Report - Standing Policy Committee on Property and Development - October 28, 2003

Item No. 8 Demolition and Construction of a New Club House Facility - St. Boniface Golf Course Limited - 100 Youville Street Files EB-1.5 and PR-6

STANDING COMMITTEE RECOMMENDATION:

On November 19, 2003, 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 Director of Planning, Property and Development be authorized to provide the St. Boniface Golf Club Limited with a written consent to proceed with its capital improvement project, demolition and construction of a new clubhouse on the City owned lands leased to it, subject to the following conditions:

    A. That the City review and approve the proposed development plans.

    B. That the Club be required to place a performance bond in the full amount of the contract price of the work to be done, this being the contract price for the proposed demolition and new construction in the amount of $1,850,000.00, or to such other amount as is satisfactory to the Director.

    C. That the Club agree in writing that the mutually agreed upon value of the eligible leasehold improvement as defined in the Lease is the clubhouse construction, excluding any costs for demolition, non-fixed equipment and any prior Club debt being refinanced with the value of the eligible cost to be established as $1,550,000.00.

    D. That the Club agree in writing that proposed Schedule “C” will represent the unamortized portion of the loan eligible under Clause 4.06 (f) of the Lease for application in any future determination for compensation as though all loan payments have been remitted by the Club in strict accordance with the Schedule and further that the interest payable at that future point in time will be the lesser of the then prevailing borrowing rate available to the City or the loan interest rate of seven and one-half percent (7.5%).

Report - Standing Policy Committee on Property and Development - October 28, 2003

STANDING COMMITTEE RECOMMENDATION (continued):

E. That all of the above conditions be subject to Council approval and appropriate documentation be executed by the Club prior to the commencement of the proposed works.

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

Report - Standing Policy Committee on Property and Development - October 28, 2003

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 19, 2003, 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 October 28, 2003, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

Re: **Proposed Demolition and Construction of a New Club House Facility – St. Boniface Golf Course Limited - 100 Youville Street**
Riel Community
St. Boniface Ward

For submission to: **The Standing Policy Committee on Property and Development**

Original report signed by: **Director of Planning, Property and Development**

Report date: October 20, 2003

Recommendation(s):

1. That the Director of the Planning, Property and Development be authorized to provide the St. Boniface Golf Club Limited with a written consent to proceed with its capital improvement project, demolition and construction of a new clubhouse on the City owned lands leased to it, subject to the following conditions as set out within this report:

    a) the City's review and approval of the proposed development plans;

    b) the Club being required to place a performance bond in the full amount of the contract price of the work to be done, this being the contract price for the proposed demolition and new construction in the amount of $1,850,000.00, or to such other amount as is satisfactory to the Director;

    c) the Club agrees in writing that the mutually agreed upon value of the eligible leasehold improvement as defined in the Lease is the clubhouse construction, excluding any costs for demolition, non-fixed equipment and any prior Club debt being refinanced. The value of the eligible cost is to be established as $1,550,000.00;

    d) the Club agrees in writing that the proposed Schedule "C" will represent the unamortized portion of the loan eligible under Clause 4.06 (f) of the Lease for application in any future determination for compensation as though all loan payments have been remitted by the Club in strict accordance with the schedule and further that the interest payable at that future point in time will be the lesser of the then prevailing borrowing rate available to the City or the loan interest rate of 7.5%;

    e) all of the above conditions being subject to Council approval and appropriate documentation being executed by the Club prior to the commencement of the proposed works.

2. That subject to the approval of Recommendation Number 1, the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- In compliance with Clause 4.06 of an existing Lease agreement with the City, the St. Boniface Golf Club Limited has requested the City to provide prior written consent that it be authorized to perform the proposed demolition and capital installations on City-owned land. Facilitation of the request will require the approval of Council.
- The Club's proposed project is to perform a total demolition of the existing clubhouse facility (10,696 sf) and construct a new clubhouse facility comprising 16,727 square feet (main floor 7,723 sf + 2nd floor 9,004 sf). The Pro-Shop will be contained within the new building and the existing Pro-Shop building will be retained as storage.
- In the event that the City terminates the lease prior to the lease expiry date for any reason other than default, pursuant to Clause 4.06 (f) of the lease the City is obligated to compensate the Club for any major leasehold improvements, which remain unamortized at the effective date of early termination or cancellation of this Lease, based on a "mutually agreeable value".
- The extent of the "mutually agreeable value" of leasehold improvements, which are eligible for any potential future compensation, is contingent upon which of the leasehold improvements being recommended herein and their associated costs meet the criteria as defined in the Lease. Costs of demolition, equipment not fixed to or part of the building and any refinancing of prior club debt are not eligible.
- The overall projected cost for demolition and construction of the new clubhouse building is $1,850,000.00, plus GST. Pursuant to the terms of the Lease the eligible leasehold improvement portion of the cost that will potentially be the subject of any future compensation of the unamortized portion only, plus interest is defined as $1,550,000.00.
- The Club intends to fund the project by way of a mortgage loan through the TD Commercial Bank. The loan is to be for $1,550,000.00 over 15 years at an interest rate of 7.5%.
- Pursuant to Clause 4.21 of the Lease, notwithstanding Clause 4.04, the Club has the unrestricted right to mortgage or otherwise encumber its leasehold interest or any improvements on the land during the term of the lease and may assign its leasehold interest or any improvements on the land to any encumbrancer as collateral security, by means of an assignment of the lease or by subletting all or any portion of the land, or otherwise, subject to the rights of the City under the terms of this Lease and in accordance with Clause 4.10 regarding the use of the Leased Premises, all without the consent of the City.
- There is no known reason apparent at this point in time that might cause the City to be required to pre-terminate the lease. Assuming that the loan commences January 1, 2004 it will be fully paid by December 31, 2018. Pursuant to the terms of the Lease, the City

cannot terminate the lease until the end of the 10th year, December 31, 2010. Since the Lease does not expire until December 31, 2025, the actual period of the City's exposure to potential requirement for Tenant compensation is limited from 2011 to 2018.

- The Department is recommending that the Club be authorized to proceed with the proposed development, subject to the conditions as discussed within this report.

