

DATE OF MEETING June 7, 2021

AUTHORED BY SEAN REILLY, PROPERTY AGENT, REAL ESTATE

**SUBJECT LEASE TO DOUBLE H HOLDINGS LTD. – 2280 BOWEN ROAD
(BEBAN PARK PITCH AND PUTT)**

OVERVIEW

Purpose of Report

To provide Council with background information on an existing lease for the Beban Park Pitch and Putt, operated by Double H Holdings Ltd., and to obtain Council approval to enter into a new ten-year lease agreement for the facility.

Recommendation

That Council:

1. approve a new ten-year lease agreement with Double H Holdings Ltd. for the Beban Park Pitch and Putt; and
2. authorize the Mayor and Corporate Officer to execute the lease agreement.

BACKGROUND

Beban Park is the community's largest City-owned recreation campus. At just under 52.6ha (130 acres), Beban Park features key indoor and outdoor recreational facilities, including more than 20 outdoor amenities and large open spaces.

In 1998, the City and Double H Holdings Ltd. ("Double H") entered into an agreement to construct and manage a pitch and putt golf course at Beban Park. The City provided 5.86ha (14.5 acres) of land within Beban Park through a market lease to Double H who constructed and operated the Beban Park Pitch and Putt (the "Course") under the agreement. The first nine holes of the Course were opened to the public on 1999-MAY-01, with the second nine holes opening a year later.

In 2010, Double H requested a lease extension and Council granted a new 13-year term for the facility from 2010-NOV-15 to 2023-OCT-31. In 2010, the lease was subject to and went through an optional Alternative Approval Process (AAP) to confirm the public's support of the commercial operation within Beban Park.

In exchange for the original lease, Double H made substantial upgrades to the facility, including the removal of seven holes to make space for the new driving range facility. The Beban Park Master Plan, adopted in 2015, supported the continuation of the golf course, which negates the need for future AAPs.

Double H has requested a new lease agreement prior to the expiration of the current term, in order to facilitate renewal in the course.

DISCUSSION

Double H has requested the City provide a new ten-year lease agreement with an optional five-year renewal term for the facility. The City solicitor has advised that an AAP is not required for this new agreement as the new lease agreement is not a parkland disposition.

As part of the lease renewal, Double H has committed to the following improvements:

- replacement of all tee boxes;
- installation of new perimeter fencing from #5 tee to # 9 tee;
- removal and replacement of some trees affecting play on the course;
- systematic replacement of current irrigation system;
- replacement of driving range support poles; and
- upgrade of driving range safety barrier netting.

As part of the lease negotiations, Staff commissioned an independent appraisal for the lease area to determine the current applicable market rent. The recommendations of the appraisal have been incorporated into the new lease terms. Under the current agreement, Double H is paying \$36,819.24 per annum, with additional rent of 10% of gross revenue over \$352,000 per annum plus operating costs, including property taxes, water, and hydro. The recent appraisal commissioned by Staff indicated an increase in the annual base rent to \$40,600. The additional rent threshold amount has been decreased by two thousand to \$350,000, with Double H still being responsible for operating costs.

Double H Lease Key Terms:

- Term: Ten years plus optional five-year renewal (commencing 2022-JAN-01).
- Base Rent: \$40,600 in annual rent, with rent reviews every three years.
- Additional Rent: 10% in excess of \$350,000 in gross revenue for each lease year of term.
- Required Investment: Approximately \$80,000 to be completed within five years, and \$160,000 to be completed between five - ten years.
- Costs: Double H responsible for operating costs, including property taxes, water, and hydro.

Conclusion

The Course has remained a popular attraction within Beban Park. It provides access to community members of all ages, abilities, and incomes. The improvements to the Course will ensure the facility remains a viable and enjoyable recreational experience for residents over the next decade.

NEXT STEPS

Should Council provide approval to a new ten-year lease agreement to Double H, Staff will publish a Notice of Disposition, as required under Section 26 and Section 94 of the *Community*

Charter. Staff will also circulate the lease agreement for signature and the new lease will commence on 2022-JAN-01.

OPTIONS

1. That Council
 1. approve a new ten-year lease agreement with Double H Holdings Ltd. for the Beban Park Pitch and Putt; and
 2. authorize the Mayor and Corporate Officer to execute the lease agreement.
 - **Advantages:** The Beban Park Pitch and Putt is consistent with the Beban Park Master Plan (2015). Double H is an experienced operator and has provided recreational golf to the general public for over two decades. Granting a new ten-year lease will enable the operator to proceed with facility improvements.
 - **Disadvantages:** By extending the lease an additional ten years, the City is forfeiting the opportunity to go to the market to identify other operators. With a new lease agreement, the City cannot use the land for any other recreational uses for ten years.
 - **Financial Implications:** A recent appraisal has identified the new market base rent of \$40,600 per annum. In addition, the City will receive 10% of revenues in excess of \$350,000 per annum. Revenue from the lease is directed to the Beban Park Reserve Fund.
2. That Council deny the new lease agreement with Double H Holdings Ltd. for the Beban Park Pitch and Putt and continue with the existing lease agreement until the term expires on 2023-OCT-31.
 - **Advantages:** The existing agreement still has term outstanding. Staff could identify a new operator for the facility through an Request for Proposals (“RFP”) in 2022 and potential complementary recreational uses for the Course and facilities.
 - **Disadvantages:** The current operator may not view this as a fair process as the City risks tarnishing the existing relationship. Also, Staff have put considerable time into negotiating the new lease agreement; some of this work can be transferred forward to the RFP process, if directed by Council.
 - **Financial Implications:** The current rent being collected – \$36,819.24 – is less than the \$40,600 indicated by the recent updated appraisal of market rent.

SUMMARY POINTS

- The Beban Park Pitch and Putt (the “Course”) was originally constructed in two nine hole phases in 1998 and 1999.
- The current 13-year lease agreement to Double H Holdings Ltd. was approved through an optional Alternative Approval Process in 2010. The current lease expires 2023-OCT-31.
- The Beban Park Master Plan (2015) identifies the Course as a permitted use in the park.

- Double H has requested a new ten-year lease with an optional five years, commencing 2022-JAN-01. In exchange for the new lease, Double H will undertake repairs and upgrades identified, estimated at approximately \$240,000.
- An independent appraisal identified a new base rent of \$40,600 per annum and 10% of Double H's revenue over \$350,000 per annum. The lease also requires rent reviews every three years.
- The Course has remained a popular attraction within Beban Park. It provides access to community members of all ages, abilities, and incomes. The improvements to the Course will ensure the facility remains a viable and enjoyable recreational experience for residents over the next decade.
- Should Council provide approval to a new ten-year lease agreement to Double H, Staff will publish a Notice of Disposition, as required under Section 26 and Section 94 of the *Community Charter*. Staff will also circulate the lease agreement for signature and the new lease will commence on 2022-JAN-01.

ATTACHMENTS:

ATTACHMENT A: Lease Area |

Submitted by:

Bill Corsan
Director, Community Development |

Concurrence by:

Richard Harding
General Manger, Parks, Recreation and
Culture

Dale Lindsay
General Manager, Development Services