Minute No. 218
Report - Standing Policy Committee on Downtown Development - February 7, 2005

Item No. 4 **Lease of the Alexander Dock and Adjacent Lands to Paddlewheel Riverboats Ltd. for the 2005 Riverboat Season**
File FI-2.1.1

COUNCIL DECISION:

Council concurred in the recommendation of the Standing Policy Committee on Downtown Development and adopted the following:

1. That a rent credit as outlined in the report from the Director of Planning, Property and Development dated January 26, 2005, be applied to the Paddlewheel Riverboats Ltd. account for the 2004 season.

2. That the six (6.0) month lease agreement between the City and Paddlewheel Riverboats Ltd. for the entire Alexander Dock and adjacent lands and portion of the Harbourmaster Site as identified on Misc. Plan 7806/14 be approved in accordance with terms and conditions outlined in Schedule "B" contained in the report from the Director of Planning, Property and Development dated January 26, 2005, subject to the payment of any rent arrears.

3. 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 Downtown Development - February 7, 2005

DECISION MAKING HISTORY:

Moved by Councillor De Smedt,
That the recommendation of the Standing Policy Committee on Downtown Development be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 16, 2005, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On February 7, 2005, the Standing Policy Committee on Downtown Development concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Re: Proposed Lease of the Alexander Dock and Adjacent Lands to Paddlewheel Riverboats Ltd. for the 2005 Riverboat Season
Lord Selkirk-West Kildonan Community
Mynarski Ward

For submission to: **Standing Policy Committee on Downtown and Development**

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

Report date: January 26, 2005

Recommendation(s):

1. That a rent credit as discussed herein be applied to the Paddlewheel Riverboats Ltd. account for the 2004 season;

2. That the proposed six (6.0) month lease agreement between the City and Paddlewheel Riverboats Ltd. for the entire Alexander Dock and adjacent lands and portion of the Harbourmaster Site as identified on Misc. Plan 7806/14 be approved in accordance with terms and conditions as outlined in the attached Schedule "B" subject to the payment of any rent arrears;

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

REPORT SUMMARY

Key Issues:

- The City, in concurrence with CentreVenture Development Corporation, entered into short-term lease agreements with Paddlewheel Riverboats Ltd. to use the north portion of the Alexander Dock and adjacent lands for riverboat purposes between the period of 2001 and 2003.

- In response to an unsolicited long term Offer of Lease from Paddlewheel Riverboats Ltd, the Standing Policy Committee on Property and Development made a motion at its meeting on January 16, 2004, to approve a one-year extension of the aforementioned leases which expired as at March 31, 2004, to facilitate the 2004 operating season.

- CentreVenture and the City intend to pursue requests for proposals from the public at large for surplus lands along Waterfront, including these riverbank lands. Subsequently, the City and CentreVenture contemplated long-term development of the riverbank lands along with long-term leases, subject to amendments to the Asset Agreement to facilitate

same. A draft proposal call is anticipated sometime in February 2005 for review with CentreVenture.

- The Planning, Property and Development Department undertook repairs to the southern portion of the dock in 2004 at an estimated cost of $350,000.00.

Implications of the Recommendation(s):

General implications:

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

Comment(s):

-

Policy implications:

X	**No**
	Yes

Comment(s):

-

Environmental implications:

X	**No**
	Yes

Comment(s):

- The City's standard terms and conditions of Lease include provisions to protect the City's interests in the event environmental contamination is discovered.

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):

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REASON FOR THE REPORT:

Paddlewheel Riverboats Ltd. has requested a 6.5-month lease of the entire Alexander Dock and adjacent lands for the 2005 season. The Planning, Property and Development Department is, by this report, seeking the approval of the Standing Policy Committee on Property and Development of the proposed terms and conditions of the 6.5 month lease agreement.

HISTORY:

A detailed history is contained in Schedule "A".

By way of letter dated February 9, 2004, Paddlewheel Riverboats Ltd. requested the exclusive use of the repaired southerly portion of the dock for a period from April 1, 2004 to October 15, 2004, pending the completion of repairs by the City in April of 2004, rather than a one year extension as approved by the Standing Policy Committee on Property and Development on January 16, 2004.

On April 13, 2004, the Standing Policy Committee on Downtown Development approved a 6.5 month amendment and extension to the lease agreement with Paddlewheel Riverboats Ltd.

The terms and conditions of the Lease Agreement were as follows:

Owner:	City
Tenant:	Paddlewheel Riverboats Ltd.
Description:	As shown Misc. Plan 7806/13 Alexander Dock, Riverbank and street right of ways
Purpose:	Riverboat operations
Commencement:	April 1, 2004
Term:	Until October 15, 2004
Rental:	$19,902.55 plus realty taxes
Cancellation:	By City on Tenant default of covenants
Special Conditions:	-Access for City over demised premises to repair south half of the Alexander Dock. -Right to remove certain lands adjoining Waterfront Drive for Waterfront Drive Project.

DISCUSSION:

1. Lease Agreement for 2004 Season:

Pursuant to the Standing Policy Committee on Downtown Development's direction to extend the lease for a further 6.5-month period to October 15, 2004, the Planning, Property and Development Department sought to complete the repairs to the south half of the Alexander Dock prior to April 1, 2004 and to finalize the lease agreement.

Due to a variety of external factors including design approval delays, spring flooding and escalating costs due to the price of lumber, the Department was not able to complete the repairs to the south half of the Alexander Dock prior to April 1, 2004. As such, the Department was not

in a position to finalize the lease agreement and the rental rate, which was based on the south half of the Alexander Dock being completed. The project was substantially completed by August 20, 2004.

In order to document this matter, the Department is proposing that a Lease Agreement be finalized with Paddlewheel Riverboats for the 2004 season in accordance with the terms approved by the Standing Policy Committee at its meeting on April 13, 2004 subject to the following revision:

- Given that repairs to the south half of the Alexander Dock were not completed for April 1, 2004, that the Tenant receive an adjustment to the rent rate and credit for the period between April 1 and August 20, 2004 in amount equal to $7,262.97 (the difference between the old rent rate of $1,500.00/ month and the new rent rate of $3,061.93/ month or $1,561.93/ month times 4.65 months).

