

**Infrastructure Services Report to  
Infrastructure and Planning Committee  
2024 January 10**

**ISC: CONFIDENTIAL  
IP2024-0040**

**Proposed Lease (Winston Heights/Mountview) – Ward 04 (2502 6 ST NE)**

**PURPOSE**

The purpose of this report is to seek Council authorization to enter into a new lease agreement between The City of Calgary, as landlord, ("The City") and The Winston Golf Club Ltd. ("The Winston") for the property located at 2502 6<sup>th</sup> Street N.E., Calgary, Alberta (the "Property"). The proposed lease will be for an initial term of twenty (20) years.

**PREVIOUS COUNCIL DIRECTION**

On 2001 September 4, Council approved direction for a new lease with The Calgary Elks Lodge #4 Society of the B.P.O.E of Canada, the original tenant, (the "Elks Club"), for an initial term of ten (10) years with four (4) renewal options for a period of ten (10) years each. The lease was assigned on 2016 October 17 to 1973232 Alberta Ltd., and the company further changed its named to The Winston Golf Club Ltd. on 2016 October 28.

**RECOMMENDATIONS:**

**Review or Release By: 2025 January 30**

That the Infrastructure and Planning Committee recommends that Council:

1. Authorize the Recommendations as outlined in Attachment 3; and
2. Direct that the Recommendations, Report and Attachments remain confidential pursuant to Sections 23 (Local public body confidences), 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* until the lease is executed.

**RECOMMENDATION OF THE INFRASTRUCTURE AND PLANNING COMMITTEE,  
2024 JANUARY 10:**

That Council:

1. Authorize the Recommendations as outlined in Attachment 3; and
2. Direct that the Recommendations, Report and Attachments remain confidential pursuant to Sections 23 (Local public body confidences), 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* until the lease is executed.

**CHIEF ADMINISTRATION OFFICER/GENERAL MANAGER COMMENTS**

The General Manager, Infrastructure Services concurs with this report.

**HIGHLIGHTS**

- Administration is seeking authorization to enter into a proposed lease between The City, as landlord and The Winston, as tenant, for an initial term of twenty (20) years, commencing on 2024 March 01, along with three (3) options to renew for a term of ten (10) years each.
- The golf course recently celebrated their 100-year anniversary. The proposed lease will allow The Winston to continue to operate a publicly-available golf course and recreational amenities which have existed since 1923.

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- The proposed lease will enable the continued use of a large City-owned parcel in the Nose Creek flood plain, reflecting a negotiated lease rate where The City shares the economic impacts that Calgarians continue to experience, continues generating property taxes, and meeting the timing and business needs of the current long-standing tenant.
- The Winston is a privately-managed and does not receive operating budget from The City. As a result, The Winston is not being reviewed under the Golf Sustainability Framework per the recent One Calgary budget review.

**DISCUSSION**

The Regal Golf Club Ltd. opened the original golf course on the Property to the public in 1923 before subsequently assigning the lease to the Elks Club in 1967.

The City's current lease of the 181-acre Property to The Winston expired on 2021 June 30. The Winston continues to occupy and operate the Property as a golf course due to challenging and extended negotiations across several years.

The Property consists of an 18-hole golf course, clubhouse and driving range. The Winston is a non-profit public company that offers a semi-private golf course with a minimum of fifty (50) percent public tee times in adherence to The City's Public Use Policy dated 1986 September 2, which is reported to The City annually.

Following lengthy negotiations with The Winston, Administration is proposing a twenty (20) year initial lease term with three (3) options to renew for ten (10) years each. The current clubhouse is at the end of its life cycle and requires substantial renovations or demolition and construction of a new clubhouse. The extended lease term and renewal options will allow The Winston to perform capital investments and improvements with an amortization across a possible fifty (50) years, which will better situate The Winston to attract new memberships.

As the current lease dated 2001 July 01, has expired and there is no overhold provision stipulated in the lease agreement (the "Expired Lease"), based on the risks presented by The City of Calgary's legal department, Administration has decided to negotiate a new proposed lease to address both the Expired Lease and attend to The Winston's request for a significantly extended term to enable capital investments on the Property. Further, Real Estate and Development Services ("RE&DS") requires a storm pond and maintenance access road to be constructed on the Property (the "Project") to assist in the development and construction of the Midfield Heights Redevelopment project.

The Project commenced on 2023 November 1 and has some seasonal constraints related to soil compaction, landscaping, and asphalt surfacing which need to be completed in the spring of 2024, in order to provide quality deliverables which, meet City of Calgary standards, a realistic completion date is estimated for 2024 May 31. As noted in the Recommendations outlined in Attachment 3, The Winston will be given three (3) months of free rent period from 2024 April 01 to 2024 June 30 for granting The City of Calgary access to start the construction of the Project on the Property.

Under the new proposed lease, The Winston will pay a rent that gradually increases every five (5) years for the initial term of the lease.