Implications of the Recommendation(s):

General implications:

	None
X	**For the organization overall and/or for other departments**
X	**For the community and/or organizations external to the City of Winnipeg**
X	**Involves a multi-year contract**

Comment(s):

In compliance to Clause 4.06 of the Lease agreement, St. Boniface Golf Club Limited has requested the City to provide prior written consent that it be authorized to perform the proposed demolition and capital installations on City-owned land. Facilitation of the request will require inputs from other civic departments. In the event that the City requires the lands prior to the lease expiry of Dec. 31, 2025, the City will be obligated to compensate the Tenant for the un-amortized portion of the costs associated to the development being proposed. Note that pursuant to the terms of the Lease, the City cannot terminate the lease until the end of the 10th year, December 31, 2010. Since the Lease does not expire until December 31, 2025, the actual period of potential exposure to the obligation to compensate the Tenant is limited from 2011 to 2018. The proposed works may impact the immediate residential community. The proposed works are anticipated to have a positive impact on the Tenant's operation.

Policy implications:

X	**No**
	Yes

Comment(s):

-

Environmental implications:

	No
X	**Yes**

Comment(s):

- Should the proposed construction be within 350 feet of the Seine River, a Waterway Permit will be required and the development works must be considerate of the sensitive riverbank stability condition.

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required

Comment(s):

- In the event that the City determines it requires the leased lands and cancels the lease term for any reason other than default, prior to the natural expiry date, in accordance with the terms of the Lease the City will be obligated to compensate the Club for the un-amortized portion of the costs for the leasehold improvements being proposed herein, based on a mutually agreeable value, pursuant to Clauses 4.06 (f) and 6.16 of the Lease. The potential exposure to the City will be from 2011, the earliest date that the City is able to cancel the lease to 2018 when the loan will be fully paid, assuming it takes effect in 2004.

REASON FOR THE REPORT:

By this report the Planning, Property and Development Department is advising of the Club's request submitted to the Department in accord with Clause 4.06(b) of the Lease dated March 11, 2002 between the City and the St. Boniface Golf Club Limited (hereinafter referred to as the Club), requesting that the City authorize the Club to demolish the existing clubhouse improvement upon the leased lands and to construct a new clubhouse. The Department is seeking Council approval of the Club's request and the authority to initiate appropriate actions to document and effect the intent.

HISTORY:

Pursuant to Council approval on May 27, 1998, the policy on leasing City-owned land to private golf clubs was amended to provide that the golf clubs pay all realty taxes including local improvement levies. The Director of the then Property and Development Services Department was instructed to negotiate new leases within the parameters of pre-approved terms and conditions, which were to be applied to all leases of golf courses (i.e. Tenant responsibility to pay realty tax; 25 year lease term; five year cancellation provision for the City, actionable after the 5th year of the lease.)

On February 23, 2000 Council subsequently approved a feasibility plan for the creation of a Special Operating Agency (SOA) – Golf Course Services. The SOA came into effect January 1, 2002, with the Real Estate Division of the Planning, Property and Development Department undertaking the responsibility for the ongoing administration of the golf course leases.

The lease with the St. Boniface Golf Club Limited (hereinafter referred to as the Club) for the subject eighteen-hole golf course expired on December 31, 2000. The tenancy was allowed to continue in an over-holding position, during a period of new lease negotiations with the Club. The negotiation period was protracted due to the Club's lease expectations that were not contemplated or in accord with the 1998 Council approved lease criteria. The Club wanted the lease term to be extended an additional 10 years; it requested additional lands; there was an expectation that the City should pay the 2001 realty taxes. The Administration reported the impasse in the negotiations to the Standing Policy Committee on Property and Development on January 10, 2002. The Committee approved a new lease with the Club, conditional upon the terms being in accordance with Council's 1998 pre-approved criteria, without any variance. The Club subsequently accepted the terms and executed the Lease Agreement on March 11, 2002. The lease is in current good standing.

At the request of the Club, representatives of the Planning, Property and Development Department, Real Estate Division and Special Operating Agency-Golf Course Services met with the Club's Board of Executives, their TD Bank representative and Solicitor, in February 2003.

The Club advised of a contemplated renovation and expansion to the existing clubhouse facility and was seeking clarification as to the various lease terms and conditions that pertained to Tenant covenants associated with initiating such a project. It also enquired as to the City's expectations and process to obtain approvals to facilitate the project. The Club was provided

with the requested clarifications (i.e. the Club is required to: provide a written request detailing its intentions; submit the comprehensive details as to scope of work; provide evidence of the Club's financial ability to proceed with the project and to sustain the new development over the lease term). As well, relevant lease covenants were clarified and the political and administrative process and associated reporting time lines were reviewed. The Club was advised that the requested authority to proceed would be subject to the prior approval of Council and that the proposed development would also be subject to the City's satisfactory review of the detailed development plans.

By letter dated May 22, 2003 (copy attached as Schedule "A"), the Club requested the City to authorize it to proceed with the total demolition of the existing clubhouse facility and construction of a new clubhouse facility. It also advised of the Club's intention to replace the manually operated irrigation system with an automated system. It is the Department's understanding that the irrigation system has been installed.

THE ST. BONIFACE GOLF CLUB LIMITED PROPOSAL:

The proposed development as set out in the May 22, 2003 letter from the Club is significantly different in nature from the expansion project as originally suggested by the Club and discussed in the February 2003 informal meeting.

The Club's revised project is to perform a total demolition of the existing clubhouse facility (10,696 sf) and to construct a new clubhouse facility comprising 16,727 square feet (main floor 7,723 sf + 2nd floor 9,004 sf). The Department's understanding is that the existing Pro-Shop will be contained within the new building and the existing Pro-Shop building will be retained as storage. It is believed that the redeveloped site will better service the membership and that the ability to attract new members will be enhanced. (Refer to Langreen floor plans attached as Schedules "D" & "E".)

The operation of the golf course is managed through an elected Board of Directors. Currently the Club membership is approximately 685. At a special meeting held on April 17, 2003, the Club's Board of Directors presented the proposed project to its membership for consideration. From a competition between five firms, the Club selected Langreen Construction to perform the proposed development. The membership voted 224 to 21 in favor of proceeding with the clubhouse project and the financial plan as presented, with construction to start in October of 2003. The Club wants to be in a position to commence with its project in the fall of 2003 for completion in the spring of 2004.

The cost of development for the new clubhouse facility, including demolition is projected at $1,850,000.00, plus GST. The projected cost of the new clubhouse is $1,550,000.00. The Club has developed a "Reserve Fund" to be applied to the costs of the overall project. The $1,550,000.00 cost of the clubhouse is to be funded by the Club through a mortgage loan with the TD Commercial Bank.

The Real Estate Division has circularized the proposed project (demolition of existing clubhouse and redevelopment of a new clubhouse) in the normal fashion to the various civic divisions and utilities and has received the following comments:

Riverbank Management Engineer - a Waterway Permit will be required for any proposed construction within 350 feet of the Seine River; potential geotechnical issues will be contingent upon the development details and automated irrigation system; he notes that the site is located along an outside bend of the river where there has been a history of bank distress and any development will need to be considerate of these existing riverbank stability conditions.

