

Report to Council



Date: 09/18/2017
File: 1125-01-013
To: City Manager
From: J. Säufferer, Real Estate Services
Subject: Long Term Lease: Portion of 4629 Lakeshore Road (the "Surtees Property")
Report Prepared by: B. Walker, Property Officer II

Recommendation:

THAT Council approves a long term land lease of a portion of 4629 lakeshore Road, as per the terms and conditions outlined in the Agreement to Lease between the City of Kelowna and JEM HTB Properties Inc. dated September 13, 2017, and attached to the report of the Manager, Real Estate Services dated September 18, 2017;

AND THAT the Mayor and City Clerk be authorized to execute all documents necessary to complete the Agreement to Lease;

AND THAT all funds received from the lease, estimated at \$200,000, be credited towards Project 286602R;

AND FURTHER THAT the 2017 Financial Plan be amended accordingly.

Purpose:

To enter into an Agreement to Lease with Worman Commercial (doing business as JEM HTB Properties Inc.) for a +/- 0.69 acre portion of 4629 Lakeshore Road for a period of 75 years.

Background:

The subject property (known as the "Surtees Property") has significant historical value for the Okanagan, featuring two heritage buildings that visually communicate what Kelowna was like in the early part of the 1900's. The Surtees Barn is said to be one of the most up-to-date barns in the area for its time, and the Surtees homestead (also known as the Ritz Cafe) is linked to the building of the Kettle Valley Railroad. Both buildings are identified on the [City's Heritage Register](#) and have been under the ownership of the City since July of 2002.

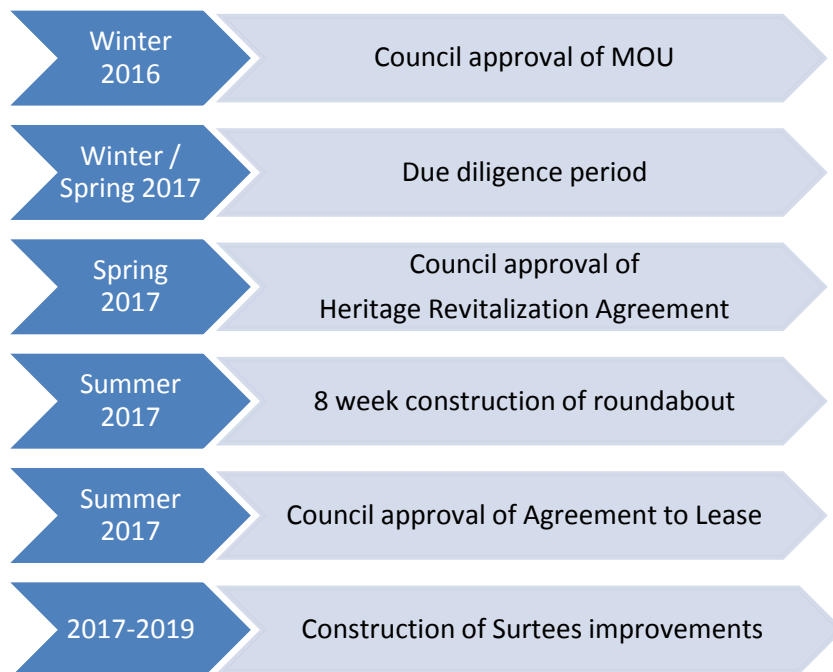
In December 2009, City Council directed staff to proceed with the development of a Heritage Management Strategy for City owned assets. At that time, the Surtees Property was identified as a priority for adaptive re-use and partnership opportunities. The City issued a Request for Expressions of Interest (RFEOI) to the community in July, 2012. Of the four responses that were received, none met the City's minimum criteria or expectations.

In the fall of 2016, a [Memorandum of Understanding](#) between Worman Commercial and the City was endorsed by Council with regards to the redevelopment of the Surtees Property in a manner that meets the heritage preservation objectives of the City. The agreement also addressed transportation objectives of the City by way of the construction of a roundabout at the corner of Collett Road and Lakeshore Road.

