

DATE OF MEETING July 18, 2022

AUTHORED BY SEAN REILLY, PROPERTY AGENT, REAL ESTATE

SUBJECT REQUEST FOR PROPOSAL RESULTS – NANAIMO AQUATIC CENTRE (741 THIRD STREET)

OVERVIEW

Purpose of Report

To provide an update on the recent Request for Proposals for two commercial spaces at the Nanaimo Aquatic Centre, and to obtain Council approval to enter into two 10-year Lease Agreements with the selected proponents.

Recommendation

That Council approve the disposition of two 10-year Lease Agreements for two City-owned commercial spaces located within the Nanaimo Aquatic Centre, 741 Third Street, to the Canadian Back Institute No. 2 (GP) Inc. and Team Aquatic Supplies Ltd.

BACKGROUND

The Nanaimo Aquatic Centre (NAC) is a City-owned recreational facility that opened to the public in June 2001. In addition to the public facilities, NAC includes three commercial spaces. Of the three commercial space, two spaces are currently occupied, the third space lease, for the food service space, terminated during the pandemic.

The existing leases expired during the pandemic on 2021-MAY-31. At the 2021-MAR-29 Council meeting, Council approved an extension for the current tenants until 2023-FEB-28 as a stop gap strategy until facilities returned to full operating status. Council requested that a Request for Proposals (RFP) process be scheduled for 2022 for the two commercial spaces.

Prior to issuing the RFP, Staff commissioned an appraisal to determine market rent for the two spaces. Staff issued the RFP for the two commercial spaces on 2022-MAY-20. The RFP closed on 2022-JUN-23 and two bids were received, both submissions were from the current tenants: Canadian Back Institute No.2 (GP) Inc. (CBI) doing business as CBI Health Group and Team Aquatic Supplies Ltd. (Team Aquatic).

DISCUSSION

Staff are seeking approval from Council to enter into new lease agreements with the tenants commencing 2023-MAR-01. The terms and conditions of the two lease agreements are as follows:

Lessee: Canadian Back Institute No. 2 (GP) Inc.
Property Address: 741 Third Street, Nanaimo, BC
Use: Delivery of multi-disciplinary therapy and wellness services
Annual Lease Rent: \$27,600.00 plus GST

Rent review:	Adjusted annually, based on the Consumer Price Index for British Columbia
Occupancy Term:	Ten years plus optional five-year renewal
Termination:	60 days notice
Lessee:	Team Aquatic Supplies Ltd.
Property Address:	741 Third Street, Nanaimo, BC
Use:	Swim and fitness pro shop for the sale of sports merchandise
Annual Lease Rent:	\$10,200.00 plus GST
Rent review:	Adjusted annually, based on the Consumer Price Index for British Columbia Occupancy
Term:	Ten years plus optional five-year renewal
Termination:	60 days notice

Both CBI and Team Aquatic have excellent relationships with the City and both businesses are well suited for the NAC offering physiotherapy and cardiac rehabilitation programs and swimming and fitness products respectively.

A Notice of Disposition was placed in the local newspaper as per Section 26 of the *Community Charter*.

Next Steps:

Should Council approval be received, Staff will have the Mayor and Corporate Officer to execute the Lease Agreements.

OPTIONS

1. That Council approve the disposition of two 10-year Lease Agreements for two City-owned commercial spaces located within the Nanaimo Aquatic Centre, 741 Third Street, to the Canadian Back Institute No. 2 (GP) Inc. and Team Aquatic Supplies Ltd.
 - Advantages: The two successful applicants are the existing tenants and currently provide services to the public that are complementary to the community services offered at the NAC. The spaces went through the RFP process to provide alternative occupiers a chance to bid on the spaces. The two incumbents were the only applicants.
 - Disadvantages: No disadvantages anticipated.
 - Financial Implications: The rent received has been determined by an independent appraisal to determine the market base rent, and the revenue received will be directed to the City Property Rental (Nanaimo Aquatic Centre) cost centre. The rent will be adjusted yearly based on the Consumer Price Index for British Columbia and will have full reviews backed by a new appraisal every five years of the term. The annual rent is based on a gross lease with property taxes being the only addition.
2. That Council deny the new leases with Canadian Back Institute No. 2 (GP) Inc. and Team Aquatic Supplies Ltd.
 - Advantages: The current agreements would expire on 2023-FEB-28 and transition to month-to-month leases.

- Disadvantages: The business relationship with CBI and Team Aquatic would be harmed. With lack of certainty with a long-term lease the occupiers may vacate and seek a new location.
- Financial Implications: The current lease term, once expired, has no clause for rent escalations, the City would not be maximizing potential revenue from the tenants.

3. That Council provide alternative direction.

SUMMARY POINTS

- The Nanaimo Aquatic Centre (NAC) is a City-owned recreational facility located at 741 Third Street. The facility includes three commercial spaces, two of which are currently occupied under lease agreement with Canadian Back Institute No.2 (GP) Inc. (CBI) and Team Aquatic Supplies Ltd. (Team Aquatic).
- The two lease agreements are set to expire on 2023-FEB-28.
- Staff issued a Request for Proposals for new occupiers for the two commercial units and received two bids by the current tenants.
- The new leases will be for a term of ten years plus optional five-year renewal with a commencement date of 2023-MAR-01.
- Should approval to the lease agreements be received the City will receive \$37,800 in annual rent for the two units. The market rent was determined by an independent appraisal and will be adjusted to Consumer Price Index for British Columbia annually.
- Staff are seeking approval from Council to enter into new lease agreements with CBI and Team Aquatic.

Submitted by:

Bill Corsan
Director, Corporate and Business
Development

Concurrence by:

Richard Harding
General Manager, Parks, Recreation and
Culture