Chief Zoning Officer - a demolition, building and development permit will be required.

Strategic Planner - suggested the automated irrigation system should be monitored and/or metered to prevent excess watering and draw from the Seine River and creation of standing water conditions.

Civic Accommodations Division – suggested that perhaps the Club should consider partnering with the adjacent Curling Club operation and share the use of that existing facility.

Real Estate Division – the approval of the proposed capital improvements will have a significant financial impact upon the City in the event that the City pre-terminates the lease agreement for whatever reason other than Tenant default. Pursuant to the terms of the Lease, the City cannot terminate the lease until the end of the 10th year, December 31, 2010. Given that the Lease does not expire until December 31, 2025, the actual period of exposure to the obligation to compensate the Tenant is limited from 2011 to 2018. As at 2011 the unamortized principle balance of the loan would be approximately $1,003,020.00.

The Riel Community Committee – At its meeting on October 7, 2003 the Riel Community Committee had no comments or objections to the Club's proposed demolitions and development.

DISCUSSION:

The basic details of the property and the existing Net Lease are as follows:

Tenant:	St. Boniface Golf Course Limited
Landlord:	City of Winnipeg
Leased Lands:	+/-118.4 acres as shown on Misc. Plan. No. 8758/1, 100 Youville Street
Zoning:	PR-2
Purpose:	Operation of an eighteen hole golf course
Lease Term:	25 years, commencing January 1, 2001
Rent:	$1.00 per annum (absolute net and carefree lease)
Added Rent:	All operating costs, all realty tax and local improvement charges

Tenant Responsibilities:	All maintenance, repairs and replacements, leasehold improvements of a capital nature are subject to the prior written approval of the City
Cancellation by City:	5 year notice any time after the completion of the first 5 yrs in the term
Property Description:	Eighteen (18) hole golf course; the existing clubhouse building was built in 1952 and is a single storey building (approx.10,216 square feet); the Pro Shop was built in 1966; a 12' x 40' addition was built on the north side of the clubhouse in 1967.

In the year 2003 the realty taxes paid by the Club pursuant to the Lease were $40,707.15. The 2003 assessed value for the leased lands and clubhouse is $2,411,200.00. There will be an increase in the assessed value resulting from the proposed new building development estimated at approximately $660,000.00.

Pursuant to the Lease, the City will have an obligation to compensate the Club for the unamortized portion of the leasehold improvement costs, only in the event that the City pre-terminates the lease for any reason other than Tenant default.

Note that the City's obligation for payment of compensation is discussed in detail under the section of this report titled "Potential Financial Impact to City Pursuant to Lease Covenants For Capital Improvements".

A: MUNICIPAL GOLF COURSES DIVISION - LONG TERM OPERATION OF THE ST. BONIFACE GOLF COURSE:

The Chief Operating Officer of the Municipal Golf Courses Division has reviewed the business plan presented by St. Boniface Golf Course and considered long-term implications of the proposed development. For the foreseeable future the subject property is expected to continue to operate as a golf course consistent with the terms of the current lease. The St. Boniface Golf Club has a demonstrated history of effective golf course financial management as evidenced by audited financial statements covering the past seven years. Over this period a Clubhouse Redevelopment Fund was established and contributions were made on an annual basis. This demonstrates the Club's commitment to the project and is an indicator of their ability to manage the debt that will be incurred.

The new clubhouse will solidify the Golf Club's position in the Winnipeg Golf market without negatively affecting the other golf properties from which Winnipeg Golf Services derives revenue. St. Boniface is a semi private course that depends on membership fees for much of its golf related revenue. Windsor Park Golf Course, a City owned golf course property adjacent to St. Boniface Golf Course, is a purely public course which services a different market segment. It is not anticipated that the St. Boniface redevelopment will negatively impact on Windsor.

It has been suggested that a partnership with the Heather Curling Club, which is located in close proximity to the Golf Club, may provide a synergy between the two operations. St. Boniface

Golf Club representatives have indicated that the potential for a partnership with the Heather has been discussed on several occasions over the years. It has been determined that the organizational structure and operations of the two entities are dissimilar to the extent that sharing a facility is not practical. The curling club is a private for-profit organization while the golf club is a not-for-profit community based operation. As well, the curling club owns their property while the golf club has a long-term property lease with the City. The St. Boniface Golf Club has concluded that a partnership with the curling club is not in the best interests of the golf membership nor the long-term viability of the golf club. Winnipeg Golf Services concurs with this assessment.

B: LESSEE REQUIREMENTS PURSUANT TO LEASE COVENANTS - PRIOR AUTHORITY TO INSTALL LEASEHOLD IMPROVEMENTS OF A CAPITAL NATURE:

The Club has a responsibility to comply with the provisions of various Clauses in the Net Lease that pertain to the installation of leasehold improvements upon the leased premises, which require "prior written approval" of the Landlord/City. The City also has a responsibility to act reasonably to accommodate the Club.

1. The Club's Ability to Financially Fund the Development and Sustain Its Long Term Operation

The Tenant is required to demonstrate that it has the financial ability to fund the proposed development project and sustain the on-going operation of the new development over the term of the lease.

i) Financial Ability:

The Club was requested to provide for the City's review, copies of the past 5 years of audited financial statements and future projected financial statements as well as confirmation of funding for the proposed project.

The financial information has been reviewed by the Corporate Finance Department and the Department is advised that the financial information is reasonable and acceptable.

Pursuant to Clause 4.04(b) the Tenant cannot assign or set over its rights or interest in the Lease without the prior consent in writing of the City and if consent is granted, the consent does not arbitrarily relieve the Tenant of its obligations of the covenants; 4.04(c) further stipulates that an assignee must covenant to assume the Tenant's obligations for the full covenants of the lease.

However, pursuant to Clause 4.21 of the Lease, notwithstanding Clause 4.04, the Lessee shall have the unrestricted right to mortgage or otherwise encumber its leasehold interest or any improvements on the land during the term of the lease and may assign its leasehold interest or any improvements on the land to any encumbrancer as collateral security, by means of an assignment of the lease or by subletting all or any portion of the land, or otherwise, subject to the

rights of the City under the terms of this Lease and in accordance with Clause 4.10 regarding the use of the Leased Premises, all without the consent of the City.

