
CITY OF KELOWNA

MEMORANDUM

DATE: July 17, 2006
FILE NO: 0870-20
TO: City Manager
FROM: Development Manager - Recreation Parks and Cultural Services
SUBJECT: Kelowna Curling Club – Lease Agreement

RECOMMENDATION:

THAT City Council approve the Kelowna Curling Club Lease as attached to the report from the Development Manager - Recreation Parks and Cultural Services dated July 17, 2006;

AND THAT Council authorize the re-investment of \$155,000 into the curling club building, the amount of the 2005 and 2006 lease fees, with the 2006 financial plan amended to provided for this expenditure;

AND THAT Council approve in principle the multi year renovation plan for the Curling Club building submitted by the Kelowna Curling Club Society;

AND THAT Council consider additional capital funding in the 2007 Financial Plan for an elevator and related renovations to provide for wheelchair accessibility in the Kelowna Curling Club;

AND FURTHER THAT the Mayor and City Clerk be authorized to execute the Kelowna Curling Club Lease Agreement.

Background:

In 1977, the City and the Kelowna Curling Club Society negotiated a twenty year agreement whereby the City provided the land and financing to construct the Kelowna Curling Club facility. The Kelowna Curling Club has successfully operated the facility since it opened in 1978, and through its lease payments, funding was provided to pay the financial debt.

In 1999, the Lease Agreement was renewed for 25 years, terminating December 31, 2023. Lease payments were established at \$77,500 for 1999-2006, and \$7,500 from 2007 – 2023. The Kelowna Curling Club has fully paid the lease for 6 years to 2004, but has not paid the 2005 amount pending negotiating a new lease. This recommendation is to reverse the 2005 payment of \$77,500, and establish a new lease at \$1.00 per year (still terminating December 31, 2023) so that the Kelowna Curling Club can re-invest those funds into capital improvements to the building.

Discussion:

The Kelowna Curling Club has requested assistance to upgrade the Curing Club, in order to modernize the facility, and to enhance the business plan. Staff has worked in collaboration with the Curling Club representatives to create a multi-year capital and operating plan, illustrating renovation items, costs and funding sources. Attached is a comprehensive report prepared by the Curling Club.

One technique to provide funds is to establish a new lease agreement with annual lease payments at \$1.00, freeing up funds that would have been paid to the City. The 2005 lease payment of \$77,500 currently outstanding, plus the 2006 scheduled amount of \$77,500 would provide an immediate source of \$155,000 that could be re-invested in the facility. Since the financial debt has been retired, the City does not require these funds for that purpose. Consistent with the previous lease agreement, the Curling Club will continue to be required to place an amount equal to the previous lease payments into their own "capital reserve account" which will provide one source on funding for appropriate facility maintenance and renovations.

MULTI YEAR RENOVATION PLAN – KELOWNA CURLING CLUB

| | 1-May-06 | 1-May-07 | 1-May-08 | 1-May-09 | |
|-----------------------|----------------|----------------|---------------|---------------|----------------|
| Expenses | to 30-Apr-07 | to 30-Apr-08 | to 30-Apr-09 | to 30-Apr-10 | TOTALS |
| carpet/flooring | 55,000 | | | | |
| ceiling tiles | 48,000 | | | | |
| windows | | 10,000 | | | |
| Washrooms -dn | 26,000 | | | | |
| locker room | | 15,000 | | | |
| foyer/elevator | 200,000 | | | | |
| Washrooms -up | 26,000 | | | | |
| HVAC 2 units | | 49,500 | | | |
| furniture | | 33,000 | 20,000 | 7,000 | |
| kitchen | | | 28,500 | 26,500 | |
| fireplaces | | | 6,000 | | |
| Totals by year | 355,000 | 107,050 | 54,500 | 33,500 | 550,500 |
| Gaming grant | 100,000 | 50,000 | | | |
| City lease | | | | | |
| reinvestment | 155,000 | 7,500 | 7,500 | 7,500 | |
| City budget | 100,000 | | | | |
| Curling Club | | 50,000 | 47,000 | 26,000 | |
| Total Revenue | | | | | |
| Sources | 355,000 | 107,050 | 54,500 | 33,500 | 550,500 |

Council will note the elevator installation scheduled for 2006/07. The Curling Club will make application to the BC Government Gaming Policy and Enforcement Branch for \$100K in grant funding for the elevator, and is requesting that Council consider matching funds in its 2007 Financial Plan. The installation of the elevator, combined with the washroom/locker room accessibility renovations will provide for full access for all patrons, and encourage wheelchair athletes in the sport of curling.

Annual memberships at the Curling Club for the 2005/06 season are the lowest since the 1980's. The age and the interior décor of the facility are considered key factors in declining memberships. The improvements noted in the 5 year plan above will not only increase the operational effectiveness, but will also position the Curling Club to retain current members and recruit new members. This strategy is reflected in the revised operating business plan included in their report;

Kelowna Curling Club Business and Operating Plan

| | Actual 2005/06 | Budget 2006/07 | Budget 2007/08 | Budget 2008/09 | Budget 2009/10 | Budget 2010/11 |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Revenues | 466,750 | 480,000 | 485,500 | 506,200 | 531,000 | 558,500 |
| Total Expenses | 476,500 | 507,650 | 443,300 | 465,500 | 482,300 | 496,300 |
| NET TOTAL | (9,750) | (27,650) | 42,200 | 40,700 | 48,700 | 62,200 |

The Curling Club will continue the repayment of the heat recovery loan from the City from 2005.

Summary:

The Kelowna Curling Club has successfully operated the curling facility for more than 25 years, and has provided sufficient funds during that time to retire the debt. The Curling Club facility, originally constructed in 1978, is showing its age, and some of the interior décor dates back to the original era. This aging décor and other operational equipment, contributes in part to major challenges in maintaining/increasing membership, revenues, and services, notably to persons with a disability.

The multi-year capital and plan illustrates a strategy to immediately provide funds that the Curling Club generated, and slated to go to the City, that can be re-invested into the facility to make required physical renovations and improvements. These physical improvements will in turn benefit the entire operation, attracting more members, increasing revenues, and improving operations.

JWR Oddleifson
Development Manager, Recreation Parks and Cultural Services

Attachment

Pc Director of Recreation Parks and Cultural Services
 Financial Planning Manager