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CITY OF KELOWNA

**MEMORANDUM**

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**Date:** February 15, 2008  
**File No.:** 0880-20  
**To:** City Manager  
**From:** Development Manager, Recreation Parks and Cultural Services  
**Subject:** Temporary Fitness Area – RG Facilities (Mission) Ltd.

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**RECOMMENDATION:**

**THAT** Council authorize the one year notice to RG Facilities (Mission) Ltd. (RG) to terminate the use of the Capital News Centre for a temporary fitness area as defined in article 7 of the Addendum to Design Build and Operate Agreements, effective February 28, 2009;

**AND THAT** Council authorize staff to negotiate with RG to determine alternate uses of the space in the Capital News Centre occupied by the temporary fitness area based on the criteria highlighted in the report from the Development Manager dated February 15, 2008.

**BACKGROUND:**

In November 2004, Council and RG approved a change to the Design Build and Operate Agreements in order to provide for;

- A lease to the Okanagan Regional Library for space which had been previously allocated for a fitness centre, and
- Construction of a temporary fitness area on the second floor mezzanine complete with a full range of exercise equipment.

The details of these changes are further defined in the Addendum to Design Build and Operate Agreements dated November 16, 2004 (attached).

This addendum provided a number of benefits to RG;

- Capital budget funds to construct the library lease area were provided by the City,
- Established a long term lease to the Mission Branch Library; a highly desirable tenant,
- Opportunity to operate a fitness centre on a temporary basis,
- Capital cost for temporary fitness space and fitness equipment paid by the City.

The general public also benefited by having access to a new spacious library branch, and access to a new fitness centre in the Mission area of Kelowna.

The temporary nature of the fitness area was also a benefit to the City. In 2004, the City understood that a major fitness facility included with the aquatic centre was approaching more rapidly than when the original Design Build and Operate Agreements were approved with RG in November, 2002.

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In anticipation of the pending fitness/aquatic combination in the new aquatic facility, the term of the temporary fitness area was established at five (5) years, set to expire in November, 2009. There is a further provision for early termination by the City requiring a one (1) year notice.

Construction of the MRP Aquatic Centre is scheduled to be completed in February 2009, and staff is currently scheduling a public opening in April 2009. Therefore staff is recommending the City provide one year notice to RG to terminate the use of the Capital News Centre for a temporary fitness area as defined in article 7 of the Addendum to Design Build and Operate Agreements, effective February 28, 2009. This will allow for one major public fitness facility in Mission Recreation Park, achieving one of the principle objectives of the 2004 Addendum.

**Alternate Uses;**

This change in the temporary fitness area does provide a new opportunity for an alternative use of the spaces. The Executive Director for RG has recently expressed an interest in discussing alternative uses of the second floor mezzanine area. Staff is seeking authorization from Council to negotiate with RG on uses, timing and processes more thoroughly, in order to provide a recommendation for Council's consideration.

Alternate uses would be based on the following criteria;

- a) provide an identified community service or meet a community need,
- b) complement the programs and services of other amenities on the Mission Recreation Park site, including the aquatic centre,
- c) not compete with the new fitness services in the aquatic centre,
- d) conform to the zoning bylaw for district parks,
- e) a commercial lease which provides a financial benefit, including a sharing of lease revenues, to both parties.

Council will note that the space in question is defined as a "Public Purpose Area", so an approved alternate use may require an addendum to the Operating, Maintenance and Management Master Agreement with RG.

**Transition period;**

There is also an opportunity to collaborate with RG on a 'transition plan' as the provision of fitness services to the general public moves from the CNC to the new aquatic centre. Some suggestions for a transition plan could include;

- a) Timelines,
- b) Public communications,
- c) Staffing,
- d) Clientele and memberships,
- e) Equipment.

The intent of a collaborative process on a transition plan is to ensure that fitness services to the public are not interrupted and to maximize participation during any transition. The City and our operators (the Y) are open to suggestions that RG may have for this transition.

**INTERNAL CIRCULATION TO:**

Director of Recreation Parks and Cultural Services  
Communications Manager

**FINANCIAL/BUDGETARY CONSIDERATIONS:**

Article 8 of the addendum provides an option for RG to purchase the removable equipment and flooring in the fitness area, currently owned by the City. Once the one year notice is provide to RG, they in turn will advise the City of their intent regarding the removable equipment.

The fitness centre combined with the aquatics operations will have a financial benefit to the new aquatic centre operations. In the financial proforma developed in 2005 for the operating budget, the fitness centre activities projected net revenue of ~\$260,000 for the first full year of operations.

Considerations that were not applicable to this report:

Legal/statutory authority:

Legal/statutory procedural requirements:

Personnel implications:

Technical requirements:

External agency/public comments:

Alternate recommendation:

Existing policy:

Submitted by:



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Approved for Inclusion:



Cc: Director of Recreation Parks and Cultural Services

Attachment