The Department is satisfied that the Club has demonstrated it has the financial ability to proceed with the project and therefore is recommending that the City grant its consent for the project to proceed. This recommendation is with the proviso that the Club's financing and performance of the project is in strict accord with the terms and conditions of the Lease and conditional upon the requirement that the Club agrees in writing as to the determination of the mutually agreed upon value of the leasehold improvements, which unamortized costs may at some future point be subject to compensation. This obligation upon the City is pursuant to the Lease and is further discussed in the section of this report titled "Potential Financial Impact To City Pursuant To Lease Covenants For Capital Leasehold Improvements".

ii) Business Operations:

To enable the City's evaluation of the Club's ability to provide ongoing management of the proposed development over the term of the lease, the Club was requested to provide the City with a long-term business and operating plan. This plan also has been reviewed by the Corporate Finance Department and the Special Operating Agency - Golf Courses. In their opinions the plan is reasonable and consistent with other similar operations and demonstrates the Club's ability to support the sustainability of proposed development over the long-term.
The Department concurs with this assessment.

iii) The Proposed Development Project:
To enable the City's evaluation of the proposed development the Club is required to make all appropriate applications and plan submissions to the City for the necessary development review, and permit approval processes.

The Club also has been requested to demonstrate that it has performed the appropriate due diligence with respect to the proposed development from a community perspective such as public review, planning review, etc. to ensure that the proposed development meets with the vision of the area planner and the community as well as other development related entities such as, but not limited to the Riverbank Management Engineer, Strategic Planner, Zoning and Permits, Traffic Branch, Emergency Services, Utilities, etc. The Department is advised that the Club intends to make a public presentation to the community as well as perform other appropriate due diligence requirements.

At this writing, the Department is advised that the development plans are in their final stages of preparation.

Pursuant to Clause 4.06 (b) of the Lease the Club cannot proceed to perform capital tenant improvements upon the City-owned lands without the City's prior written consent (Council approval). Assuming that the project is approved and the plans are deemed to be acceptable to the City, pursuant to Clause 4.06(b) the Club can be required as a condition of such approval to post a performance bond in the full amount of the contract price of the work to be done.

Given the magnitude of the project and that the existing facility is to be demolished, the Department recommends that approval of the project be also conditional upon the Club being required to post a performance bond in the amount of the total project contract price, $1,850,000.00, or such other amount as satisfactory to the Director.

Pursuant to Clause 4.06 (d) ownership of the leasehold improvements will revert to the City upon expiration or earlier termination of the Lease; pursuant to 4.06 (e) title of the improvements vests to the City upon termination and the City has the option to demand removal of the same upon termination of the Lease.

C: POTENTIAL FINANCIAL IMPACT TO CITY PURSUANT TO LEASE COVENANTS FOR CAPITAL LEASEHOLD IMPROVEMENTS:

The provisions under Clause 4.06(f) of the lease state:

> " Subject to Clause 6.16 of this lease, major leasehold improvements, which remain unamortized at the time of early termination or cancellation of this Lease, providing said cancellation is not due to default, will be subject to compensation based on a mutually agreeable value subject to 6.16."
>
> Clause 6.16 states:
> "If at any time during the Term of this Lease the Leased Premises are condemned, expropriated or taken for any public or quasi-public purpose, the Tenant shall have no claim against the Landlord for the value of the un-expired portion of the term or for damages or for any other matter whatsoever, and the Tenant and the Landlord shall each be entitled to advance their claims to the appropriate authority for compensation for the loss of their respective interests in the Leased Premises. If an award of compensation is made to the Landlord specifically and includes an award for the Tenant, the Landlord shall account therefore to the Tenant. Notwithstanding the foregoing, in the event that all or any part of the Leased Premises are condemned, expropriated or taken for any public or quasi-public purpose by or through The City of Winnipeg, this Lease shall be fully determined and be at an end upon the effective date of any such action taken by or through The City of Winnipeg."

Notwithstanding that there is no apparent reason that might cause the City to cancel this lease before its expiry date, in the event that it does terminate the Lease prior to the lease expiry date for any reason other than default, pursuant to Clause 4.06 (f) of the Lease the City is obligated to compensate the Club for any major leasehold improvements, which remain unamortized at the effective date of early termination or cancellation of this Lease, based on a "mutually agreeable value". (Note: This assumes that the City has granted its consent to the installation of a particular Leasehold Improvement.)

The extent of the mutually agreeable value is contingent upon defining and identifying which of the associated costs for the proposed improvements being recommended herein is eligible for any potential compensation.

i) The Defined Leasehold Improvements Subject to Approval:

Clause 1.01 of the lease agreement between the City and the Club establishes the following definitions:

> "Leasehold Improvements means all landscaping, fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Tenant in the Leased Premises and shall include all capital improvements placed or constructed on the leased premises."
>
> "Leased Premises means the land described herein and comprising an Area of approximately 118.40 acres as shown on the attached Misc. Plan No. RIEL 8758/1".

Clause 4.06 titled 'Leasehold Improvements', copy attached as Schedule "B", contemplates renovations, alterations, expansions to the existing clubhouse, and other installations on the leased premises as defined in Clause 1.01.

Eligible leasehold improvements as defined in the Lease do not contemplate the costs of demolition of the existing facility, the provision of equipment of a non-fixed nature or prior Club debt that might be rolled up into the refinancing package. The Legal Services Division concurs with this interpretation of the Lease.

On this basis, the Department recommends that the eligible costs of the proposed capital leasehold improvements to be considered pursuant to Clause 4.06 (f) will be limited to only the construction cost of the new clubhouse, in keeping with the definition established in Clause 1.01 and must exclude the cost of demolishing the existing facility, cost of any equipment to be installed therein such as non-fixed kitchen and locker room equipment and exclusion of any prior debts that might be refinanced.

ii) "Value" of Leasehold Improvements Eligible for Compensation In the Event City Pre-Terminates the Lease:

The Club has received confirmation from its bank for funding the construction of the new clubhouse, excluding any cost of non-fixed equipment or prior debt, in the principal loan in the amount of $1,550,000.00. The loan is to be amortized over a term of 15 years at a fixed interest rate of 7.5%.

As indicated in the previous section, the Department recommends that costs only associated with the construction of the clubhouse will be eligible for potential future compensation in the event the City pre-terminates the lease for any reason other than default. The Department therefore recommends that the "value" of the eligible leasehold improvements be set at the amount of $1,550,000.00, being defined in accordance with the Lease and that the City's obligation pursuant to Clause 4.06(f) will therefore be limited to the unamortized portion of $1,550,000.00.

The attached Schedule "C" is a sample amortization schedule to be prepared either by the City or the Club's lending institution, to set out the Club's required payments for principle and interest over the 15 year term of the loan for the "mutually agreed upon value" of the eligible leasehold improvements. The schedule will reflect the applicable commencement date, term and loan interest rate. The Department proposes that the amortization schedule will be the source document from which a future compensation payable for any unamortized principle value of the leasehold improvements will be determined, in the event the City pre-terminates the lease. Such future calculation will of course be on the premise that all payments have been made by the Club in a timely manner and in strict accordance with Schedule "C".