In accordance with the approved lease terms, the Tenant should have paid $19,902.55 for the use of the Alexander Docks and adjacent lands plus $4,832.08 in realty taxes. The Tenant paid the City a total of $8,025.00 in rent payments representing a difference of $11,877.55. After applying the adjustment of $7,262.97, the balance owing would be $4,614.58 plus $4,832.08 in realty taxes.

2. Lease Agreement for the 2005 Season:

The Planning, Property and Development Department are working with CentreVenture on the planning parameters and development feasibility of the Harbourmaster and Alexander Dock sites. It is anticipated that the Department will be reporting on this matter in the late spring. In the interim, CentreVenture and the Department are supportive of entering into a new lease agreement with Paddlewheel Riverboats Ltd. for the use of the Alexander Dock and adjacent lands in 2005.

Prior to determining the terms for a Lease Agreement, the Department reviewed the rent rate and a request from CentreVenture and from Paddlewheel Riverboats Ltd. to use a portion of the Harbourmaster site for interim parking.

In part, the rent rate for 2004 was based on a construction budget of $350,000.00 to repair the south half of the Alexander Dock. The actual cost of repairing the south half of the dock was $405,769.47. As such, is it recommended that the rent rate for the south half of the dock be revised to reflect the increased cost. The revised rent should then be at $21,521.54 per annum versus $19,902.55 for the entire dock and adjacent lands.

The Department received a request from CentreVenture to make the existing parking lot situated on a portion of the Harbourmaster site as referenced on the attached Misc. Plan 7806/14 available to meet the parking requirements of vehicle owners who were parking on the lands to be developed for residential projects along Waterfront Drive. In addition, Paddlewheel Riverboats Ltd. indicated in its letter dated December 10, 2004, that it wished to use the parking

lot lying within the Harbourmaster site for parking purposes after 5:00 PM seven days a week within the proposed lease term.

The Real Estate Division is liaising with the Parking Special Operating Agency regarding the potential for daytime parking operation and revenue; however, no final decisions have been made at this time.

In lieu of the disruption to the Paddlewheel Riverboats Ltd. during 2004 on the Alexander Dock site, the Department has no objection to adding the subject property to the Lease Agreement on a non-exclusive basis and of allowing the Tenant to use the subject parking lot as referenced on Misc. Plan 7806/14 after 5:30 PM during the period of May 1 through October 31, 2005 for parking purposes at no additional cost during the 2005 season.

The Department has prepared the proposed terms and conditions for an amended 6.0 month Lease Agreement between the City and Paddlewheel Riverboats Ltd. as follows:

Owner:	City
Tenant:	Paddlewheel Riverboat Ltd.
Location:	City-owned lands and right of ways outlined as "Proposed Lease" on Misc. Plan No. 7806/14
Description:	Alexander Dock, Riverbank and street right of ways
Purpose:	Riverboat operations
Commencement:	May 1, 2005
Term:	6 months ending October 31, 2005
Rental:	$21,521.54 plus realty taxes
Cancellation:	By City on Tenant default of covenants

A copy of the proposed terms and conditions is attached as Schedule "B".

Departmental Comments:

The Planning, Property and Development Department is recommending the approval of the proposed amended lease for the following reasons:

- Because the proposed lease is for a 6 month term, CentreVenture has no objection to the proposed lease agreement;
- The proposed lease would enable this tour boat operator to continue to provide this service for the 2005 operating year;
- There is currently no known alternative project that would require the use of this site;
- The proposed terms and conditions provide for a financial return during the proposed term of lease to the City on the cost of repairing the north and south half of the Alexander Docks;
- The proposed lease provides for the collection of realty taxes; and

- The proposed terms and conditions already set out the expressed understanding that the rent rate does not establish any precedent for future negotiations that CentreVenture may initiate.

Financial Impact Statement

Date: January 17, 2005

Project Name: Proposed Lease of the Alexander Dock and Surrounding lands to Paddlewheel Riverboats Ltd.

First Year of Program 2005

	2005	2006	2007	2008	2009
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
External	-	-	-	-	-
Grants (Identify)	-	-	-	-	-
Reserves, Equity, Surplus, Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	26,354	-	-	-	-
Net Cost/(Benefit)	$ (26,354)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (26,354)	$ -	$ -	$ -	$ -

Additional Comments:

The total is comprised of $21,521.54 in rent and $4,832.08 in 2005 for realty taxes.

