

DATE OF MEETING January 17, 2022

AUTHORED BY SEAN REILLY, PROPERTY AGENT, REAL ESTATE

**SUBJECT APPROVAL OF NANAIMO YACHT CLUB LEASE RENEWAL – 400
NEWCASTLE AVENUE**

OVERVIEW

Purpose of Report

To obtain Council approval to establish the 2022-2026 rent for the Nanaimo Yacht Club lease of City-owned property at 400 Newcastle Avenue.

Recommendation

That Council:

1. set an annual market rent of \$179,659 to be charged to the Nanaimo Yacht Club for the 2022-2026 lease renewal;
2. provide annual assistance of \$71,863 to the Nanaimo Yacht Club, in recognition of its contribution to the community, by way of rent abatement; and
3. authorize the Mayor and Corporate Officer to execute the 2022-2026 Lease Renewal Agreement.

BACKGROUND

The Nanaimo Yacht Club (“NYC”) has been in existence for 90 years and is located at 400 Newcastle Avenue (the “Property”, Attachment A). The NYC occupies 4.95ha (12.23 acres) of land and water. Included in this area is a fee-simple parcel owned by the NYC ((0.25ha (0.63 acres))), a water lot leased from the Nanaimo Port Authority (“NPA”) ((3.81ha (9.42 acres))) and the upland portion leased from the City comprising 0.88ha (2.18 acres).

The NYC has leased the City-owned land for 40 years. Prior to 2007 the NYC leased the City-owned portion of the Property for a nominal \$1 per annum until there were significant changes to the *Community Charter* which prohibited local government from providing assistance to businesses, in forms such as, loans or leases that are below market value. The current 30-year lease started in 2007 and requires rent reviews every five years.

The lease rate is calculated using the following formula:

- Market Value of Lease (determined by an appraiser) **less** the value of the Community Contribution of the NYC to the City.

The 2017-2021 rent was set at \$160,020 with a reduction of \$53,540 to reflect the NYC’s contribution to the community. The annual net rent received by the City during the previous term was \$106,480.

DISCUSSION

The lease is entering the third renewal period (2022-2026). A professional appraiser, engaged by the City determined the market value of the lease area to be \$179,659 per annum. The NYC have requested a discount of \$71,863 per annum to reflect their contribution to the community. The net rent received by the City would be \$107,796 per annum.

The NYC outlined the rationale for the community contribution discount in a formal letter to Council (Attachment B). A brief summary of some of the NYC's benefits to the community include:

- Attract visitors to Nanaimo – the NYC has reciprocal agreements with other yacht clubs, resulting in a large number of visiting boats annually who moor and reprovision in Nanaimo;
- Subsidized Junior Sail Training Program to encourage youth to experience sailing and watersports;
- Host the annual Basil Hobbs Snake Island Nanaimo Regatta; and
- Provide employment for summertime students to help manage the marina.

Statutory Notice of the lease renewal and community contribution discount have been advertised in the local newspaper for two consecutive weeks as required under Section 26 and 24 of the *Community Charter*. Council is in a position to approve the annual rent for the third term of the lease and the associated discount that reflects the NYC's contribution to the community.

OPTIONS

1. That Council:

1. set an annual market rent of \$179,659 to be charged to the Nanaimo Yacht Club for the 2022-2026 lease renewal;
2. provide annual assistance of \$71,863 to the Nanaimo Yacht Club, in recognition of its contribution to the community, by way of rent abatement; and
3. authorize the Mayor and Corporate Officer to execute the 2022-2026 Lease Renewal Agreement;
 - The advantages of this option: This approach is consistent with the terms of the lease. Setting the rent for a third renewal term provides certainty for the NYC and the City.
 - The disadvantages of this option: Determining the annual value of the community contribution of the NYC to the City is difficult and there may be some members of the community who disagree with the value.
 - Financial Implications: The City will receive \$107,796 per annum for the next five years, this equates to \$538,980 over the five-year term. The funds support the general operation of the City (General Revenue).

2. That Council:

1. set an annual market rent of \$179,659 to be charged to the Nanaimo Yacht Club for the 2022-2026 lease renewal;

2. provide direction to Staff on the discount to be granted to the Nanaimo Yacht Club, in recognition of the Nanaimo Yacht Club's contribution to the community; and
3. authorize the Mayor and Corporate Officer to execute the 2022-2026 Lease Renewal Agreement.
 - The advantages of this option: The annual market rent has been established by the appraiser (\$179,659 per annum). Council has discretion to set the level of discount to the NYC for its contributions to the community. The City could receive a larger gross rent if Council provided a smaller discount to the NYC.
 - The disadvantages of this option: Selecting a different discount would be inconsistent with Council's commitment to the NYC and may impact the relationship. The statutory notices for the lease with the revised discount would need to be posted in the local newspaper.
 - Financial Implications: If Council provides alternate direction on the community contribution Staff will revise the budget accordingly.
3. That Council provide alternative direction to Staff. |

SUMMARY POINTS

- The Nanaimo Yacht Club (NYC) lease 0.88ha (2.18 acres) of land and water from the City of Nanaimo at 400 Newcastle Avenue. The City lease is part of a larger Property which includes a water lot lease from the Nanaimo Port Authority and a fee-simple parcel owned by the NYC.
- The current 30-year lease between the City and NYC started in 2007 and requires rent reviews every five years.
- Council is being asked to set the rent for the next five-year period (2022-2026).
- An appraiser determined the market rent for the next five years to be \$179,659 per annum.
- NYC have requested that Council provide a discount of \$71,863 per annum in recognition of their contribution to the community.
- The net annual rent received by the City will be \$107,796 during the term.
- Statutory Notice has taken place as required under the *Community Charter*.

ATTACHMENTS:

ATTACHMENT A: Lease Area

ATTACHMENT B: Correspondence from the NYC

Submitted by:

Bill Corsan
Director, Corporate and Business
Development |

Concurrence by:

Laura Mercer
Director, Finance |