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Item No. 9.1.1
HRM Grants Committee
June 24, 2019

TO: Chair and Members of the HRM Grants Committee

SUBMITTED BY: Original Signed

Sarah Teal, Acting Director of Finance, Asset Management and ICT/CFO
Original Signed

Jacques Dubé, Chief Administrative Officer

DATE: June 4, 2019

SUBJECT: Less than Market Value Lease: Northwood Homecare Incorporated,
Sackville Sports Stadium, 409 Glendale Avenue, Sackville

ORIGIN

This report originates with a request from a prospective Tenant to enter into a lease agreement with the Halifax Regional Municipality (HRM) for premises within the Sackville Sports Stadium located at 409 Glendale Avenue, Sackville.

LEGISLATIVE AUTHORITY

HRM Charter Section 63(1): The Municipality may sell or lease property at a price less than market value to a non-profit organization that the Council considers to be carrying on an activity that is beneficial to the Municipality.

HRM Charter 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 a two thirds majority of the Council present and voting.

RECOMMENDATION

It is recommended that HRM Grants Committee recommend that Halifax Regional Council authorize the Mayor and Municipal Clerk to enter into a less than market value lease agreement with Northwood Homecare Incorporated for the leased premises within Sackville Sports Stadium located at 409 Glendale Avenue, Sackville as per the key terms and conditions set out in Table 1 in the discussion section of this report.

BACKGROUND

In August 2017, roughly 7,700 square feet of leased space was vacated in the south wing of the Sackville Sports Stadium (SSS) which included a small gymnasium, an administrative office and several classrooms. Parks and Recreation elected to assume control and repurpose 5,500 square feet for HRM recreation programming. The remaining 2,200 square feet was identified as leasable space and SSS would attempt to obtain a new tenant.

Over the past fifteen months, the management staff of the SSS met with multiple parties, including government agencies, private sports clubs, and community groups, in preparation of listing the space for a new tenant. The discussed uses of the available space varied from offices, client services, rental and community youth programs.

DISCUSSION

In December 2018, prior to listing of the space, the SSS management staff were contacted by the Northwood Homecare Incorporated with a proposal for the available space. The Northwood Adult Day Care program offers caregivers a day of respite with confidence and peace of mind. The program is designed to help build on and maintain current life skills and recreation for dependent adults over the age of fifty (50) who have a diagnosis of Alzheimer Disease, dementia, stroke, Parkinson's Disease or who may be physically frail.

Northwood Homecare Limited has been a Canadian registered charity for health since 1987, however, on May 22, 2013 they changed their name to Northwood Homecare Incorporated. HRM Legal have confirmed the new entity, Northwood Homecare Incorporated is a non-profit.

HRM and Northwood Homecare Incorporated have negotiated a five (5) year lease agreement with an option to renew for an additional term of five (5) years, at a rental rate of thirteen (\$13) dollars per square foot per annum. The rent shall increase annually on each anniversary of the commencement date and thereafter on a cumulative basis during the term of this lease, by two (2) percent per annum. The Tenant is responsible for their proportionate share of the property tax plus HST, which will be billed by the Landlord.

The parties have agreed on the required work necessary to deliver the space in an acceptable condition to the Tenant. The Landlord or its contractors will complete the base building electrical, mechanical, HVAC, sprinklers, and miscellaneous items, as outlined in Landlord Work in Table 1.

The Tenant shall be responsible for the leasehold improvements as outlined in Table 1 Tenant Work. The leasehold improvements and any additional work or changes shall be the sole responsibility of the Tenant.

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

Table 1

Recommended Key Lease Terms and Conditions	
<i>Property Addresses</i>	409 Glendale Avenue, Sackville (PID 40503013)
<i>Landlord</i>	Halifax Regional Municipality
<i>Tenant</i>	Northwood Homecare Limited

Premises	Total area is approximately 1,958 square feet 1 st floor Suite 106 and Suite 107 – Approximately 273 square feet 1 st floor Suite 101 (between gym and arena) – Approximately 1,685 square feet
Possession Date	Anticipated to be August 1, 2019
Fixturing Period	From the Possession Date until the earlier date of October 1, 2019 or upon occupancy
Commencement Date	October 1, 2019. Rent shall begin the earlier of October or upon occupancy.
Term	Five (5) Years (October 1, 2019 – September 30, 2024), the anniversary date shall be on October 1 of each year of the term and the first anniversary will be on October 1, 2020.
Use	1 st floor Suite 106 and Suite 107 – Administration offices 1 st floor Suite 101 - to operate adult day care programs
Rent	\$13.00 per sq. ft. (\$25,454.00 plus HST per annum), payable in monthly instalments of \$2,121.17 plus HST. The Rent shall increase annually on each anniversary of the Commencement Date and thereafter on a cumulative basis during the Term of this Lease, by two (2) percent per annum.
Comparative Market Rent	\$24.30 per square foot per annum
Cleaning & Waste Removal	The tenant shall be responsible for all interior cleaning of the premises and the removal of garbage, recyclables and compost from the premises to the main bins at the back of the building. Any waste which the disposal requirements are different than normal household pickup shall be the sole cost and responsibility of the tenant.
Property Taxes	The tenant shall be responsible for any applicable property taxes levied upon the property as a result of the lease agreement plus the applicable HST. HRM shall issue an invoice to the group.
Insurance	Commercial General Liability in the amount no less than \$5,000,000 and any other insurance required by HRM as set forth in the agreement. HRM is to be on the policies as additional named insured.
Signage	Signage is permissible however the Tenant will not erect, paint, display, place, affix or maintain or permit any of the aforementioned on the exterior walls of the premises, on the Building, in the common areas and/or windows or anywhere visible from outside the Leased Premises without the Landlord's prior written permission.
Renewal Term	Five (5) Years
HRM	The HRM is responsible for the utilities (electricity, HVAC, water, sewer)