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

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

CentreVenture

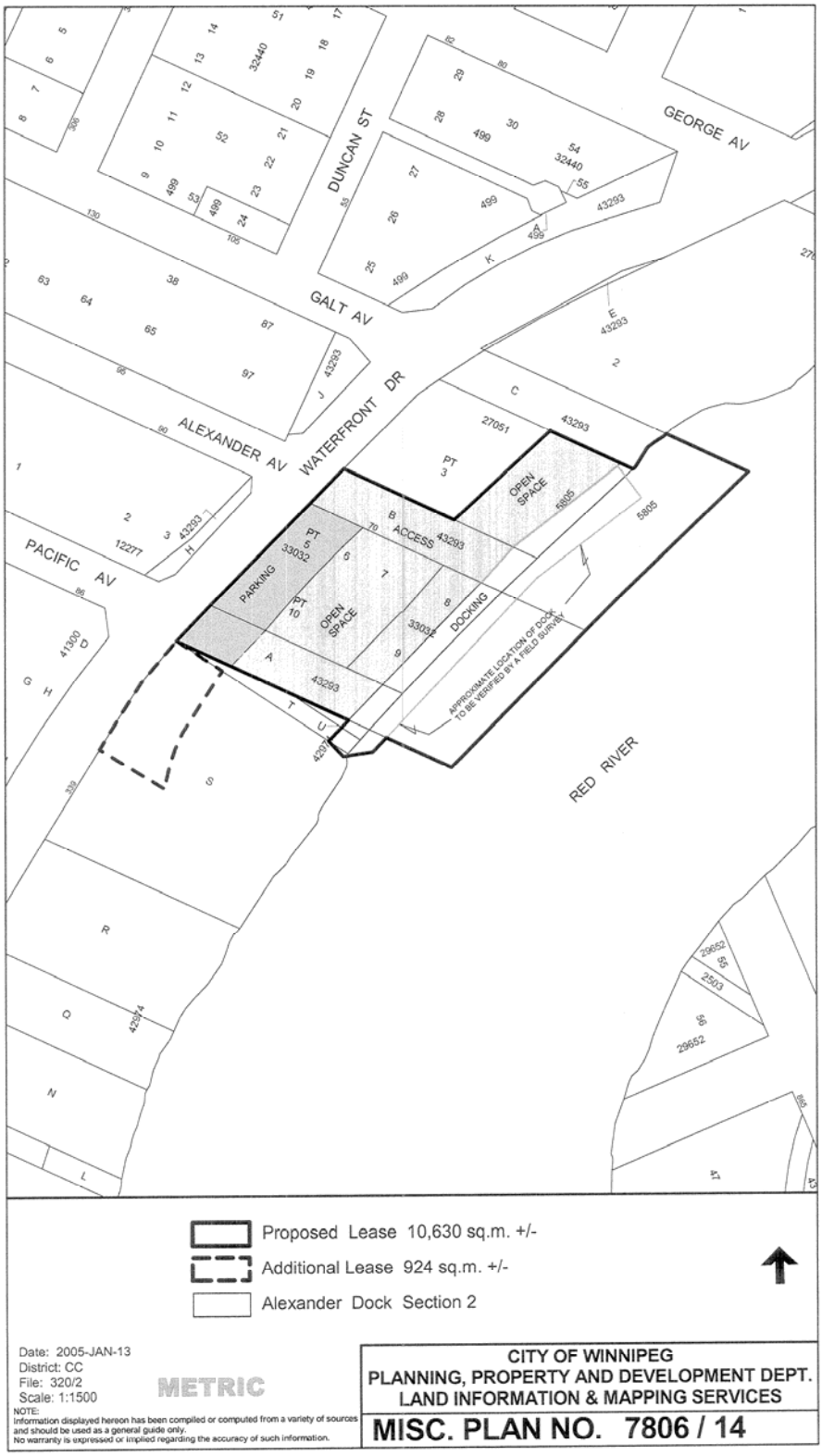
Planning and Land Use Division

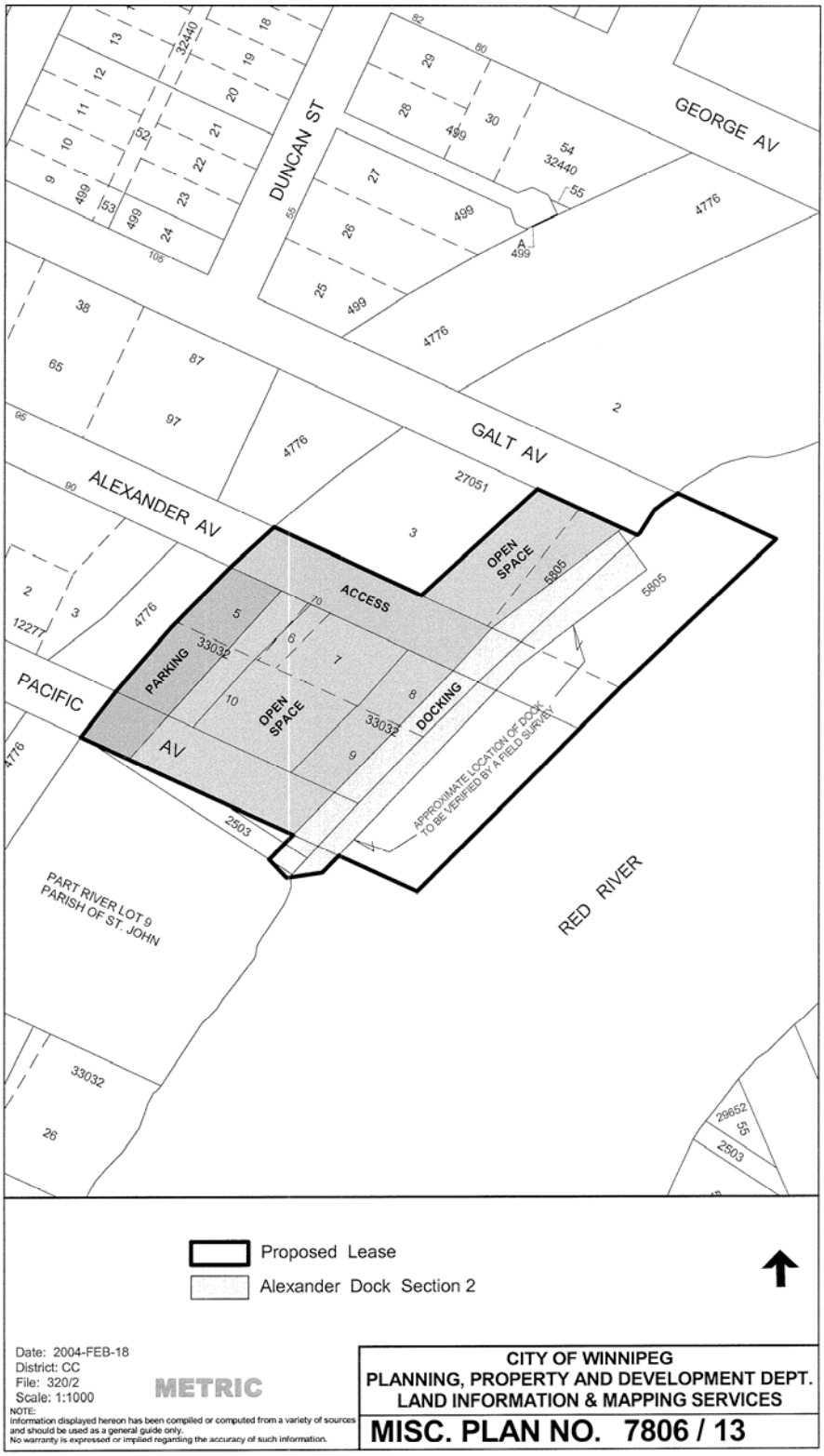
Manager of Downtown Improvement and Departmental Projects

