Agenda - Council – September 22, 2010

Report - Standing Policy Committee on Property and Development – September 14, 2010

Item No. 17 Lease Agreement - Crescent Drive Golf Course, 781 Crescent Drive - Auberge and Spa Le Nordik Inc.
(Fort Rouge – East Fort Garry Ward)
eFile FI-2.2(33)

STANDING COMMITTEE RECOMMENDATION:

On September 15, 2010, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submits the following to Council:

1. That the Land Lease Agreement for the area shown as 'Proposed Leased Lands Bordered Thus' on Misc. Plan No. 13837 in favour of Auberge and Spa LeNordik Inc. (ASL) for the construction and operation of a health spa complex at Crescent Drive Golf Course, be approved in accordance with the terms and conditions outlined in Schedule A to the Winnipeg Public Service report dated September 8, 2010.

2. That the Chief Administrative Office be delegated the authority to enter into a leaseback arrangement with ASL for a newly constructed clubhouse, pro shop and maintenance facility for the golf course.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Pursuant to Section 205(2) of The City of Winnipeg Charter, disposal of land owned or acquired by the City for park or cemetery purposes requires approval by two-thirds of all Members of Council.

Report - Standing Policy Committee on Property and Development – September 14, 2010

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 15, 2010, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On September 14, 2010, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Proposed Land Lease Agreement in Favour of Auberge and Spa Le Nordik Inc. for a Health Spa Complex at Crescent Drive Golf Course, 781 Crescent Drive.

Critical Path: Standing Policy Committee on Property and Development, EPC, Council

AUTHORIZATION

Author	Department Head	CFO	CAO
I. Day	M. Ruta	M. Ruta	P. Sheegl Deputy CAO

RECOMMENDATIONS

1. That the proposed Land Lease Agreement for the area shown as 'Proposed Leased Lands Bordered Thus' on Misc. Plan No. 13837 attached in favour of Auberge and Spa LeNordik Inc. (ASL) for the construction and operation of a health spa complex at Crescent Drive Golf Course be approved in accordance with the proposed terms and conditions outlined in Schedule A attached;
2. That subject to approval of Recommendation #1, the CAO be delegated the authority to enter into a leaseback arrangement with ASL for a newly constructed clubhouse, pro shop and maintenance facility for the golf course; and
3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

The leasing of park land for a term greater than five years requires approval by at least a two-thirds majority of Council.

IMPLICATIONS OF THE RECOMMENDATIONS

- Planning, Property and Development has determined that there are no regulatory, environmental or human resource implications to the lease of these lands as set out in the attached Schedule.
- Acceptance of the proposal and subsequent signing of the lease agreement commits the City to a long-term contract (25 years).
- Incremental revenues over the term of the lease amount to $625,000.

HISTORY

Winnipeg Golf Services (WGS) received an unsolicited proposal from Auberge and Spa Le Nordik Inc. for the development of a health spa complex at Crescent Drive Golf Course (as shown on Attachment 1: Miscellaneous Site Plan). Le Nordik is a for-profit organization, which has a similar health spa operation in Chelsea, Quebec, just north of Ottawa, Ontario. Several meetings between City officials and the Le Nordik team were held over the past year to better understand their proposal.

The scope and scale of the Auberge and Spa Le Nordik Inc. proposal is as follows:

- 4 to 5 buildings for the operation of the health spa complex including one main pavilion and three to four additional small outbuildings;
- a fully manicured landscape encompassing a variety of therapeutic heated outdoor pools;
- the construction and leaseback of a new club house, pro shop and maintenance facility;
- an estimated total investment of up to $6,000,000; and
- an estimated annual amount of approximately $80,000 in realty taxes (business, municipal) generated by the health spa complex.

The consultants for Auberge and Spa Le Nordik Inc. conducted two rounds of open houses at the Wildwood Community Centre (271 North Drive) – one on June 15th, 2010 for the immediate residents along Crescent Drive and South Drive and one for the wider community of Wildwood on June 28th, 2010. The feedback from the two presentations was positive. The majority of those in attendance was in support of the project or not opposed to it. The issues raised by those in attendance did not have to do with the project specifically but with other neighbourhood concerns (recent sewer construction, park patrols at night, etc.).

The Ward Councillor has been consulted and apprised of the results of the consultation process.

The proposed health spa complex is to be developed on the existing clubhouse and maintenance facility footprint as shown on Attachment 1: Miscellaneous Site Plan. It is to be fully contained within the golf course property and not encroach into Crescent Drive Park. The golf course will continue to be operated by Winnipeg Golf Services.

The benefits of entering into a long-term lease agreement with Auberge and Spa Le Nordik Inc. include:

- Providing an incremental revenue source of $25,000 per year to WGS;
- Generating new tax revenues for the City of Winnipeg estimated at approximately $80,000 per year;
- Providing new golf course amenities (club house, pro shop maintenance facility) for WGS's customers;
- Increasing rounds and revenues by attracting new customers to the new facility and through cross-promotion opportunities with the health spa complex;
- Increasing the overall value of the City's property; and
- Creating a destination for Winnipeggers.