<p>Landlord Work</p>	<p>The Landlord will complete the following upon receiving and approving the Tenant's final design:</p> <ul style="list-style-type: none"> • Provide a timeline to complete the Landlord's Work • Install a minimum of 1/2" gyprock to cover all existing cinderblock walls within the premises • Gyprock walls (original and those installed under Landlord Work) to be finished with a single prime coat of paint • Flooring condition to be "as is" • Provide and install sufficient electrical receptacles and services to meet code and collectively determine with the Tenant's designer their placement. • Existing electrical wiring currently run on the outside of the walls in the premises will be moved within the wall cavity • Remove existing radiators in the premises and cap as required • Install an independent HVAC system capable of heating and cooling the space with the appropriate controls • Install a T-Bar ceiling with acoustical ceiling tiles at the requested height of approximately 8'6" • Lighting - current fixtures will be repurposed with LED tubes and placed as per the final design • Provide access to existing plumbing and sewage systems • Install life safety systems as may be required (i.e. pull stations) • All relevant mechanical, electrical and life safety systems will be adjusted to accommodate the new ceiling heights
<p>Tenant Work</p>	<p>The Tenant will complete the following items as per their final approved design, which include but are not limited to:</p> <ul style="list-style-type: none"> • Provide and install an entry door, frame, hardware and rebuild the lobby wall which is currently a hoarding wall • Prepare floor, as may be required and install flooring • Walls to be painted with a low VOC paint • Plumbing for the Premises shall be tied into the facilities plumbing and sewage systems • Hot water tank/s • Electric – electrical panels and systems, as required • Rink windows to be obscured in such a way to provide a positive aesthetic appearance • Tenants furniture, equipment and décor • Any and all additional Work or changes thereof will be the responsibility and at the cost of the Tenant • Tenant is responsible for all required permits and inspections (i.e. construction permits, occupancy permits, etc.) • Tenant is responsible to provide all required architectural, consultant services, for the premises including the completion and receipt of any drawings, plans, permits, etc.
<p>Brokerage Fees</p>	<p>The Tenant shall indemnify and hold the Landlord harmless from and against any claim made by any broker, agent or other intermediary which may have had involvement with the negotiations or was instrumental in negotiating or consummating this Lease. Any and all broker fees, commissions or payments of any kind shall be the sole responsibility of the Tenant.</p>

FINANCIAL IMPLICATIONS

Corporate Real Estate hired Cushman & Wakefield Atlantic to complete an independent market analysis to determine the market rent for space. The report from Cushman Wakefield established a net or base market rent for the space at the Sackville Sports Stadium to be \$14.00 per square foot. The gross market value rent for the space is \$24.30 per square foot (base rent \$14.00 per square foot plus operating costs \$10.30 per square foot), excluding the property taxes.

The Sackville Sports Stadium's operating budget, Account No. ADMN-5151 will receive from Northwood Homecare Limited rent in the amount of \$25,454.00 plus HST per annum or \$13.00 per square foot per annum.

Over the five-year term of the agreement \$110,627.00 shall be waived and represents the value of the property grant being provided with HRM leasing the space at less than market value.

Funding for HRM's share of utilities (electricity, HVAC, water, sewer) has been included in Z112 – Stadium operations.

The tenant is responsible to pay their proportionate share of the property taxes as they fall due and are invoiced by HRM.

The Landlord's required base building electrical, mechanical, HVAC, sprinklers and miscellaneous items as outlined in Landlord Work outlined in Table 1 is estimated at \$75,000 (Net HST) and will be paid from the Sackville Sports Stadium capital project CB000060. The budget availability has been confirmed by finance.

Budget Summary CB000060 Sackville Sports Stadium

Cumulative Unspent Budget	\$370,169
Less Grants Committee Report	<u>\$ 75,000</u>
Balance	\$295,169

RISK CONSIDERATION

The Landlord Work completion date is crucial for this space as delays may impact the group by extending their timeline for their leasehold improvements and program start date.

COMMUNITY ENGAGEMENT

Community engagement was not completed as Northwood Homecare Incorporated contacted HRM regarding the potentially leasing the available space at the Sackville Sports Stadium.

ENVIRONMENTAL IMPLICATIONS

There are no known environmental implications.

ALTERNATIVES

1. The HRM Grants Committee could recommend that Regional Council lease the property at market value to the Northwood Homecare Incorporated.

2. The HRM Grants Committee could recommend that Regional Council lease the property to the Northwood Homecare Incorporated for a longer term.
3. The HRM Grants Committee could recommend that Regional Council deny this lease option and direct the Chief Administrative Officer to do a call for proposals from other groups to lease the property.

ATTACHMENTS

None

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

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