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Real Estate
Prepared by: D. Armstrong
PPD File #: 38/752 V6

Document: o:\reports directive\real estate\leasing\(da)PaddlewheelRiverboatsLtd-2005 lease amendment&extension.doc


DUNCAN ST
GEORGE AV
GALT AV
ALEXANDER AV
WATERFRONT DR
PACIFIC AV
RED RIVER
PARKING
OPEN SPACE
ACCESS
DOCKING
APPROXIMATE LOCATION OF DOCK TO BE VERIFIED BY A FIELD SURVEY
Proposed Lease 10,630 sq.m. +/-
Additional Lease 924 sq.m. +/-
Alexander Dock Section 2
Date: 2005-JAN-13
District: CC
File: 320/2
Scale: 1:1500
METRIC
NOTE:
Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only.
No warranty is expressed or implied regarding the accuracy of such information.
CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES
MISC. PLAN NO. 7806 / 14


DUNCAN ST
GEORGE AV
GALT AV
ALEXANDER AV
PACIFIC AV
RED RIVER
ACCESS
OPEN SPACE
PARKING
DOCKING
OPEN SPACE
APPROXIMATE LOCATION OF DOCK TO BE VERIFIED BY A FIELD SURVEY
PART RIVER LOT 9 PARISH OF ST. JOHN
Proposed Lease
Alexander Dock Section 2
Date: 2004-FEB-18
District: CC
File: 320/2
Scale: 1:1000
METRIC
NOTE:
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CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES
MISC. PLAN NO. 7806 / 13

Schedule "A"

History:

In the period between the fall of 1999 and the spring of 2001, the Planning, Property and Development Department assisted the Public Works Department and Paddlewheel Riverboats Ltd. with a relocation of the boat operation from the Provencher Bridge to an alternate site to facilitate the construction of the new Provencher Bridge. Following an extensive site review and negotiation, Paddlewheel Riverboats Ltd. agreed to relocate to the Alexander Dock.

Coincident with the relocation, the City and CentreVenture were having discussions regarding the long-term plans for the Alexander Dock site and other City property situated east of Waterfront Drive. As the plan has not been completed at this time, it is understood that the Paddlewheel Riverboat lease would be short term and subject to the formulation of a long term development plan for the Alexander Dock and surrounding lands. Paddlewheel Riverboats Ltd. has indicated a strong interest in establishing a permanent occupancy and facility at this location.

At its meeting held on April 5, 2001, the Standing Policy Committee on Property and Development considered a subsequent Departmental report dated March 29, 2001 and approved the following recommendations:

> *"1. The proposed revised terms and conditions of the lease as outlined in the report dated March 29, 2001, be approved.*
>
> *2. The Director of Planning, Property and Development be authorized to undertake the repairs (as outlined in the aforesaid report) to the Alexander Dock with the costs associated therewith to be charged to the Land Operating Reserve Account."*

The Planning, Property and Development Department subsequently completed repairs to the north half of the Alexander Dock and executed Lease Agreement No. 1 with Paddlewheel Riverboats Ltd. on June 28, 2001, for that portion of the dock and certain adjacent lands. The terms of Lease provided for a rent rate for the dock area based upon a 10% return of the cost to repair.

At its meeting held on July 5, 2001, the Standing Policy Committee on Property and Development considered the Department's report dated June 29, 2001 and approved the following recommendations:

> *"1. The Director of Planning, Property and Development be authorized to enter into an agreement with the Paddlewheel Riverboat Ltd. for the proposed installation of a ramp and use of same over the southerly portion of the Alexander Dock in accordance with the terms and conditions outlined in the report dated June 29, 2001; the Agreement to provide for such other terms and conditions deemed necessary by the City Solicitor/Manager of Legal Services to achieve the intent of the Standing Policy Committee and to protect the City's interests.*

2. The existing Lease Agreement with Paddlewheel Riverboats Ltd. for the northerly portion of the Alexander Dock and adjacent lands, be amended to include the requirements of the Winnipeg Police Services as outlined in the report dated June 29, 2001."

The Planning, Property and Development Department executed a Lease Agreement No.2 with Paddlewheel Riverboats Ltd. on March 6, 2002 for the installation of a ramp over the southerly portion of the dock.

On May 12, 2003, the Standing Policy Committee approved a one-year extension of the two aforementioned leases to facilitate the 2003 operating year up to March 31, 2004.

The terms and conditions of the two existing leases are as follows:

Lease Agreement No. 1 (North portion of the dock and adjacent lands)

Owner:	City
Tenant:	Paddlewheel Riverboats Ltd.
Description:	Alexander Dock, Riverbank and street right of ways
Purpose:	Riverboat operations
Commencement:	May 1, 2003
Term:	Until March 31, 2004
Rental:	$18,000.00 plus realty taxes
Cancellation:	By City on Tenant default of covenants
Special Conditions:	-Access for City over demised premises to repair south half of the Alexander Dock. -Right to remove certain lands adjoining Waterfront Drive for Waterfront Drive Project.