FINANCIAL IMPACT

Financial Impact Statement **Date:** September 8, 2010

Project Name: **First Year of Program** **2012**

Proposed Land Lease Agreement in Favour of Auberge and Spa Le Nordik Inc. for a Health Spa Complex at Crescent Drive Golf Course, 781 Crescent Drive.

	2012	2013	2014	2015	2016
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	105,000	105,000	105,000	105,000	105,000
Net Cost/(Benefit)	$ (105,000)	$ (105,000)	$ (105,000)	$ (105,000)	$ (105,000)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (105,000)	$ (105,000)	$ (105,000)	$ (105,000)	$ (105,000)

Additional Comments: Incremental revenues consist of the $25,000/annum in lease payments from ASL to WGS + approx. $80,000 in municipal taxes payable to the City of Winnipeg (General Revenue). For the purposes of this analysis, incremental annual revenues to WGS from increased rounds played is assumed to equal the cost to lease back the new golf course amenities. Given that there is no "bottom line" impact associated with this assumption, no amount for incremental revenue/lease back cost has been included above.

"Original signed by"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

Legal Services
Planning, Property and Development

SUBMITTED BY

Department: Winnipeg Golf Services
Division:
Prepared by: Iain Day
Date: September 8, 2010
File No.

Schedule A: Terms and Conditions for the Lease of Land for a Health Spa Complex at Crescent Drive Golf Course

Landlord:	City of Winnipeg
Tenant:	Auberge and Spa Le Nordik Inc.
Location:	Crescent Drive Golf Course, 781 Crescent Drive, Winnipeg, MB.
Land to be Leased:	Shown as 'Proposed Leased Lands' on the attached plan and hereinafter referred to as 'Leased Lands'.
Land Use:	Construction and operation of a health spa complex, as an accessory use to the Crescent Drive Golf Course.
Term:	Twenty-Five (25) years, commencing 30 days after lease signing.
Rent:	$25,000 per annum, plus G.S.T., absolutely net to the Landlord for the Term of the Lease. Rent to commence upon substantial completion of the Health Spa Complex, but in any event, not later than twelve (12) months from signing of the Lease.
Option to Renew:	One Twenty-Five (25) year option to renew, to be exercised in writing 365 days in advance, at a mutually agreeable rental rate which shall not be less than that paid during the last year of the lease term and not greater than the Manitoba Cost of Living Allowance (COLA) increase and otherwise on the same terms and conditions except for this right to renew.
Realty Taxes:	Tenant to pay all taxes including municipal, school and business taxes, associated with its occupancy of Leased Lands.
Cancellation:	The terms and conditions for cancellation and default to be further defined by mutual agreement between both parties.
Lease Security:	$500,000.00 performance bond to be provided by Auberge and Spa Le Nordik Inc. within 30 days of the lease signing. Performance bond to be drawn upon by the City should the Tenant fail to complete the construction of the Health Spa Complex within twelve (24) months of lease signing. The bond shall terminate upon substantial completion of the Health Spa Complex.
Lease Guarantee:	Guarantor on the lease to be provided by Le Nordik Inn and Spa Inc.

Tenant Resp:

- Provide insurance coverage as determined by the City;
- Take lands 'as is' and be solely responsible for all servicing costs, including but not limited to utilities and municipal services, necessary for the proposed Health Spa Complex and golf course office, pro shop and maintenance facility.

Conditions:

1) The Landlord and Tenant shall negotiate the terms and conditions of the Tenant constructing and leasing back to the City a new golf course office, pro shop and works maintenance facility on terms and conditions agreeable to both parties, within 4 months of the date Council approves the Lease on the Leased Lands, failing which, this agreement shall be null and void.

2) Should the City choose to rent, lease, sell or otherwise divest itself of any or all its lands associated with the Crescent Drive Golf Course, Auberge and Spa Le Nordik Inc. will be offered a first right of refusal for the acquisition of the Leased Lands at market value at that time. Auberge and Spa Le Nordik Inc. to advise the City within 90 days of notice if it intends to exercise this right, failing which its rights shall end.

3) The Tenant, at its sole cost and expense to obtain all federal, provincial and municipal licenses and permits necessary and comply with all laws, by-laws, regulations, ordinances, orders, rules and requirements including relevant environmental laws, applicable to the construction, operation, maintenance and management of the Health Spa Complex.

4) Plans and specifications for the Health Spa Complex to be approved by the Chief Operating Officer of Winnipeg Golf Services.

The terms and conditions referenced herein represent the material matters that will be contained in the new Lease Agreement subject to Council approval. Other clauses that protect both the City's and Le Nordik's interests and/or provide further clarification will be added as may be required.

Attachment 1: Miscellaneous Site Plan