In such event that the City is required to compensate the Club, the Department recommends that the interest payable at that point in time will be the lesser of the then prevailing borrowing rate available to the City or the loan interest rate of 7.5%. This is in keeping to the Departmental position, which was conveyed to the Club in the February 2003 informal meeting.

D: CITY CONSENT NECESSARY TO ACCOMMODATE THE TENANT'S INSTALLATION OF CAPITAL IMPROVEMENTS:

The Club requires a written confirmation from the Director of the Planning, Property and Development Department authorizing that the project can proceed. In view that the project impacts a significant City asset and there might be a potential future financial implication, the consent is subject to the prior approval of Council.

It is anticipated that the Club and its membership will derive benefits from the enhanced facility. The City will derive benefit from an enhanced building assessment over the term of the lease. Ownership of the new building improvements will revert to the City at the expiry or earlier termination of the lease.

The Department recommends that the approval of the project be granted, conditional upon the following:

a) the City's review and approval of the proposed development plans;

b) the Club being required to place a performance bond in the full amount of the contract price of the work to be done, this being the contract price for the proposed demolition and new construction in the amount of $1,850,000.00, or to such other amount satisfactory to the Director;

c) the Club agrees in writing that the mutually agreed upon value of the eligible leasehold improvement as defined in the Lease is the clubhouse construction, excluding any costs for demolition, non-fixed equipment and any prior Club debt being refinanced. The value of the eligible cost is to be established as $1,550,000.;

d) the Club agrees in writing that proposed the Schedule "C" will represent the unamortized portion of the loan eligible under Clause 4.06(f) of the Lease for application in any future

determination for compensation as though all loan payments have been remitted by the Club in strict accordance with the schedule and further that the interest payable at that future point in time will be the lesser of the then prevailing borrowing rate available to the City or the loan interest rate of 7.5%;

e) all of the above being subject to Council approval and appropriate documentation being executed by the Club prior to the commencement of the proposed works.

Financial Impact Statement

Date: 20-Oct-03

PROPOSED DEMOLITION AND CONSTRUCTION OF A NEW CLUB HOUSE FACILITY -
ST. BONIFACE GOLF COURSE LIMITED - 100 YOUVILLE STREET

COMMENTS:

There is no financial impact associated with the within recommendations. However, given the terms of the Lease, there is a potential impact at some future point in time "only if" the City terminates this Lease for any reason other than default, any time before the 15 year loan in the amount of $1,550,000.00 associated to the Club's construction of the new leasehold improvement upon the City lands, is fully paid by the Club to it's lender. At such time, the City will be obligated to compensate the Tenant for the unamortized portion of the loan, plus applicable interest. Pursuant to the Lease terms, the City cannot terminate the lease until after the completion of the 10th year, December 31, 2010. Assuming that the loan will be paid by 2018, the City's potential exposure to risk is between the years 2011 and 2018. In event that the Lease is pre-terminated during this period, the unamortized principle value of the loan as at January 2011 will have declined to approximately $1,003,020.00. The actual Financial Impact to the City would be reported on at such future point in time that the City decides to pre-terminate the lease for any reason other than default.

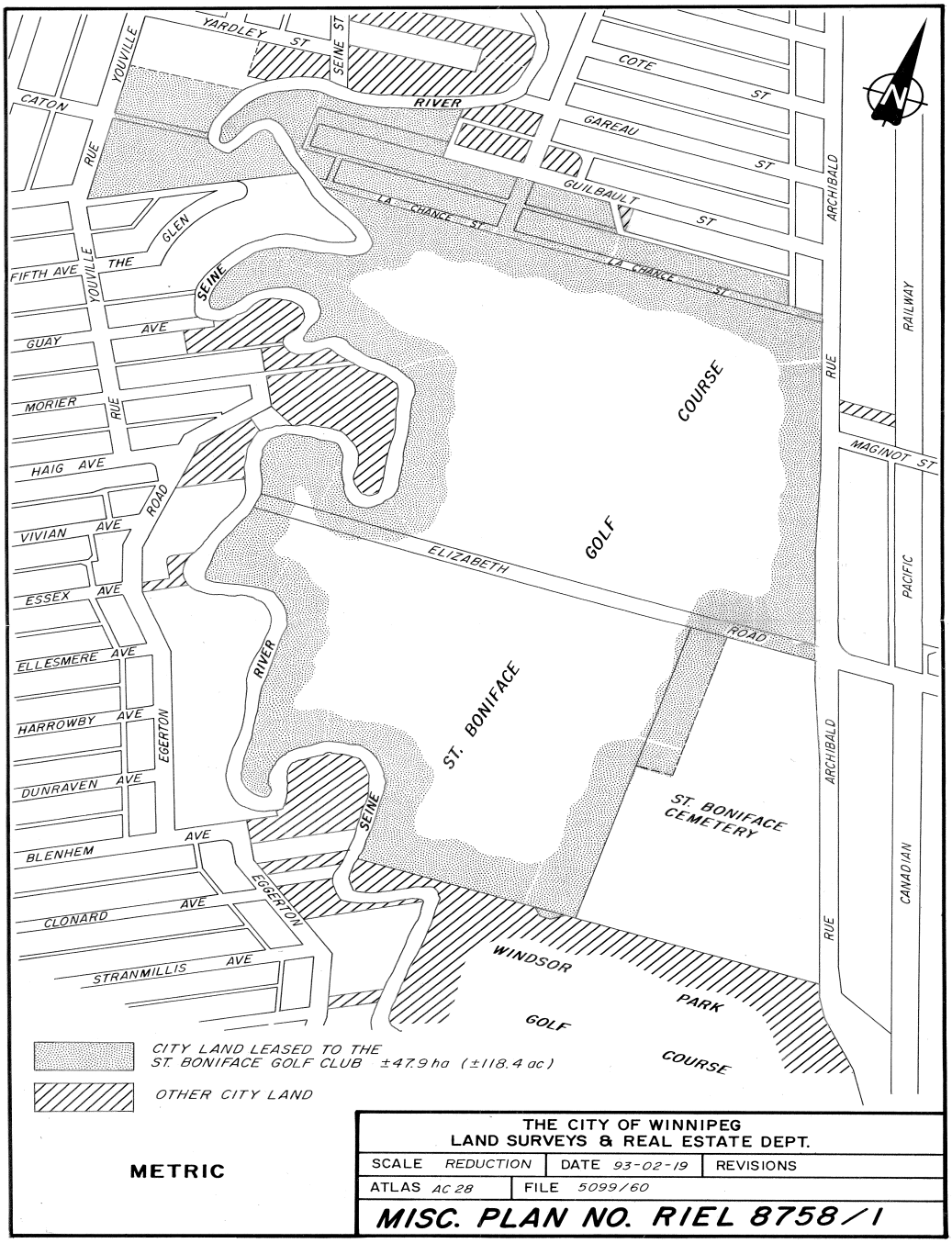
Gord Courage, Manager
Support Services Division

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:
The Legal Services Division as to interpretation of the Lease.
The SOA – Golf Services as to the recommendation.