Lease Agreement No.2 (Ramp over south portion of the dock and accessing lands)

Owner:	City
Tenant:	Paddlewheel Riverboats Ltd.
Description:	Alexander Dock
Purpose:	Riverboat operations
Commencement:	May 1, 2003
Term:	Until March 31, 2004, or as may be earlier terminated by the City for the purposes of commencing the dock repairs and any and all associated works to the south half of the Alexander Dock.
Rental:	$500.00/annum plus realty taxes
Cancellation:	By the City upon seven (7) days written notice; by the City upon (5) days notice of default.

The Paddlewheel Riverboats Ltd., appeared as a delegation at the Standing Policy Committee on Property and Development meeting of January 16, 2004. The Paddlewheel Riverboats Ltd. presented a proposal to develop the subject property and a request to enter into a 50 year lease

agreement. Paddlewheel Riverboats Ltd. indicated that it wanted the City's consideration and approval of the proposed development before the commencement of its 2004 business operation in March. The Committee, amongst other things, passed a motion that "in the interim, (the SPCPD) approved a one-year extension of the existing leases between the City and Paddlewheel Riverboats Ltd. to facilitate operation of the business in 2004 during the evaluation of the Business Plan."

Schedule "B"

1. The Lessee hereby covenants and agrees;

(a) Lessee hereby leases and takes from the City the leased premises as shown on the attached Misc. Plans 7806/ 14 for the term commencing as of May 1, 2005 and ending October 31, 2005 subject, however, to cancellation as hereinafter set out.

(b) To pay the City as rental for the leased premises the sum of **TWENTY ONE THOUSAND FIVE HUNDRED AND TWENTY ONE DOLLARS AND 54 CENTS ($21,521.54)** plus applicable Goods and Services Tax, payable in equal monthly payments during the term of this agreement, the first such payment to become due and to be paid on the 1st day of May 2005. The City's Director of Planning, Property and Development (hereinafter called the ***"Director"***) may, acting reasonably, increase the annual rent to take effect upon thirty (30) days notice as prescribed herein which increase, as determined from time to time by a certified land appraiser acting on behalf of the City, shall correspond to any increase in market value rent for the leased premises due to any enhanced use of that part of the leased premises currently identified as "Open Space" on Schedule "A" attached hereto but, in any event, annual rent shall not be less than $21,521.54;

(c) To pay to the City on demand as additional rent an amount equal to the realty taxes on the leased premises and any improvements thereon including local improvement levies as though the entire leased premises were included in the City's realty assessment roll;

(d) To pay to the City in addition to the foregoing all license fees and business taxes, including Goods and Services Tax, which may be charged in respect of rent payable under the lease or in respect of the leased premises, whether such fees and taxes are charged by any municipal, provincial or federal authority or otherwise;

(e) Subject to any works contemplated by the City hereunder, to accept the leased premises in an "As Is" condition and acknowledge that the City has made no representation whatsoever as to the fitness of the leased premises for the intended use of the Lessee;

That, unless otherwise agreed to in writing by the Director, the leased premises will be used by the Lessee at its sole cost and expense in conjunction with its riverboat and tour operation which use shall be restricted as follows:

(i) that part of the leased premises shown coloured pink on Schedule "A" (Misc. Plan No. 7806/ 13 to the Agreement) hereto shall be used only for parking purposes; and

(ii) that part of the leased premises shown coloured brown on Schedule "A" (Misc. Plan No. 7806/ 13 to the Agreement) hereto shall be used only for docking purposes; and

(iii) that part of the leased premises shown coloured blue on Schedule "A" (Misc. Plan No. 7806/ 13 to the Agreement) hereto shall be used only for access purposes; and

(iv) that part of the leased premises shown coloured green on Schedule "A" (Misc. Plan No. 7806/ 13 to the Agreement) hereto shall be used only as open space;

(v) that part of the leased premises shown coloured red on Schedule "A" (Misc. Plan No. 7806/ 14 to the Agreement) hereto shall be used only for parking purposes after 5:00 PM ; and

To comply with all applicable laws, by-laws, and regulations of any federal, provincial or municipal authority pertaining to the use and occupancy of the leased premises by the Lessee and shall obtain all necessary permits;

(f) That commencement of this Lease is subject to the Lessee obtaining:

such conditional use and/or zoning variance approval as may be required by the City to permit the proposed use of the leased premises;

Waterways Permit pursuant to The City of Winnipeg Waterways By-law with respect to the proposed use of the leased premises;

The City of Winnipeg Downtown Design Board approval in respect of any construction permitted hereunder;

and does hereby further agree to comply with all conditions which may be contained in such permits and approvals and such conditions shall be deemed to be part of this Lease as if fully set out herein;

(g) That it shall at its own expense maintain the leased premises in a neat and tidy condition satisfactory to the Director, acting reasonably and, without limiting the generality of the foregoing, ensure that the dock forming part of the leased

premises and shown coloured brown and identified as "Alexander Dock – Section No. 2 on Schedule "A" (Misc. Plan No. 7806/13 to the Agreement) hereto (hereinafter called the ***"Alexander Dock"***) is maintained in a condition required to facilitate the Lessee's safe use and occupancy of the leased premises, during the lease term, all at no expense to the City;

(h) Upon commencement of riverboat tours contemplated by this Agreement, not to restrict the public from free pedestrian access to the leased premises, subject to the Lessee's requirement for reasonable security and safety;

(i) To permit access to the leased premises by the City's Emergency Services and Police Services Departments at all times during the term of this lease for emergency purposes;

(j) To indemnify and keep indemnified the City from and against all claims, actions or proceedings for loss, injury, damages or compensation by any person, firm or corporation, whether to real or personal property, wheresoever situated, or by any member, employee, agent, licensee, invitee, tenant or third party whether claiming through or under the Lessee or otherwise caused by reason or in any way attributable to the Lessee's use of the leased premises, or the construction, maintenance, existence or use of the any buildings erected thereon, or in any way connected therewith or otherwise by reason of the exercise by the Lessee of the use hereby granted or the performance of or failure to perform its obligations hereunder;

