

LEASEHOLDER REQUEST FOR SUPPORT

Issue

Natural High Fitness, the current leasee and operator of the gym space at the Okotoks Recreation Centre (ORC), has requested amendments to the lease that are outside Administration's authority of approval.

Motion Proposed by Administration

That Administration be directed to advertise proposed rent reduction of _____ for the fitness centre space at the Okotoks Recreation Centre in the April 20 and 27, 2022 editions of the Western Wheel to allow for Council decision at the May 9, 2022 Council meeting in principle and final Council review and approval subject to the expiry of the 60 day petition period at the July 18, 2022 Council meeting.

Report, Analysis and Financial Implications

On March 15, 2022, the Town of Okotoks received a request from Natural High Fitness (NHF) for consideration of rent reduction to less than market for 2022.

Specific in the request

1. no rent be charged until June 2022; and
2. rent reduction to less than market for the balance of 2022.

Administration does not have the authority to lease space to for profit companies for other than market value. Section 70 of the *MGA* indicates that if the Town is going to grant an interest in land or recreation for less than market value to a for profit company, this decision must be advertised. Only after the advertising requirements are met as outlined in the *MGA*, would Council be able to formally pass a resolution allowing for reduced rent to NHF. Administration is proposing that advertisement, with details, occur in the April 20 and 27, 2022 editions of the Western Wheel. Council deliberation and decision could then occur at the May 9, 2022 Council meeting.

The last two (2) years have been disruptive to the community. Isolation, economic constraints and uncertainty have impacted the social wellness of our residents. Administration has evaluated the request from NHF using multiple lenses including financial, social, and environmental. Allowing all residents to have access to inclusive programs, services, and amenities at the ORC plays a pivotal role in physical, social, and mental recovery. The ORC plays an important role in supporting the social fabric of our community (see attached) and supports initiatives in the Okotoks Social Recovery Framework.

Service Delivery Implications

If a timely solution can not be found, the risk to the Town is that it will lose the current service provider immediately and the Town may be forced into interim operation of the facility. What will be critical for success is access to specialized equipment. Any disruption in service may require approval of refunds for all pass holders as a result in change of service levels which is another reason why minimal reduction in access to the fitness facility at the ORC has been the guiding principle of decision making. The bigger risk is the loss of an important community asset at a time the community is focused on connection and access to recreation amenities to ensure community and individual health (contextual information attached). If Natural High Fitness (NHF) is unable to successfully continue regular business operations in 2023, an agreement could be made such that the fitness centre equipment owned by NHF could be surrendered to the Town.

Strategic Plan Goals

<input type="checkbox"/>	Manage Community Growth	<input checked="" type="checkbox"/>	Provide Strong Governance
<input type="checkbox"/>	Provide Quality Community Infrastructure	<input type="checkbox"/>	Healthy and Safe Community
<input type="checkbox"/>	Enhance Organizational Excellence	<input type="checkbox"/>	Foster Economic Vitality
		<input type="checkbox"/>	Promote Environmental Excellence

Governing Policies/Bylaws/Legislation or Agreements

Municipal Government Act

Public Participation Strategy

n/a

Alternatives for Consideration

n/a

CAO Comments

In this scenario, Council is between a rock and a hard place. The “rock” will be concerns from the taxpayers regarding a ‘bailout’ of a for profit service provider. The “hard place” will be not having access to a fully functioning multi purpose facility that is an essential service for the community as it continues to recover. At the end of the day, Administration recommends the Town pursue compliance with section 70 of the MGA for 2022 allow \$0 rent until May and allow for 50% market rent from June to the end of the year which is consistent with other fitness rental situations. This recommendation is consistent with the values of the organization - ensuring we try to find solutions in difficult times and ensuring the continued recovery of the health and social wellness of the community.

Attachment(s)

1. Appendix A - Contextual Information on Fitness and Recreation Centres
2. 2022 Multiplex Fitness Comparison

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