a consent to sub-sub-sublease and any corresponding future amendments related to the transactions as outlined in the report from the Kelowna International Airport and Real Estate departments dated July 11, 2022.

## **Purpose:**

To obtain Council approval to enter into a new lease and two consents to sub-sublease with the KF Aero group of companies.

## **Background:**

The KF Aero group of companies leases and subleases lands that are groundside and airside at Kelowna International Airport (the Airport).

Regency Aero Lease Inc. Lease

Regency Aero Lease Inc. (RALI) wishes to lease lands located on the west side of Airport Way south of the KF Aero Centre for Excellence as shown on the sketch plan attached at Appendix B (the "Property"). RALI is expanding its hangar facility located in an existing sublease area which will result in the loss of parking stalls. RALI wishes to lease the Property from the City to offset this loss of parking.

Consent to Sub-sublease and Sub-sub-sublease

RALI currently leases City-owned lands and subleases lands leased from Her Majesty the Queen in Right of Canada as represented by the Minister of Transport to the City of Kelowna. RALI wishes to sublease and sub-sublease various lands as set out in Appendix C to Kelowna Flightcraft Ltd. Furthermore, RALI wishes to sub-sub-sublease a portion of the lands as set out in Appendix D to Okanagan Mountain Helicopters Ltd. and Okanagan Mountain Helicopters FTU Ltd.

**Discussion:**

Regency Aero Lease Inc. Lease

*Advertisement of the Lands*

To ensure public notification of land for lease, an advertisement was placed in the City in Action ads for a land lease opportunity on August 13, 2021, and August 20, 2021.

*Fair Market Value of the Lands*

The market value of the lands was determined based on a third-party land lease rental valuation. This resulted in a land rent per square foot of \$0.85 for the Lands.

Terms of the Proposed Sublease

<b>Sublease Component</b>	<b>Description</b>
Tenure Type	Land sublease for the purpose of constructing a vehicle parking lot.
Land Sublease Area	30,429.56 square feet
Term	25 years, commencing on the date the Lease is fully executed by both parties.
Renewal Consideration	None.
Rent	\$25,865.13 per annum (increasing at 2% per annum, as per Airport Fees Bylaw 7982).
Airport Maintenance Charge	\$1,016.04 per annum (increasing at 2% per annum as per Airport Fees Bylaw 7982).
Sublease Costs	Tenant to pay all costs.
Site Condition on Expiry	Land, structures and any improvements revert to the City upon expiry.

Consent to Sub-sublease and Sub-sub-sublease

The Airport has completed due diligence on the proposed sub-sublease and sub-sub-sublease and is supportive of the sub-sublease and sub-sub-sublease.

**Conclusion:**

The Kelowna International Airport and Real Estate departments recommend the City enters into a lease with RALI. If approved, this lease would provide an additional \$25,865 in revenue for the Airport and provide vehicle parking to support the further expansion of RALI's aviation business.

The Kelowna International Airport and Real Estate departments recommend the City approve the Consents to Sublease in favour of Kelowna Flightcraft Ltd. and Okanagan Mountain Helicopters Ltd. and Okanagan Mountain Helicopters FTU Ltd.

**Internal Circulation:**

Financial Services  
Real Estate  
Communications

**Considerations applicable to this report:**

***Legal/Statutory Authority:***

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

***Financial/Budgetary Considerations:***

Rent will be paid at an annual rate of \$25,865.13, increasing at 2% per annum. The Airport Maintenance Charge will be paid at an annual rate of \$1,016.04, increasing at 2% per annum. If approved, the revenue associated with the lease would be incorporated in the 2022 Financial Plan.

**Considerations not applicable to this report:**

***Legal/Statutory Procedural Requirements:***

***Existing Policy:***

***External Agency/Public Comments:***

***Communications Comments:***

Submitted by:

Shayne Dyrdal, Senior Airport Finance and Corporate Services Manager

Approved for inclusion:

S.S.

cc:

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C. Brannagan, Communications Advisor