(k) That should the City's Branch 1 Aqueduct, 250 mm land drainage sewer outfall and 1500 mm combined sewer outflow located within the leased premises (hereinafter called the ***"City installations"***) be damaged due to any act or failure to act on the part of the Lessee or any of its employees, agents, licensees, invitees, tenants or third parties or anyone carrying out activities on its behalf during

construction, renovation or repair works at the leased premises, or at any time thereafter, it will:

(i) act expeditiously to prevent further damage to the City installations and advise the City's Water and Waste Department immediately;

(ii) allow the City's Director of Water and Waste Department to handle all engineering and construction aspects of the repair;

(iii) compensate the City for all costs associated with such repair or any subsequent restoration works required; and

(iv) not hold the City liable or responsible for any delay in completion of the repairs to the City installations;

(l) To reserve to the City the right to enter upon the leased premises, with or without equipment, upon twenty-four (24) hours prior notice to the Lessee, acting reasonably, except in an emergency situation where no notice shall be required, for any City purposes, including but not limited to maintenance, reconstruction, repair and operation of the City installations and associated structures located herein, including the right to exclude all others from the portion of the leased premises required for such work for as long as may be necessary to carry out such work;

(m) To pay all utility and operating expenses in connection with the use of the leased premises;

Not to erect or permit the erection of any building or structures on the leased premises without the prior written consent of the Director;

(n) To comply with all municipal, provincial and federal laws, by-laws and regulations and further, to obtain all necessary approvals and permits, including without limitation a Rivers and Streams Permit as may be required and to provide evidence of same to the Director prior to occupying the leased premises;

(o) In performing and completing any construction, renovation or repair work as may be approved hereunder, to ensure the contractor or builder complies with all by-laws and regulations and maintains and keeps in force during the construction period, insurance protecting both the City (with the City named as additional insured) and the Lessee against all claims arising out of any such construction, renovation or repair work;

(p) To discharge any builder's liens which may be registered against the leased premises and relating to the Lessee's occupancy hereunder. If the Lessee fails to do so, the City may charge the costs involved to the Lessee;

(q) To repair any damage caused to the adjoining City owned lands at its sole cost due to its use or works associated with the leased premises.

(r) To provide contracted or staff members for site security and other such measures as may be required to reduce vandalism and to improve the safety of the patrons entering and leaving the leased premises, as may be required, to the satisfaction of the Director.

2. The Lessee further covenants and agrees:

(a) That it shall not assign this Lease nor sub-let the leased premises without the prior written consent of the Director, acting reasonably;

(b) That any consent by the Director to an assignment or sub-let shall not release the Lessee of its obligations for the payment of rent and the performance of the terms and conditions contained in this Lease;

(c) To assume all costs and expenses incurred by the City in repairing actual damage to the leased premises or utilities therein caused by the Lessee's use of the leased premises;

(d) To indemnify and save harmless the City from and against any and all claims for damages which may arise out of the use of the leased premises by the Lessee, including without limitation, claims arising out of riverbank failure;

(e) To purchase and keep in force during the full term of this Lease a Comprehensive General Liability Policy including but not limited to the following provisions:

(i) The City of Winnipeg to be named as Additional Named Insured;
(ii) The policy to contain cross liability clauses;
(iii) Minimum limits of $5,000,000.00 all inclusive;
(iv) Deductibles acceptable to the City.
(v) The exclusion for watercraft will be amended so that the exclusion will not apply to vessels operated by or for the Lessee;
(vi) The policy shall provide for ninety (90) days notice to the City of cancellation or material change;

and the Lessee shall file with the City a certified copy of the said Policy in a form satisfactory to the City Solicitor/ Manager of Legal Services;

(f) To purchase and keep in force during the term of this Lease property insurance for the Alexander Dock in an amount as may be required and determined by the City's Supervisor of Insurance and Risk Management on an all risk form in the

joint names of the Lessee and the City with loss payable to the City, and it shall file with the City a certified copy of the policy in a form satisfactory to the City Solicitor. The City, acting reasonably, shall have the right to alter the limits and coverages as required from time to time during the term of this Lease, as may be required;

(g) To purchase and keep in force during the term of this Lease, a proper marine protection and indemnity insurance policy for the protection of the Lessee and the City if required and it shall file with the City a certified copy of the policy in a form satisfactory to the City Solicitor;

(h) The Lessee shall be responsible for and shall repair to the satisfaction of the City any riverbank failure due to the Lessee's use of the leased premises;

(i) To provide its own security for the leased premises;

(j) Not to file any caveat or other encumbrance against the leased premises;

(k) To ensure that the access to the leased premises is conducted in a careful manner in accordance with good industry standards and in compliance with the provisions of any applicable environmental, health or safety statutes, regulations, orders or directives of any government or governmental agency having jurisdiction over such operations;

(l) To ensure that all environmental contaminants are received, handled, used, stored, treated, shipped and disposed of in the manner required from time to time by applicable laws, by-laws, regulations, rules or requirements of all authorities having jurisdiction over the leased premises or the Lessee;

(m) Not to release into the environment, or deposit, discharge, place or dispose of, at, on or near the leased premises, any dangerous goods at that term is defined in The Dangerous Goods Handling and Transportation Act, R.S.M. 1987, c.D12, as amended, replaced or substituted from time to time;

(n) To immediately notify the Director as to any infractions relative to this Lease and to provide the Director with a report on an annual basis relative to the handling and storage of any dangerous goods as referred to herein;

(o) That it shall inspect all goods delivered to the leased premises and will ensure that no pollutant is brought on the leased premises by or for the Lessee or its employees, licensees or invitees except in each case pursuant to and in accordance with the City's prior written consent and that it shall at its own cost cause any goods, the nature of which is not known to the Lessee with certainty, to be tested by a qualified person to determine whether they are or contain any pollutant before accepting the same into the leased premises and if found to be in breach of the requirements of this subsection the City may on behalf of the Lessee rectify such breach and the Lessee shall promptly reimburse the City's for the cost of any test, analysis or inspection of goods at the leased premises which are, or which the City has reason to suspect, may be or contain a pollutant;