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Real Estate Division
Prepared by: S. Polet
PPD File #: 5099/60 (II)

Document name: O:/ReportsDirective/RealEstate/Leasing/(sp)St.BonifaceGolfCourseRenovation2003.doc


YARDLEY ST
SEINE ST
YOUVILLE
CATON
RUE
RIVER
COTE ST
GAREAU ST
GUILBAULT ST
LA CHANCE ST
ARCHIBALD
RAILWAY
THE GLEN
FIFTH AVE
SEINE
GUAY AVE
MORIER RUE
HAIG AVE
VIVIAN AVE
ROAD
ESSEX AVE
ELLESMERE AVE
HARROWBY AVE
DUNRAVEN AVE
BLENHEM AVE
CLONARD AVE
STRANMILLIS AVE
EGERTON
COURSE
GOLF
ELIZABETH ROAD
MAGINOT ST
PACIFIC
ST. BONIFACE
ST. BONIFACE CEMETERY
CANADIAN
WINDSOR PARK GOLF COURSE
CITY LAND LEASED TO THE ST. BONIFACE GOLF CLUB ±47.9 ha (±118.4 ac)
OTHER CITY LAND
METRIC
THE CITY OF WINNIPEG
LAND SURVEYS & REAL ESTATE DEPT.
SCALE REDUCTION
DATE 93-02-19
REVISIONS
ATLAS AC 28
FILE 5099/60
MISC. PLAN NO. RIEL 8758/1

Schedule "A"

St. Boniface Golf Club
100 Youville Street
Winnipeg, MB R2H 2S
Phone: (204) 233-2497
Fax: (204) 237-9794

Thursday, May 22, 2003

Michael Sterdan
Winnipeg Golf Services
2nd Floor, 65 Garry St.
Winnipeg, MB R3C 4K4

Dear Michael,

Further to your telephone conversations with our Director of Golf Operations, Jason Ludke, please find enclosed: a.) conceptual drawings of our new clubhouse facility, b.) financial forecast and business plan, c.) information package on Langreen - our design build contractor, d.) Langreen's quote on the facility including square footage and price, e.) presentation video that was used at our special general meeting (in which our members voted in favour by a vote of over 90%), and f.) a computer rendering of what the facility will look like from the outside.

We believe that this is all of the information that you requested. If there is any other information or material that you may need, please do not hesitate to contact Jason Ludke at 233-2497 or Shawn Bennett at 955-2222.

As I'm sure you are aware, time is not on our side regarding this project - and any assistance in expediting the City of Winnipeg's approval would be much appreciated.

Yours truly,

Shawn Bennett
President – St.Boniface Golf Club

Bill French
Vice President - St.Boniface Golf Club

Leasehold Improvements

Schedule "B"

4.06 (a) The Tenant may erect and fix in or upon the Leased Premises any stiles, bridges, flag posts, fences, posts, parking lot or lots, movable rain shelters, movable sheds and movable pavilions, electrical lighting and light poles to be used exclusively for the purposes of the Tenant or any sub-tenant permitted under paragraph 4.04(d). The Tenant shall remove at or before the termination of this Lease any moveable rain shelters, sheds, pavilions or movable electrical lighting or poles if required by the Landlord, making good all damage done thereby.

(b) The Tenant shall not make, erect, install or alter any major leasehold improvements or trade fixtures in the Leased Premises without having requested and obtained the Landlord's prior written approval which the Landlord shall not unreasonably withhold provided it shall not be unreasonable of the Landlord as a condition of such approval to require the Tenant to post a performance bond in the full amount of the contract price of the work to be done.

(c) The Tenant shall not suffer or permit any claim, lien or charge under The Builders' Liens Act or any like statute to be made, filed or registered against the Landlord or against the Leased Premises or any fixtures or improvements thereto by reason of work, labour, services or material supplied or claimed to have been supplied to the Tenant. If any such claims, liens, or charges shall at any time be made, filed or registered or otherwise be alleged or deemed to exist, the Tenant shall indemnify and save harmless the Landlord from any and all loss, claims, costs, (including Court costs), expenses and professional fees paid or incurred by the Landlord arising out of or related to any duty or obligation imposed on the Landlord by The Builders' Liens Act in respect of any work carried out by or on behalf of the Tenant as may be permitted under this Lease, and the Tenant shall procure registration of a discharge within thirty (30) days after any claim, lien or charge has come to the notice or knowledge of the Tenant provided, however, should the Tenant desire to contest in good faith the amount or the validity of any claim, lien or charge and shall have informed the Landlord, and if the Tenant shall have deposited with the Landlord or paid into Court to the credit of any such action then the Tenant may defer payment of such claim for a period of time sufficient for the Tenant to contest the claim with due diligence, provided always, that the Tenant shall not allow the Leased Premises or any fixtures or improvements thereto or any part thereof, nor the Tenant's leasehold interest therein to become liable to forfeiture or sale. The Landlord may, but shall not be obliged to, discharge any lien or claim filed or registered at any time if in the Landlord's judgement the Leased Premises or any fixtures or improvements thereto or any part thereof of the Tenant's interest therein becomes liable to any forfeiture or sale or otherwise in jeopardy and any amount paid by the Landlord in so doing together with all reasonable costs and expenses of the Landlord shall be reimbursed to the Landlord by the Tenant on demand.

(d) Subject to 4.06 (f), all leasehold improvements upon the Leased Premises shall immediately upon the expiration or earlier termination of the Term be and become the Landlord's property. Except to the extent otherwise expressly agreed by the Landlord, in writing, no leasehold improvements, trade fixtures or equipment shall be removed by the Tenant from the Leased Premises either during or at the expiration or sooner termination of the Term except that:

(i) The Tenant may remove, replace or substitute trade fixtures and equipment as may be reasonably required from time to time in the normal course of the operation of the golf club and facilities.

