
CITY OF KELOWNA

MEMORANDUM

Date: November 9, 2004
File No.: 0880-20
To: City Manager
From: Director of Parks and Leisure Services
Subject: Capital News Centre Fitness Facilities

Recommendation:

THAT City Council authorize the Director of Parks and Leisure Services to approve a change order for the Design Build Contract with RG Construction Ltd.(RG) to enable the construction and equipping of a fitness area in the mezzanine of the Capital News Centre (CNC) and a lease from RG to the Okanagan Regional Library;

AND THAT City Council authorize an equipment rental agreement with RG in accordance with the terms set out in the November 9, 2004 report from the Director of Parks and Leisure Services;

AND THAT the change order be in the amount of \$324,157.28 and funded from the Major Facilities Reserve;

AND THAT the income from the equipment rental be paid into the Major Facilities Reserve;

AND FURTHER THAT the 2004 budget be so amended.

Background:

The City of Kelowna and RG Properties Ltd. (RG) decided to make space available in the Capital News Centre (CNC) for the Mission Branch of the Okanagan Regional Library. The costs associated with relocating the Library are included within the construction budget for the CNC; however, this required the relocation of the fitness area and additional funding to pay for the fit up. The City will receive equipment rental payments that will offset all or some of our costs in providing the fit up and equipment, depending on the duration of the rentals. The agreement also allows RG to purchase all of the equipment for the amount paid by the City less any rents paid.

Once the City began actively planning the development of an aquatic centre adjacent to the CNC, it became apparent that there would be an opportunity to expand fitness facilities and services beyond those offered at the CNC. This agreement gives the City control over the delivery of fitness services on the site and creates flexibility for the future.

The terms of the equipment rental and change order are as follows:

1. The contractual requirement to design, build, and operate a fitness centre is to be removed from the contract.
2. RG is to provide the space previously designated as a fitness area for the use of the Okanagan Regional Library as the Mission Branch Library.
3. RG is to provide tenant improvements satisfactory to the City of Kelowna and the City will allow the use of the \$30.00 per square foot allowance for tenant improvements to be used for the Library. The total value of the improvements is not to exceed \$210,000.
4. Any funds remaining upon completion of the tenant improvements are to be retained by RG but may be redirected to improvements related to the alternative fitness centre, at RG's discretion.
5. The City supports the use of the mezzanine area to establish an alternative fitness centre.
6. The City will provide a change order to the Design Build Contract to include purchase of equipment as approved by the City's Director of Parks and Leisure Services up to the total cost of \$328,551.28 including all taxes.
7. The City will provide up to \$80,000 for improvements and furnishings in the mezzanine area to support the operation of the fitness area, including specialized fitness area flooring, lockers, benches, mirrors, and glass railings and other items required to fit up the area as determined by RG. Any purchases of equipment or alterations using this \$80,000 fund require the approval of the Director of Parks and Leisure Services, not to be unreasonably withheld.
8. The City will retain ownership of all equipment, furnishings, and improvements unless RG exercises its option as per Clause 11.
9. RG will pay to the City \$50,000 annually, paid in 12 monthly installments beginning at the end of the first month of operation of the fitness area as a right to use payment for the fitness equipment provided by the City.
10. This agreement is for a period of five years. The City has the right to terminate the agreement upon giving one-years notice to RG. Should RG and the City wish to extend the term beyond five years and continue the operation of the CNC fitness area, RG may exercise its option to purchase the equipment as per clause 11 and continue the operation without further payment to the City, subject to the City's continuing right to terminate.
11. In the event of early termination, RG has an option to purchase all of the removable equipment and flooring provided by advising the City of its wish to do so and continuing to make the monthly payments until the total cost of removable equipment and flooring has been repaid in full without interest to the City.
12. RG acknowledges that the City intends to develop a major aquatic centre including dry land fitness facilities in the future and that this agreement would be terminated upon start-up of the new fitness area in the aquatic centre and RG acknowledges that it has no right or claim for compensation of any kind should the City terminate this agreement as per clause 10.
13. All of the above is subject to RG and the Okanagan Regional Library entering into a lease for the area originally planned as the fitness area.

David Graham
Director of Parks & Leisure Services

cc Director of Financial Services