That if any governmental authority having jurisdiction shall require the clean up of any pollutant held, released, abandoned or placed upon the leased premises or released into the environment in the course of the Lessee's business or as a result of the Lessee's use or occupancy of the leased premises, then the Lessee shall, at its own expense prepare all necessary studies, plans and proposals and submit the same for approval, provide all bonds and other security required by governmental authorities having jurisdiction and carry out the work required and shall provide to the City full information with respect to proposed plans and comply with the City's reasonable requirements with respect to such plans. The Lessee further

agrees that if the City determines, in its own discretion, that the City, its property, its reputation or the leased premises is placed in any jeopardy by the requirement for any such work, the City may itself undertake, on prior notice to the Lessee, such work or any part thereof at the cost and expense of the Lessee;

(p) That, if requested by the City, it shall obtain a report from an independent qualified consultant designated or approved by the City verifying the complete and proper removal thereof from the leased premises or reporting as to the extent and nature of any failure to comply with the foregoing provisions as to pollution and environmental controls;

(q) That if the Lessee shall bring or create upon the leased premises any pollutants or if the conduct of the Lessee's business shall cause there to be any pollutants upon the leased premises then, notwithstanding any rule of law to the contrary, such pollutants shall be and remains the sole and exclusive property of the Lessee and shall not become the property of the City notwithstanding the degree of affixation of the pollutant or the goods containing the pollutants to the leased premises and notwithstanding the expiry or earlier termination of this Lease and at the option of the City any substance contaminated by such pollutants shall become the property of the Lessee or, at the City's option, the City shall remove same from the leased premises and make good any damage done in so doing; all at the cost and expense of the Lessee;

(r) That the obligations of the Lessee hereunder relating to pollutants shall survive the expiry or earlier termination of this Lease;

(s) That to the extent that the performance of those obligations relating to environmental matters require access to or entry upon the leased premises or any part thereof the Lessee shall have such entry and access only at such times and upon such terms and conditions as the City may from time to time specify;

(t) That the City may, at the Lessee's cost and expense, itself or by its agents, servants, employees, contractors and subcontractors, undertake the performance of any necessary work in order to complete such obligations of the Lessee but having commenced such work, the City shall have no obligation to the Lessee to complete such work. This Clause supersedes any other provisions of this Lease to the contrary;

(u) That it hereby authorizes the City to make enquiries from time to time of any government or governmental agency with respect to the Lessee's compliance with any and all laws and regulations pertaining to the Lessee's business and the leased premises including, without limitation, laws and regulations pertaining to pollutants and the protection of the environment; and the Lessee covenants and agrees that it shall from time to time provide to the City such written authorization as the City may reasonably require in order to facilitate the obtaining of such information;

(v) To indemnify, defend and save the City harmless from and against any and all costs, fees, penalties and charges assessed against or imposed upon the City (as well as the City's solicitor's fees and costs) as a result of the Lessee's use, storage, treatment, disposal, transportation, generation and/or sale of pollutants and such indemnity shall survive the termination of this Lease;

(w) The Lessee shall at all times during the term keep the leased premises and, at the end of the lease term, surrender the same free from any and all pollutants resulting from its use and occupation of the leased premises. It is expressly prohibited for the leased premises to be used for the sale, storage, manufacture, processing, packaging of, or other dealing with any pollutant except if and so long as approved by the City in writing (which approval may be withdrawn at any time notwithstanding any provision of this Lease) and whenever such prior approval is

given, such sale, storage, manufacture, processing, packaging thereof or other dealing therewith shall be only in accordance with the written directions of, and conditions imposed by the City from time to time and any present or future governmental requirements. The Lessee shall immediately notify the City of the existence of any pollutant at the leased premises.

3. The Lessee, prior to commencement of the leased term, may at its sole cost and expense conduct or cause to be conducted an environmental assessment and/or soil testing (hereinafter referred to as "the Environmental Assessment") of the leased premises; and

(a) Upon receipt of the forty-eight (48) hours' prior notice, the City will consent to the Lessee, its employees or agents, entering on the leased premises for the purpose of the Environmental Assessment; and

(b) The Lessee may, in its sole discretion, cancel this Lease should it be determined as a result of the Environmental Assessment, that there are environmental concerns and/or contamination of the leased premises; and

(c) The Lessee shall at its sole cost, effort and expense, provide to the City, prior to the commencement date, copies of the Environmental Assessment.

4. If the term hereby granted shall be at any time seized or taken in execution or attachment by any creditor of the Lessee or its permitted assigns, or if the Lessee or its permitted assigns shall make any assignment for the benefit of any Act that may be in force for bankrupt or insolvent debtors, the current year's pro-rated rental shall immediately become due and payable and the said term shall immediately become forfeited and void;

5. Notwithstanding the forfeiture or termination of this Lease in any manner herein and provided for, the Lessee shall be and remain liable to the City for all payments due and obligations and liabilities incurred hereunder up to the date of such forfeiture or

termination and for the fulfillment of all obligations herein contained on the part of the Lessee to be observed and performed upon or after said forfeiture or termination.

6. Upon termination or cancellation of this Lease, whichever is earlier, all reservations, restorations, additions and improvements made by the Lessee or made by the City on the Lessee's behalf become, on affixation, the property of the City. No renovation, restoration, addition or improvement shall be removed from the leased premises before the end of the term without the prior consent in writing of the City. Upon expiration or termination of this Lease the renovations, restorations, additions and fixed improvements excepting Lessee's trade fixtures shall become the property of the City as part of the reversion, but the Lessee shall remove all or some of the renovations, restorations, additions and fixed improvements if and to the extent requested by the City and the Lessee shall restore the leased premises to a safe condition free of hazards. Every installation, removal or restoration by the Lessee of its renovations, restorations, additions, improvements and fixtures shall be done at the sole expense of the Lessee and the Lessee promptly shall make good or reimburse the City for the cost of making good all damage to the leased premises or any part thereof caused by such installation, removal or restoration.