(ii) the Tenant may at the end of the Term remove its trade fixtures; and

(iii) the Tenant shall at the end of the Term remove such of its leasehold improvements and trade fixtures excluding landscaping improvements as the Landlord shall require to be removed; and the Tenant shall, in the case of every removal either during or at the end of the Term, make good any damage caused to the Leased Premises by the installation and removal, provided, however, that in the event that the Tenant fails to make good any such damage as aforesaid, the Landlord may so repair the Leased Premises and the Tenant shall, immediately upon demand of the Landlord, reimburse the Landlord for all expenses incurred with respect to such repair. Such a claim by the Landlord shall survive the termination of the Lease.

(e) The Tenant, after having first obtained the express written consent of the Landlord, may at its own expense, erect, in or upon the Leased Premises, such buildings or structures as may be required for the purpose of the Tenant, title to all of which hereafter so erected shall vest to the Landlord upon termination of this agreement, subject to the terms of this Lease and subject to the option of the Landlord to demand removal of the same from the Leased Premises at the termination of this Lease.

(f) Subject to clause 6.16 of this lease, major leasehold improvements, which remain unamortized at the time of early termination or cancellation of this Lease, providing said cancellation is not due to default, will be subject to compensation based on a mutually agreeable value subject to 6.16.

Tenant 's Insurance

4.07 (a) The Tenant shall during the entire Term hereof, at its sole cost and expense, take out and keep in force

.n Amortization

Schedule "C"

Inputs		Key Figures	
Loan Principal Amount	$1,550,000.00	Annual Loan Payments	$172,424.28
Annual Interest Rate	7.50%	Monthly Payments	$14,368.69
Loan Period in Years	15	Interest in First Calendar Year	$38,573.72
Base Year of Loan	2003	Interest Over Term of Loan	$1,036,364.20
Base Month of Loan	9	Sum of All Payments	$2,586,364.20

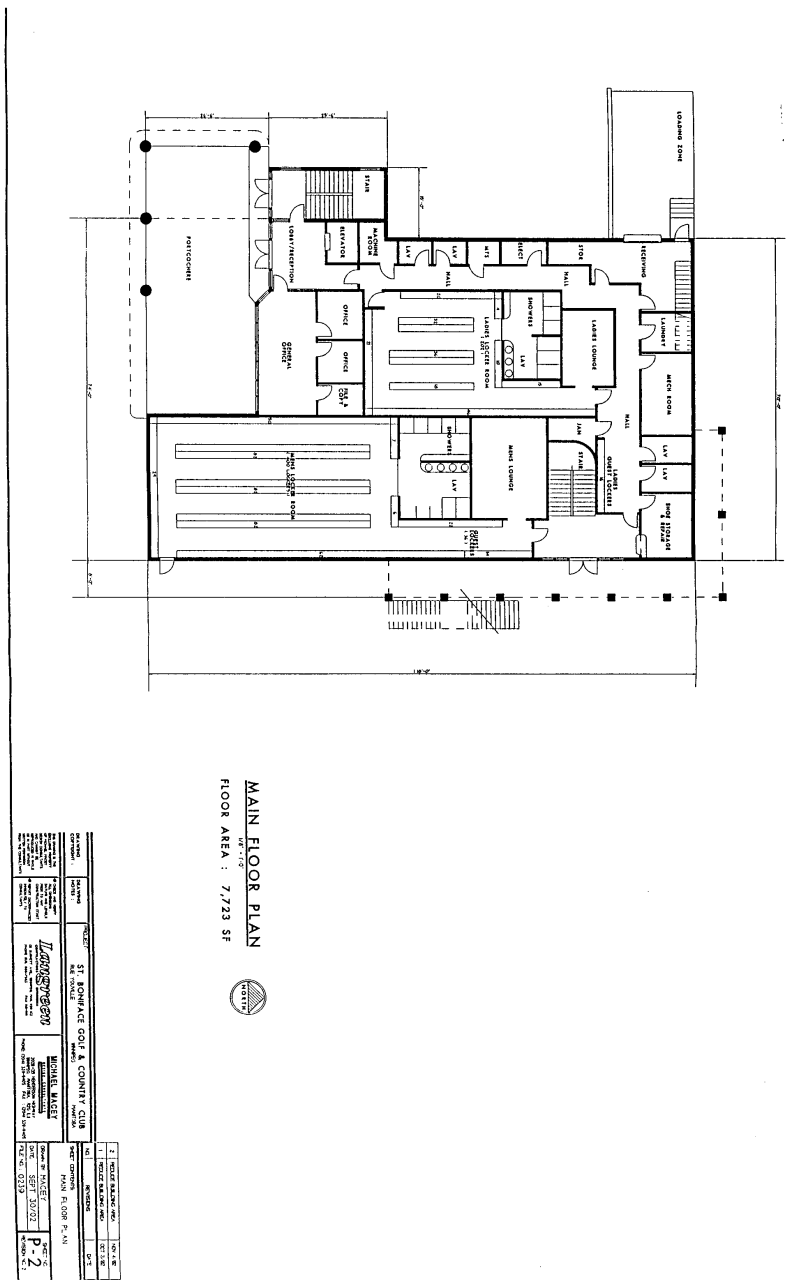
Payments in First 12 Months

Year	Month	Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
	Sep	$1,550,000.00	$14,368.69	$4,681.19	$9,687.50	$4,681.19	$9,687.50	$1,545,318.81
	Oct	$1,545,318.81	$14,368.69	$4,710.45	$9,658.24	$9,391.64	$19,345.74	$1,540,608.36
	Nov	$1,540,608.36	$14,368.69	$4,739.89	$9,628.80	$14,131.53	$28,974.54	$1,535,868.47
	Dec	$1,535,868.47	$14,368.69	$4,769.51	$9,599.18	$18,901.04	$38,573.72	$1,531,098.96
2004	Jan	$1,531,098.96	$14,368.69	$4,799.32	$9,569.37	$23,700.36	$48,143.09	$1,526,299.64
	Feb	$1,526,299.64	$14,368.69	$4,829.32	$9,539.37	$28,529.68	$57,682.46	$1,521,470.32
	Mar	$1,521,470.32	$14,368.69	$4,859.50	$9,509.19	$33,389.18	$67,191.65	$1,516,610.82
	Apr	$1,516,610.82	$14,368.69	$4,889.87	$9,478.82	$38,279.05	$76,670.47	$1,511,720.95
	May	$1,511,720.95	$14,368.69	$4,920.43	$9,448.26	$43,199.48	$86,118.73	$1,506,800.52
	Jun	$1,506,800.52	$14,368.69	$4,951.19	$9,417.50	$48,150.67	$95,536.23	$1,501,849.33
	Jul	$1,501,849.33	$14,368.69	$4,982.13	$9,386.56	$53,132.80	$104,922.79	$1,496,867.20
	Aug	$1,496,867.20	$14,368.69	$5,013.27	$9,355.42	$58,146.07	$114,278.21	$1,491,853.93

