

# Report to Council



**Date:** August 28, 2023  
**To:** Council  
**From:** City Manager  
**Subject:** Callahan Construction Company Ltd. – Extension to Sublease  
**Department:** Kelowna International Airport and Real Estate

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## **Recommendation:**

THAT Council receives for information the report from Kelowna International Airport and Real Estate dated August 28, 2023, with respect to the extension of the Sublease with Callahan Construction Company Ltd.;

AND THAT COUNCIL approves the five (5)-year extension to the Sublease with Callahan Construction Company Ltd. attached as Appendix A to the report of the Kelowna International Airport and Real Estate dated August 28, 2023;

AND FURTHER THAT the Real Estate Manager be authorized to execute all documents necessary to complete the transaction.

## **Purpose:**

To obtain Council's approval of a five (5)-year extension to the 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 Airport Way, north of the Airport Terminal Building, on lands leased from His Majesty the King in Right of Canada as represented by the Minister of Transport to the City of Kelowna (the "City") (the "Property"). The City entered into a land sublease for the Property with Callahan Construction Company Ltd. ("Callahan") in 1982, which expired on December 29, 2019. During the term of the original sublease, Callahan constructed a building (the "Building") on the Property and subleased portions of the Building to aviation-related businesses. The City and Callahan entered into two further two (2)-year subleases and the current sublease expires on December 30, 2023. Current tenants include Transport Canada, Air Canada and WestJet cargo operations.

**Discussion:**

Callahan proposes to extend the term of the current sublease by five (5) years. Callahan intends to continue to sub-sublease portions of the Building to tenants supporting the operation of the Kelowna International Airport.

A third-party land and building lease rental valuation was commissioned to determine the market value of the lands and building and was used to calculate the corresponding rent as outlined below.

<b>Lease Component</b>	<b>Description</b>
Tenure Type	Land and building sublease
Land Lease Area	46,167 ft <sup>2</sup>
Term	5 years commencing on December 31, 2023
Renewal Consideration	No option to renew
Rent	\$104,799.09 per annum (increasing at 2% per annum as per Airport Fees Bylaw 7982)
Airport Maintenance Charge	\$1,571.98 per annum (increasing at 2% per annum as per Airport Fees Bylaw 7982)
Lease Costs	City to pay a maximum of \$20,000.00 per year for repairs and maintenance to the Premises. All costs over \$20,000.00 per year to be paid by the Tenant.
Site Condition on Expiry	Land, structures, and any improvements revert to the City upon expiry

**Conclusion:**

The Airport and Real Estate recommend that Council receive this report and approve the five (5)-year extension to the Sublease with Callahan Construction Company Ltd.

**Internal Circulation:**

Financial Services  
Communications

**Considerations applicable to this report:**

***Financial/Budgetary Considerations:***

Rent will be paid at an annual rate of \$104,799.09 increasing at 2% per annum pursuant to Bylaw 7982. The Airport Maintenance Charge will be paid at an annual rate of \$1,571.98 increasing at 2% per annum. If approved, the revenue associated with the extension of sublease would be incorporated in the 2024 Financial Plan.

**Considerations not applicable to this report:**

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

***Legal/Statutory Authority:***

***Existing Policy:***

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

***Communications Comments:***

Submitted by: S. Dyrdal, Director Finance & Corporate Services and J. Saufferer, Real Estate Manager

**Approved for inclusion:**

SS

S. Samaddar, Chief Executive Officer

cc:

T. McQueenie, Airport Corporate Services Manager

J. Saufferer, Real Estate Manager

M. Friesen, Controller

C. Brannagan, Communications Advisor