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Item No. 9.1.2
Grants Committee
February 4, 2019

TO: Chair and Members of the HRM Grants Committee

Original Signed

SUBMITTED BY:

Denise Schofield, Director, Parks & Recreation

Original Signed

Jacques Dubé, Chief Administrative Officer

DATE: January 25, 2019

SUBJECT: **Less than Market Value Lease; Canadian Sport Centre Atlantic Society,
Canada Games Centre, 26 Thomas Raddall Drive**

ORIGIN

This report originates with a request from the tenant to enter a new lease agreement as the existing lease between Halifax Regional Municipality and Canadian Sport Centre Atlantic Society expired on December 31, 2018.

LEGISLATIVE AUTHORITY

HRM Charter, Section 61 (3): The property vested in Municipality, absolutely or in trust, is under the exclusive management and control of the Council, unless an Act of the Legislature provides otherwise.

HRM Charter Section 63(1): The Municipality may sell or lease property at a price less than market value to a non-profit organisation that the Council considers to be carrying on an activity that is beneficial to the Municipality; and Section 63(2): A resolution to sell or lease property referred to in subsection (1) at less than market value shall be passed by at least two thirds majority of the Council present and voting.

RECOMMENDATIONS

It is recommended that the Grants Committee recommend that Halifax Regional Council:

1. Authorize the Canada Games Centre Society (Halifax) to enter into a less than market value lease agreement with Canadian Sport Centre Atlantic Society for the premises in the Canada Games Centre located at 26 Thomas Raddall Drive with term and conditions consistent with Table 1 of this report.

BACKGROUND

The Canada Games Centre (CGC) is a key recreation, sport and community facility in HRM. As one of HRM's Multi-District Facilities (MDF), the CGC provides active living opportunities as well as opportunities for sports training and competition. The main features of the facility include an aquatic centre, field house, running track, community and activity spaces, fitness centre and dedicated leased space. The facility is managed on HRM's behalf by the Canada Games Center Society (Halifax) (CGCS) a not for profit society under a Management Agreement.

Dedicated leased space was included in the plans for the facility, once it was decided that the facility would become a Canada Games legacy facility within HRM. Initial leased space in the facility included: a cafe service provider, a sports medicine provider, and Canadian Sport Centre Atlantic Society (CSCA). Inclusion of the CSCA within the CGC formed part of the original business plan for the facility and was outlined as a requirement in the agreement for federal funding. Subsequently, the Regional Council report presented in August 2008 for the approval of the facility also outlined inclusion of the CSCA.

Canadian Sport Centre Atlantic has been a partner in the operation of the CGC since its initiation. CSCA is part of a national network of sport performance centres that share the following objectives:

- Support the achievement of high performance sport excellence by Canadian athletes, including athletes with a disability, through fair and ethical means, in a harassment-free environment;
- Contribute to the holistic development of high performance athletes;
- Provide an enriched training environment in key locations across the country;
- Promote the profession of coaching; and
- Stimulate sport development across the country.

Canadian Sport Centers (CSCs) were created in partnership with Sport Canada, the Canadian Olympic Committee, the Coaching Association of Canada and the provincial governments. Beginning with the CSC Calgary in 1994, the Canadian Sport Centre network has now expanded to include: Montreal, Ontario, Manitoba, Saskatchewan, Pacific Sport and Atlantic Canada.

Partnerships at both the national and provincial levels are important for the development of a sustainable Canadian sport system. Support is provided for only one CSC per province or region of provinces/territories. The CSCA located at the Canada Games Centre serves the Atlantic Region. In addition to the high-performance sport community, Sport Centre Atlantic provides services to the CGC membership and the broader community.

The initial lease for space at the Canada Games Centre between HRM and CSCA was for three (3) year term and expired on December 31, 2013. On February 25, 2014 the terms and conditions for a new less than market value lease between HRM and CSCA was approved at Regional Council by 2/3 majority vote of Halifax Regional Council, pursuant to the *HRM Charter*. The current five (5) year term expired on December 31, 2018.

DISCUSSION

Canada Games Centre Society (Halifax) manages the Canada Games Centre on HRM's behalf as per the new Management Agreement. Among other obligations outlined in the Management Agreement, the Board of Directors are responsible to manage the current lease agreements and negotiate future lease agreements for the facility, in consultation with HRM. Pursuant to the *HRM Charter*, any less than market value lease agreements negotiated by CGCS will require 2/3 majority vote by Regional Council. As the Canada Games Centre Society has a newly approved Management Agreement with HRM, the new lease for CSCA will be between CGCS and CSCA.