In Spring of 2017, Council endorsed a plan to rehabilitate the two historical buildings on-site through a [Heritage Revitalization Agreement](#) (HRA), allowing for commercial uses and the addition of one new 2,200 sq. ft. (footprint) commercial building (see Schedule B for a preliminary sketch of the proposed site improvements). At the time, Council was also advised that staff would return with an Agreement to Lease between Worman Commercial and the City.

Timeline of Events

The approximate timeline of events associated with this partnership is summarized below:



Agreement to Lease

Staff and Worman Commercial have been working diligently over the course of the past 3 months to finalize the initially contemplated Agreement to Lease. Details of the same are summarized in the table below:

Surtees Site – Lease Details	
Lease Area	+/- 0.69 acre (see Schedule C)
Term	75 years
Renewal Consideration	To be negotiated at time of expiry
Market Value of the Lease	\$200,000 (lump-sum, up-front payment)
Lease Costs	Tenant to pay for operation and maintenance costs of the lease area, including buildings and the public areas around the buildings.

As part of the Agreement to Lease, Worman Commercial will grant a Statutory Right of Way to facilitate public access through the leased premises, including to the Bellevue Creek park trailhead to be constructed in the future on the city-owned, non-leased portion of the Surtees Property. Once the conditions of the Agreement to Lease are fully satisfied, Worman Commercial will be required to provide \$200,000 to the City, which reflects the net present value of the land lease, subject to the various restrictions and conditions associated with the lease agreement.

The following two agreements follow from the Agreement to Lease and will form part of the partnership with Worman Commercial:

Heritage Revitalization Agreement Amendment

On May 15, 2017, Council authorized a HRA between the City and Worman Commercial for the Surtees Property. In order to satisfy the development requirements needed to move the proposed partnership forward, an amendment to the HRA is required. The amendment ensures there is no conflict between the Agreement to Lease and the *Local Government Act* with respect to both party's rights under the HRA and the lease agreement.

Parking Agreement

In order to maximize the utility of parking on-site, the City and Worman Commercial have entered into a parking agreement outlining the parties' rights and obligations with respect to the future Bellevue Creek Trailhead parking lot.

Financial/Budgetary Considerations:

The partnership with Worman Commercial and the city included the construction of a roundabout at the Lakeshore and Collet Road intersection. Costs associated with the intersection improvements, including associated shallow utilities and road upgrades, were estimated at approximately \$850,000, as shown in the table below:

Roundabout Cost Summary		
	Est. Cost	Funding Source
DCC related road improvements	\$650,000	DCC Program
Roundabout premium	\$200,000	Partnership
Total	\$850,000	

The \$200,000 lump-sum lease payment associated with the Worman Commercial partnership will offset the premium associated with the roundabout versus non-roundabout intersection improvements, as funded in the City's DCC program.

Internal Circulation:

Divisional Director, Community Planning & Strategic Investments
Divisional Director, Infrastructure
Divisional Director, Financial Services
Manager, Parks & Building Planning
Manager, Urban Planning
Manager, Infrastructure Engineering
Director, Strategic Investments
Manager, Property Management
Department Manager, Infrastructure Delivery
Department Manager, Integrated Transportation Department
Manager, Long Range Policy Planning
Manager, Parking Services

Considerations not applicable to this report:

Legal/Statutory Authority:
Legal/Statutory Procedural Requirements:
Existing Policy:
Personnel Implications:
External Agency/Public Comments:
Communications Comments:
Alternate Recommendation:

Submitted by: J. Säufferer, Manager, Real Estate Services

Approved for inclusion: D. Edstrom, Director, Real Estate

Attachments: Schedule A - Agreement to Lease
Schedule B - Proposed Site Improvements
Schedule C - Subject Property and Lease Area
Schedule D - PowerPoint

cc: D. Gilchrist, Divisional Director, Community Planning & Strategic Investments

- A. Newcomb, Divisional Director, Infrastructure
- G. Davidson, Divisional Director, Financial Services
- R. Parlane, Parks & Building Planning Manager
- T. Barton, Urban Planning Manager
- J. Shaw, Infrastructure Engineering Manager
- D. Edstrom, Strategic Investments Director
- M. Olson, Property Management Manager
- B. Beach, Infrastructure Delivery Department Manager
- R. Villarreal, Integrated Transportation Department Manager
- J. Moore, Long Range Policy Planning Manager
- D. Duncan, Parking Services Manager