

"In Camera"

City of Nanaimo REPORT TO COUNCIL

DATE OF MEETING: 2014-MAR-10

AUTHORED BY: BILL CORSAN, MANAGER OF REAL ESTATE

RE: LEASE DISCUSSIONS WITH ISLAND FERRY SERVICES LTD. TO ESTABLISH FOOT PASSENGER FERRY SERVICE

REQUEST FOR DIRECTION:

That Council direct Staff to:

1. continue lease discussions with Island Ferry Services Ltd. based on the recommendations presented in this report and report back when a draft lease have been negotiated; and
2. release this report upon conclusion of negotiations.

PURPOSE:

To obtain Council direction to proceed with lease negotiations between Island Ferry Services Ltd. (IFSL) and the City of Nanaimo.

BACKGROUND

For the past four years, IFSL has been developing a business plan for a foot passenger ferry service between downtown Nanaimo and downtown Vancouver.

At the 2013-OCT-21 Committee of the Whole Meeting, Council received a Staff report that provided an update on IFSL's efforts to establish a foot passenger ferry service. The report outlined IFSL's proposal and the challenges that must be resolved prior to a lease being granted (Attachment A).

At the 2013-DEC-02 Council meeting, an E-Town Hall Meeting was held to solicit feedback from the community on the IFSL proposal.

At the Special "In Camera" Council Meeting of 2013-DEC-16 Council directed Staff to:

1. renegotiate for a higher passenger fee from the current \$0.25 per passenger;
2. limit the City's contribution for parking to 60 spaces;
3. advise IFSL staff that if a temporary fueling station cannot be established, then refuelling shall be done at an alternative location;
4. give IFSL three months to finalize the outstanding business items; and

Council
 Committee of the Whole
 Open Meeting
 In-Camera Meeting
Meeting Date: 2014-MAR-17

5. advise the Regional District of Nanaimo (RDN) that in the event IFSL cannot complete the outstanding items, the City would request that the RDN consider adding a fast passenger ferry subsidy to the Regional Transit Function.

At the Special "In Camera" Committee of the Whole Meeting held on 2014-JAN-30, IFSL met with Council to provide a progress update.

Council directed Staff to schedule a meeting between Council and the Nanaimo Port Authority (NPA) Board to discuss mutual matters related to the proposal by IFSL to operate a fast, passenger-only ferry service between downtown Nanaimo and downtown Vancouver.

On 2014-FEB-06, Council met with the board of the NPA to discuss its interest in negotiating terms with IFSL. As an outcome of the meeting, Mayor Ruttan was directed to organize a meeting with IFSL, NPA and the City to discuss the opportunity for establishing a terminal at the Cruise Ship Facility.

Subsequently, IFSL has indicated that it does not wish to discuss operating the service from NPA property and has a strong desire to locate at the Gadd Marine site.

IFSL Update

IFSL has advised that a draft lease with Council's endorsement is essential to advance equity discussions. According to IFSL, financing commitments are imminent and include a \$10 million dollar investor which will trigger a subsequent \$5 million dollar investor. This will leave \$2 million to \$3 million to be raised through "seed investments".

IFSL has a commitment from Translink for the landing rights and operations at the Seabus Terminal and has resolved head tax issues with Port Metro Vancouver.

The two service vessels are secured in a shipyard in Singapore and will be delivered upon closing of financing.

Updated Lease Proposal

The current lease proposal includes the following key terms:

No Partnering Agreement: IFSL has withdrawn its request for a partnering agreement with the City. This removes the requirement for the City to forgive up to \$500,000 in revenue per annum for the first 5 years of operation. This also removes the opportunity for the City to receive a head tax of \$0.25 per passenger.

Lease Area: The lease area will include the former Gadd Marine site as well as a strip of Front Street adjacent to the lands secured from CP Rail for parking. Attachment A shows the proposed lease area.

Relocation: IFSL has indicated that it will relocate to the Seaspan property when construction of the transportation hub is complete.

Term: 20-year term with 2 renewal options (60 years)

Parking: IFSL has secured a lease with CP Rail for a surface parking lot immediately south of the wooden trestle. IFSL has requested that the City provide land for parking adjacent to the

CP lease area. Previous requests for parking on the Seaspan Right of Way have been withdrawn.

Road Reserve: IFSL will not place buildings or structures on the future alignment of Front Street and ensure that a 12.5 metre right of way is reserved should the City require it.

Rent: Rent for the former Gadd lease area will be based on appraised lease value of \$58,800 per annum. Rent reviews will be conducted every five years. Rent for the lease area adjacent to CP Rail property will be 50% of parking revenue to the City.

Net Lease: IFSL is responsible for property taxes, utilities or other fees associated with the property.

Temporary Fuel Storage: At a previous meeting, Council agreed to permit a temporary fueling facility within the lease area.

City Commitments

- City to provide water and sanitary sewer services to the terminal building
- City to amend W2 zone to permit a ferry terminal
- City to undertake traffic study to mitigate traffic impacts

IFSL Commitments

IFSL will be responsible for all:

- development approvals from the City, Provincial and Federal Government;
- costs associated with site preparation; and
- costs associated with relocation to the Seaspan property when the transportation hub is complete.

City's Conditions Precedent: upon endorsement of the draft lease, IFSL will have six months to commence operations.

Next Steps

Following direction from Council, Staff will finalize lease discussions with IFSL and report back with a draft lease for Council review.

Strategic Plan Considerations

The IFSL proposal meets three of the key priorities identified in the 2012-2015 Strategic Plan:

Strategy	Potential Strategies and/or Initiatives
Waterfront Enhancement	<ul style="list-style-type: none"> • A working waterfront that supports business, marine industries, transportation connectivity, entertainment and tourism. • Enhanced public access and use.
Transportation and Mobility	<ul style="list-style-type: none"> • Economic growth in part due to enhanced transportation connections to Victoria, Vancouver and the world. • Work with RDN, NEDC, Chamber of Commerce, Nanaimo Port Authority, BC Ferries, BC Transit, Airport Authority, Island Corridor Foundation, advocates for and support improvement of external connections: inter-city bus, ferries, fast foot ferry to downtown Vancouver, float planes, enhanced air connections.
Taking Responsibility	<ul style="list-style-type: none"> • Continuing to facilitate change and overall development consistent with vision and plans; taking action steps to be a catalyst or investment in the City's future.

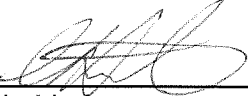
Respectfully submitted,



FOR

Bill Corsan
MANAGER
REAL ESTATE

Concurrence by:



FOR

Dale Lindsay
DIRECTOR
COMMUNITY DEVELOPMENT



Ian Howat
GENERAL MANAGER
CORPORATE SERVICES

CITY MANAGER COMMENT:

I concur with the Staff recommendation.

Drafted: 2014-MAR-03
LD002678
BC/tl

Attachment A



LOCATION PLAN



Lease



12.5 m Road Right of Way Reserve
(No Buildings or Structures)