

Staff Report



To	Committee of the Whole
Service Area	Public Services
Date	Wednesday, July 3, 2024
Subject	Not for Profit Facility Lease Renewals

Recommendation

1. That the Deputy Chief Administrative Officer of Public Services execute the 10-year lease agreement with Guelph Youth Music Centre from August 1, 2024 to July 31, 2034.
 2. That the Deputy Chief Administrative Officer of Public Services execute the 20-year lease agreement with Royal City Tennis Club Corporation from July 1, 2024 to June 30, 2044.
 3. That the Deputy Chief Administrative Officer of Public Services execute the 10-year lease agreement with Navy League, Guelph Branch, from August 1, 2024 to July 31, 2034.
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Executive Summary

Purpose of Report

Approval of long-term facility leases with three separate organizations: Guelph Youth Music Centre; Royal City Tennis Club Corporation; Navy League, Guelph Branch.

Key Findings

All three organizations offer unique community benefits while supporting the City of Guelph. Each facility has a current lease agreement with the City of Guelph. Outside of standard delegated authority, the approval of these lease renewals is needed to offer longer term stability for each organization to thrive in the city.

Strategic Plan Alignment

Collaborating with local organizations actions the United Vision: Guelph's Community Plan by nurturing healthy, active, happy people of all ages. Supported by the City, organizational leaders can explore and play through creativity, innovation, recreation, and social leadership.

Future Guelph Theme

People and Economy

Future Guelph Objectives

People and Economy: Support community well-being

Financial Implications

There are no new budget impacts associated with the lease renewals. Within these facility leases, the City is responsible for maintaining the buildings' structural components. Repairs, maintenance, and monitoring of applicable structural components of these facilities are included in the current operating and capital budget. Based on historical need to maintain structural building components, the City has invested about \$50,000 annually at 75 Cardigan Street and nominal amounts at 70 Municipal Street. As a for-profit organization, rental revenue has increased slightly with the Royal City Tennis Club and adjustments in revenue will be made with the 2025 confirmation budget.

Report

Guelph Youth Music Centre Lease

Guelph Youth Music Centre (GYMC) operates out of one part of the building at 75 Cardigan Street, with Navy League, Guelph Branch sharing another portion.

GYMC was established in 1982 to offer a permanent facility for the Suzuki String School of Guelph (SSSG) and to broaden offerings for performing arts activities for children and young people. The GYMC is now an independent charitable organization, offering the Guelph community music and arts education programs. It makes space available to community organizations and local artists to run programs and host concerts and events, making it a true hub for arts and culture. The GYMC is also a home for the Guelph Youth Singers, the Acting Centre, Guelph Musicfest, the Kiwanis Music Festival of Guelph, the Guelph Film Festival, and the Guelph Jazz Festival. In 2022, the GYMC took over operating the Guelph School of Music, providing private music lessons taught by skilled music teachers.

The City of Guelph purchased the building at 75 Cardigan in 1995 and developed the first partnership and lease with GYMC. With a \$300,000 gift from two decades of fundraising by the SSSG, and six years of renovations, the current facility was opened in September 2001.

This unique facility educates, enriches, and fosters the development of youth through music and the arts. The GYMC is used by more than 2,000 children and their families on a weekly basis and directly benefits 18,000 additional area residents annually through community concerts, instruction, events, and activities.

After a pause in negotiations due to facility closures and then recovery periods due to the COVID-19 pandemic, a revised update to the lease agreement is available. For organizational stability, the new lease is proposed for 10 years: from August 1, 2024 to July 31, 2034, and it clarifies the roles and responsibilities between GYMC and the City specifically linked to maintenance and capital responsibilities. GYMC continues to operate and manage all programming and maintain facility elements inside the centre. The City continues to maintain the exterior and main structural building components including mechanical, electrical, and life safety systems. There are some services arranged by the City that GYMC pays additional fees for such as snow removal and annual fire system inspections.

The [Culture Plan 2030](#) was approved by Council in October of 2023. The strategic themes, objectives, and outcomes of the Plan advocate for continuing support and facility investment with GYMC. As an anchor culture facility, GYMC offers culture

experiences and partnerships that bring a sense of belonging, contribute to a collective identity, and spark inspiration, creativity, and culture learning.

Specifically, the Culture Plan calls to nurture capacity and create a solid foundation upon which culture contributors can build, create, survive, and thrive. The objective sets to invest in culture to cultivate capacity by adequately funding anchor culture sites and service organizations, with expectation that anchor sites will uplift the broader culture community. With significant contributions towards building culture and by activating this premium arts facility, GYMC is a strong partner with the City of Guelph in achieving the goals of the Culture Plan. The City shows support of culture and culture facilities by including investment in preserving building components of the facility without basic or low rent in exchange.

Royal City Tennis Club Lease

The Royal City Tennis Club Corporation operates out of 70 Municipal Street. The onsite air supported structure allows the Royal City Tennis Club to provide year-round, pay-as-you-play courts (six) serving Guelph and Southern Ontario.

The City of Guelph and Royal City Tennis Club entered into a 30-year lease agreement July 1, 1994 expiring June 30, 2024. During this period, the Royal City Tennis Club has completed numerous infrastructure enhancements to the facilities including air supported structure installation, court resurfacing, and lighting upgrades at no cost to the City of Guelph.