The proposed lease agreement is for a five (5) year term with an option to renew for an additional five (5) years with a rental rate of \$18.33 per square foot per annum for the first year of the term. Each subsequent year of the term the rent will increase cumulatively by one (1%) percent on the anniversary date of January 1st.

The market value was established in comparison to the lease rates paid by the current tenants at the Canada Games Centre at a rental rate of \$19.00 per square foot and operating cost of \$15.47 per square foot for a total rental rate of \$34.47 per square foot plus HST. The proposed lease agreement with CSCA is considered a less than market value as the total rent is \$18.33 per square foot plus HST. The proposed rent for this space is \$16.14 per square foot below the current market value for the facility. In addition, all Tenants within the facility are responsible to pay their proportionate share of the property taxes.

The proposed Lease terms and conditions recommended by staff are outlined below in Table 1.

Table 1

Recommended Key Lease Terms and Conditions	
Property Address	Canada Games Centre, 26 Thomas Raddall Drive, Halifax, NS
Owner	Halifax Regional Municipality
Landlord / Agent	Canada Games Centre Society (Halifax), as agent for HRM
Tenant	Canadian Sport Centre Atlantic Society
Area	5,300 square feet
Term	Five (5) years (January 1, 2019 to December 31, 2023)
Commencement Date	Anticipated to be January 1, 2019
Use	Performance services and programs for high performance athletes and coaches training
Rent	
Year 1 \$18.33 sq. ft.	\$97,149.00 + HST per annum, payable monthly \$8,095.75 + HST
Year 2 \$18.51 sq. ft.	\$98,103.00 + HST per annum, payable monthly \$8,177.25 + HST
Year 3 \$18.70 sq. ft.	\$99,110.00 + HST per annum, payable monthly \$8,259.17 + HST
Year 4 \$18.89 sq. ft.	\$100,117.00 + HST per annum, payable monthly \$8,343.08 + HST
Year 5 \$19.08 sq. ft.	\$101,124.00 + HST per annum, payable monthly \$8,427.00 + HST
Renewal Term	Five (5) years (January 1, 2024 to December 2028)
Renewal Rent	
Year 1 \$19.27 sq. ft.	\$102,131.00 + HST per annum, payable monthly \$8,510.92 + HST
Year 2 \$19.46 sq. ft.	\$103,138.00 + HST per annum, payable monthly \$8,594.83 + HST
Year 3 \$19.65 sq. ft.	\$104,145.00 + HST per annum, payable monthly \$8,678.75 + HST
Year 4 \$19.85 sq. ft.	\$105,205.00 + HST per annum, payable monthly \$8,767.08 + HST
Year 5 \$20.05 sq. ft.	\$106,265.00 + HST per annum, payable monthly \$8,855.42 + HST
Property Taxes	Tenant shall be responsible for any applicable property taxes levied upon the property as a result of this lease agreement.

FINANCIAL IMPLICATIONS

As per the terms and conditions detailed in Table 1, the annual revenue of \$97,149.00 + HST generated from the first year of this lease agreement (and subsequent amounts) will be collected and recorded in the Canada Games Centre accounts and contribute to the overall operations of the facility in achieving its projected budget. Rent will increase cumulatively by 1% each year on January 1 for the term of this lease. This lease represents \$1,016,487.00 in revenue over the 10-year term.

The potential market value rent for this space is estimated to be approximately \$182,700 per year. Over five years this represents an opportunity cost to the Municipality of \$430,000 and over ten years \$881,000.

The tenant shall be responsible for any applicable property taxes levied upon the property as a result of this lease agreement. The space has not previously been assessed for property taxes, however, upon execution of the agreement Property Valuation Services Corporation (PVSC) will be notified to assess the space.

COMMUNITY ENGAGEMENT

The Board of Directors for Canada Games Centre is made up of members of the community.

RISK CONSIDERATIONS

There are no significant risks associated with the recommendations in this Report. The risks considered rate low. To determine this, financial, reputational and operational risks were considered.

ENVIRONMENTAL IMPLICATIONS

Implications not identified.

ALTERNATIVES

- Alternative 1: The Grants Committee could recommend that Halifax Regional Council not approve the less than market value lease recommendations and direct staff to pursue a market value lease.
- Alternative 2: The Grants Committee could direct staff to work with the Canada Games Society to negotiate different terms.

ATTACHMENTS

N/A

A copy of this report can be obtained online at by or by contacting the Office of the Municipal Clerk at 902.490.4210.

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