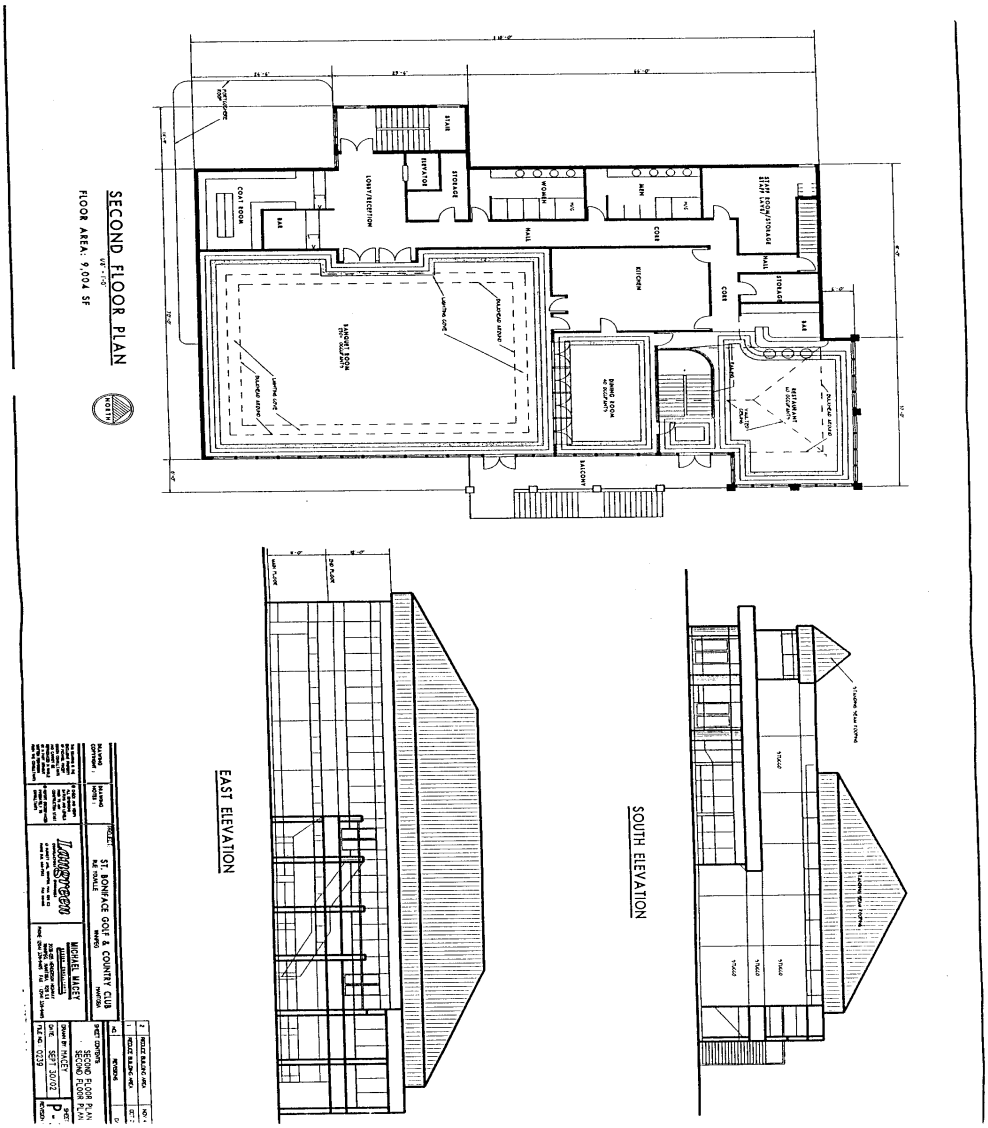
Yearly Schedule of Balances and Payments

Year	Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2004	$1,531,098.96	$172,424.28	$59,613.59	$112,810.69	$78,514.63	$151,384.41	$1,471,485.37
2005	$1,471,485.37	$172,424.28	$64,241.37	$108,182.91	$142,756.00	$259,567.32	$1,407,244.00
2006	$1,407,244.00	$172,424.28	$69,228.59	$103,195.69	$211,984.59	$362,763.01	$1,338,015.41
2007	$1,338,015.41	$172,424.28	$74,602.99	$97,821.29	$286,587.58	$460,584.30	$1,263,412.42
2008	$1,263,412.42	$172,424.28	$80,394.61	$92,029.67	$366,982.19	$552,613.97	$1,183,017.81
2009	$1,183,017.81	$172,424.28	$86,635.85	$85,788.43	$453,618.04	$638,402.40	$1,096,381.96
2010	$1,096,381.96	$172,424.28	$93,361.62	$79,062.66	$546,979.66	$717,465.06	$1,003,020.34
2011	$1,003,020.34	$172,424.28	$100,609.52	$71,814.76	$647,589.18	$789,279.82	$902,410.82
2012	$902,410.82	$172,424.28	$108,420.10	$64,004.18	$756,009.28	$853,284.00	$793,990.72
2013	$793,990.72	$172,424.28	$116,837.04	$55,587.24	$872,846.32	$908,871.24	$677,153.68
2014	$677,153.68	$172,424.28	$125,907.40	$46,516.88	$998,753.72	$955,388.12	$551,246.28
2015	$551,246.28	$172,424.28	$135,681.92	$36,742.36	$1,134,435.64	$992,130.48	$415,564.36
2016	$415,564.36	$172,424.28	$146,215.26	$26,209.02	$1,280,650.89	$1,018,339.51	$269,349.11
2017	$269,349.11	$172,424.28	$157,566.33	$14,857.95	$1,438,217.22	$1,033,197.46	$111,782.78
2018	$111,782.78	$114,949.52	$111,782.78	$3,166.74	$1,550,000.00	$1,036,364.20	$0.00

Schedule "D"


MAIN FLOOR PLAN
FLOOR AREA : 7,723 SF
ST. BONIFACE GOLF & COUNTRY CLUB
MICHAEL MACEY
MAIN FLOOR PLAN
P-2

Schedule "E"


SECOND FLOOR PLAN
FLOOR AREA: 9,004 SF
EAST ELEVATION
SOUTH ELEVATION
ST. BONIFACE GOLF & COUNTRY CLUB
MICHAEL MAISEY
SECOND FLOOR PLAN
SEPT 30/02