7. In the event a dispute shall arise between the City and the Lessee as to any matter herein contained, excepting a matter herein provided to be determined solely by the City or its consultants and excepting a dispute as to rent payable, then such dispute shall be resolved by arbitration in accordance with the provisions of The Arbitration Act of Manitoba.

8. The Lessee acknowledges that during the term of this Lease, that the construction of Waterfront Drive adjacent to the west boundary of the leased premises, (hereinafter called the ***"Waterfront Drive project"***), will cause periodic access disruptions and that noise will be generated in association with such project and therefore agrees to waive as against the City all costs and claims or actions for any disruption or disturbance relative to the use of the leased premises caused by the Waterfront Drive project.

9. Upon receiving written notice from the Director, the Lessee agrees to surrender such portion of the leased premises as required by such notice from the Director for incorporation into the Waterfront Drive project and to provide access with or without equipment to any portion of the leased premises to implement any related riverbank stabilization works without compensation except that rent shall be adjusted as determined by the Director in respect of any surrendered lands only.

10. Any signage to be erected on the leased premises is subject to the approval of the Director.

11. The Lessee shall not file any caveat or other encumbrances against the leased premises, except as otherwise provided herein.

12. The Lessee agrees to allow the City and the public continuous and uninterrupted free access with or without vehicles and equipment over that portion of the leased premises show coloured pink and identified as "Pacific Avenue" on Schedule "A" hereto, to and from City lands adjacent to and south of the leased premises upon written request from the Director.

13. During the term of this agreement, the City will undertake repairs to the south half of the Alexander Dock and such repairs shall be completed in a timely manner and in accordance with a scope of work to be determined at the sole discretion of the Director, it being understood and agreed by the Lessee that there shall be no abatement or adjustment of any kind in respect of rent payable hereunder during the period of such dock repairs. The Lessee hereby grants the City free and unrestricted access to the Alexander Dock for purposes of completing such dock repairs.

14. The City agrees to enter into a facility use agreement for a portion of St John's Park at water's edge during periods of high water subject to terms and conditions acceptable to

the parties hereto in which event, the Lessee hereby agrees to continue, without abatement, the payment of rent, additional rent and all charges due under this Agreement.

15. The City agrees to implement a geotechnical monitoring system for the riverbank adjoining the Alexander Dock at its sole cost and in the event that such geotechnical monitoring system indicates an unsafe condition, this Agreement shall be cancelled forthwith at the option of the Director and in such event, the City will cooperate with the Lessee in an effort to identify a suitable alternate site for a period equal to the balance of the lease term.

16. If the Lessee shall be in default under any provision of this Lease, the City shall give notice to the Lessee forthwith upon such default coming to the attention of the City and in such notice the City shall state the nature of the default and require the same to be remedied and the Lessee shall have from the receipt of such notice:

(a) Ten (10) days in the case of default in insuring or in the payment of rent or any other amounts of money payable by the Lessee under the provisions hereof; or

(b) Thirty (30) days in the case of default under any other provision;

within which to remedy such default. Provided that such thirty (30) day period shall be reasonably extended if:

(c) The default is of a nature which cannot be remedied in thirty (30) days and the Lessee upon receipt of such notice commences to rectify the default and proceeds diligently with such rectification; or

(d) If the default is one which the Lessee has a right to require a subtenant to rectify and if the Lessee upon receipt of such notice promptly notifies such subtenant and thereafter takes such action as may be necessary to obtain rectification by such

subtenant or failing rectification by such subtenant proceeds itself with such rectification diligently.

If, after the expiration of the times above limited, the default has not been remedied, the City may thereupon, at its option, either by itself or its lawfully authorized agent, enter and re-enter into and upon the leased premises or any part thereof in the name of the whole and have again, repossess and enjoy its former estate free and clear of all claims of the Lessee and this Lease and the lease term hereby granted hereunder shall be terminated.

17. Time shall be of the essence for this Lease and all rents and other payments to be made by the Lessee shall be paid by the Lessee on the dates provided herein.

18. Any notice required or permitted to be given hereunder shall be effectively given in writing and mailed to the Lessee, addressed to:

Paddlewheel Riverboats Ltd.
P.O. Box 3930, Postal Station B
Winnipeg, Manitoba
R2W 5H9

or upon the City, addressed to:

The City of Winnipeg
Planning, Property and Development Department
2nd Floor – 65 Garry Street
Winnipeg, Manitoba
R3C 4K4
Attention: Director

by registered mail, postage prepaid, delivered or sent by telecopier to such address. If such notice is mailed, it shall be deemed to be given on the fourth (4th) business day following that on which the letter containing the notice is posted. If such notice is transmitted by telecopier, it shall be deemed to be given on the next business day

following the date it was sent. The City or the Lessee may change its address for notice purposes from time to time by notice given in accordance with this Clause.

19. This Lease shall enure to the benefit of and be binding upon the parties hereto, their heirs, executors, administrators, successors and permitted assigns.

The Lessee acknowledges that the rent payable hereunder may not reflect the current market rate or value for the subject property and agrees that in the event there are any future negotiations with respect to the subject property whether for purchase and sale or a further lease arrangement, or otherwise, such negotiations shall be based on the then-prevailing market rate or value and not the rent payable hereunder. The Lessee further acknowledges that nothing herein obligates the City to sell the subject property to the Lessee or to further lease the subject property to the Lessee following the expiration or termination of the subject lease or to negotiate with the Lessee to sell the subject property to the Lessee or to further lease the subject property to the Lessee following the expiration or termination of the subject lease.

The subject terms and conditions of proposed Lease Agreements are subject to the addition of any other additional terms as requested by the City Solicitor and to Council approval.