These facility enhancements and upgrades, combined with lessons, programs, and services offered by the well tenured, highly certified, and respected staff of the Royal City Tennis Club have helped to establish a strong base of registered players. The updated lease agreement speaks to a continuation of this mutually beneficial approach between the Royal City Tennis Club and the City of Guelph.

The Council approved [Guelph Park Plan](#) sets a number of clear directions towards how we will develop our park system in the future. One of these directions is to pursue partnerships with our local community to efficiently deliver parks and recreation services, including exploring new funding options, service-delivery models, program opportunities, and partnerships. Parks staff view this recommended lease agreement to be aligned with this direction.

The Council-approved City of Guelph [Parks and Recreation Master Plan](#) provides a list of clear recommendations to support the actioning of this document over a 10+ year period. Recommendation number eight speaks to exploring partnership opportunities with school boards, the Grand River Conservation Authority (GRCA), and other public agencies to allow and/or continue to allow community use of recreational facilities owned by other organizations. Parks staff view this recommended lease agreement to be generally aligned with this recommendation.

A 20-year renewal is being recommended by staff as this length of renewal term is directly spoken to in the original lease agreement between the Royal City Tennis Club Corporation and the City of Guelph. Early termination language is provided within the recommended lease agreement.

A fair market value approach has been taken by City of Guelph staff in creating the basic rent values and are as follows:

Years 1 – 5:	\$1,500 per month + HST
Years 6 – 10:	\$1,750 per month + HST

Years 11 – 15: \$2,000 per month + HST
Years 16 – 20: \$2,250 per month + HST

The rent for the final five years of the expiring lease agreement has been \$9,000 per year plus HST.

Navy League of Canada Lease

Navy League, Guelph Branch also operates out of the building at 75 Cardigan Street, with GYMCA sharing the other portion as mentioned above.

Navy League is a not-for-profit volunteer lead youth organization for youth aged 9 - 12 years that supports youth education and leadership programs as well as promotes the maritime interests of Canada. Active in communities throughout the nation with partners across industry, it works to support young Canadians by positive citizenship initiatives that reinforce the value of the navy and our service members.

After a pause in negotiations due to facility closures and then recovery periods due to the COVID-19 pandemic, a revised update to the lease agreement is available. For organizational stability, the new lease is proposed for 10 years: from August 1, 2024 to July 31, 2034, and it offers clarity about the roles and responsibilities between the Navy League and the City specifically linked to maintenance and capital responsibilities. The Navy League will continue to operate and manage all programming and maintain facility elements inside the portion of the building they are leasing from the City. The City will continue to maintain the exterior and main structural building components including mechanical, electrical and life safety systems. There are some services arranged by the City that the Navy League pays additional fees for such as snow removal and annual fire system inspections.

There continues to be community support to renew this lease and continue the partnership with the Navy League. The City shows support to community facilities by including investment in preserving building components of the facility without basic or low rent in exchange.

Risk Management Mitigation

The City maintains responsibility for structural, mechanical, electrical, and life safety components of these facilities as owner of the land and facility. Maintaining these components ensures the long-term protection of these City assets in a regular and controlled manner. Regular repair, maintenance, and monitoring ensures the City understands all risk associated with any failed piece of equipment to mitigate liability towards tenant and community. Each lease includes the obligation of the tenant to cover if their actions cause damage and breakdown, additionally the leases include sections to indemnify the City against harm and include termination clauses.

Financial Implications

There are no new budget impacts associated with the GYMCA and Navy League facility leases. The City is responsible for maintaining the building's structural components, which includes roof, floor slabs, structural support beams, along with mechanical, electrical, and life safety systems. Repairs, maintenance, and monitoring of applicable structural components of these facilities are included in Facility and Energy Management's current operating and capital budget.

Based on historical need for repairs and maintenance to structure components at 75 Cardigan Street, the City has invested about \$50,000 annually and expects an average of \$50,000 to be invested annually over the 10-year lease. A building condition assessment (BCA) is used to budget for structural repairs, maintenance and capital replacements of the City components. The BCA for 75 Cardigan Street was last completed in 2018 and is being reviewed again in 2024.

Both lease renewals for GYMC and Navy League include the continuation of full subsidy or no monthly rent (less a contractual charge of \$5 annually). At the time of the report, it is not possible to offer what fair market value rent would be if it were charged for each portion of 75 Cardigan Street. It has been difficult to define a rental amount or compare with other realty listings based on the uniqueness of each business.

There is a small increase in rental revenue with the Royal City Tennis Club lease renewal. The minor adjustment of revenue will be updated in the 2025 budget confirmation. The City continues to maintain the club house building, while the Tennis Club is responsible for the dome operation, maintenance, and capital replacement. Maintenance costs for the club house building have been nominal over the years and are included in Facility and Energy Management's current operating and capital budget.

Long-term leases offer stronger asset management planning. Updates to the agreements offer greater clarity for the organizations and the City and allow for better planning and reduction of risk without additional financial need or pressure on the City of Guelph budget. Each organization relies heavily on the current agreements to offer valuable programs and services to the community. Though, recognizing ever changing municipal pressures, each agreement includes an early termination clause should a dramatic change be needed.

Consultations and Engagement

Legal, Realty, and Court Services

Economic Development and Tourism

Board of Directors, Guelph Youth Music Centre

Royal City Tennis Club Corporation

Navy League, Guelph Branch

Attachments

None

Departmental Approval

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