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**Valuation**

The proposed Consideration for the Property was based on an external appraisal which has been endorsed by Administration's Valuation Review Committee. The external appraisal analysis summary is included in Attachment 5. The initial lease rate is considered below market, but will gradually increase by seven (7.0%) percent every five (5) years over the initial term of the lease for a blended lease rate within three (3.0%) percent of the market rates over the initial term. This serves to support The Winston through challenging economic times, during the construction of the Project, and during redevelopment of the clubhouse.

**EXTERNAL ENGAGEMENT AND COMMUNICATION**

- |  |   |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken        | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required        |

The interested parties of the proposed lease were limited to The City, as landlord, and The Winston, as tenant, who worked together to identify the challenges of the current leasehold improvements on the Property, the construction of the Project and the need to increase memberships to assist with raising capital.

**IMPLICATIONS**

**Social**

The recommended lease is in alignment with key Guiding Principles of the Corporate Land Strategy project:

- There is citizen value as the lease will provide an optimum interim use that protects long-term public needs, mitigates City maintenance costs, and will generate ongoing revenue to the Revolving Fund that funds The City real estate operations (non-mill rate) and future land acquisitions.

The Winston contributes to The City's economy as follows:

- Golf-related employment;
- Use of facilities for events, conferences and community gathering.
- Operation of a semi-private golf course which offers recreational amenities to the public.

**Environmental**

The Property has been reviewed in accordance with The City of Calgary's Sales, Acquisitions and Leases Environmental (S.A.L.E.) Policy effective 2020 January 14. Pursuant to the Sales, Acquisitions and Leases Environmental (S.A.L.E.) Procedure and an environmental review is required under the proposed lease and as such, it was determined there is a low risk given the tenant has been in place since 2016.

**Economic**

The Winston provides quality recreation with enhanced amenities and drives citizen engagement on otherwise under-utilized land and facilities. The Winston is a non-profit company with fifty (50%) percent public use mandated in the proposed lease.

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**Service and Financial Implications**

**Other:**

The proposed lease will generate an annual initial revenue of one hundred sixty-four thousand seven hundred and thirty-two (\$164,732.75) dollars and seventy-five cents, which gradually increases every five (5) years for the initial twenty (20) year term, generating a total revenue of three million six hundred fifty-seven thousand and twenty (\$3,657,020.10) dollars and ten cents to be recognized in Program 488.

**RISK**

The proposed lease to The Winston will ensure continued provision of a quality year-round recreation facility to the citizens of Calgary which has been provided since 1923. The Winston offers an eighteen (18) hole golf course, driving range and clubhouse. Not approving this proposed lease will risk losing a valued and well-used facility and a well-established operator. The land is situated within the Nose Creek flood plain therefore alternate uses are limited.

Should the proposed lease not be approved, there is a financial risk to The City as Parks and Open Spaces does not have the resources to operate this business and the loss of revenue could be significant. The impact and likelihood of the risk is high. To mitigate this risk, Administration is proposing that The Winston continue to lease the lands.

If the proposed Recommendations are not approved, there is a potential for reputational risk to The City associated with not willing to work towards a business-friendly Calgary and potentially causing the closure of a privately-run golf course.

The Winston may seek a mortgage on their leasehold interest in the Property during the term of the lease to perform tenant leasehold improvements such as construction of a new clubhouse. There is a risk that should the lease terminate early the improvements may not be complete and/or the mortgagee may assume the lease as the tenant. The risk to The City will be mitigated via a consent of mortgage agreement that will require the mortgagee to assume the lease and complete the improvements as approved by The City.

There is a further risk that should The Winston default on the proposed lease, they will seek compensation on capital investments in tenant leasehold improvements. This risk is very low and will be considered in the contractual obligations. The key term in this regard is that no compensation may be recouped by The Winston in the case of default on the proposed lease.

On 2023 July 4, Council approved RouteAhead, the thirty (30) year long-term strategic plan for Calgary's Transit which guides The City in providing safe, accessible, customer-focused transit service for Calgarians. There is a risk the Property's lands may be required to assist in the planning and development of future RouteAhead alignments. To mitigate this low risk, the second and third option to renew in the proposed lease is subject to The City determining if the Property is not required for any municipal purposes.

Lastly, the Property is situated in the Nose Creek flood plain and to mitigate further erosion to the surrounding lands The City requires access onto the Property to build and construct riffles in Nose Creek. This risk is mitigated by an access agreement between the parties and reference to this Nose Creek Maintenance project is to be included in the proposed lease.

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**ATTACHMENTS**

1. Previous Council Direction
2. Site and Context Maps
3. Recommendations
4. Summary of Additional Property Information
5. Comparable Data Chart
6. Alberta Corporation/Non-Profit Search
7. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Michael Thompson, General Manager	Infrastructure Services	Approve
Campbell Berry, Director	Real Estate & Development Services	Approve

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City Clerks: J. Booth / C. Doi