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Item No. 9.1.2
Grants Committee
November 18, 2019

TO: Chair and Members of the HRM Grants Committee

SUBMITTED BY: -Original Signed-
Denise Schofield, Director Parks & Recreation

-Original Signed-
Jacques Dubé, Chief Administrative Officer

DATE: September 16, 2019

SUBJECT: **Less than Market Value Lease: MacPhee House, 22404 Highway 7
Sheet Harbour**

ORIGIN

This report originates with the accepted letter of Offer to Lease, MacPhee House, 22404 Highway 7 Sheet Harbour.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality 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.

Halifax Regional Municipality 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; 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.

The provisions of Section 13 (Delegation – Less than Market Value Rent) of Administrative Order 58 – Delegation of Certain Authorities do not apply as the term of the lease agreement is greater than one year.

RECOMMENDATION

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

1. Authorize the Mayor and Municipal Clerk to enter into a less than market value lease agreement with the Sheet Harbour and Area Chamber of Commerce for the leased premises located at 22404 Highway 7, Sheet Harbour, as per the key terms and conditions set out in Table 1 in the discussion section of this report.

BACKGROUND

The municipally registered heritage property known as MacPhee House is located at 22404 Highway 7, Sheet Harbour. The original structure was built in 1875 with an addition completed in 1911. The building was formerly located at civic number 22534 Highway 7, and in 1985 it was purchased by the Province of Nova Scotia and relocated to its current location to avoid demolition.

In 2001, the Sheet Harbour and Area Chamber of Commerce, a registered, not for profit society, requested that the Halifax Regional Municipality (HRM) assume ownership of the MacPhee House, and surrounding property, with the society continuing to administer seasonally, daily operations of the property as a tourist bureau (first floor), and a community museum (second floor).

HRM purchased the property from the Province of Nova Scotia in 2004. Subsequently, the Sheet Harbour and Area Chamber of Commerce, partnered with the Halifax Regional Municipality, when a Memorandum of Understanding (MOU) was signed by both parties to ensure the continued operation of the MacPhee House Visitor and Information Centre and Community Museum on the Eastern Shore. The MOU was for a two-year period, commencing January 1, 2006 expiring December 31, 2008. The intention, upon the expiration of the MOU, was for the parties to enter a Management Agreement.

In 2010, Regional Council approved closing urban Visitor Information Centres and seeking partners for rural Visitor Information Centres. MacPhee House remained open but HRM records indicate there is no agreement on file for the occupant, Sheet Harbour and Area Chamber of Commerce.

DISCUSSION

Over the past several years, HRM and the Sheet Harbour and Area Chamber of Commerce have engaged in discussions on a new agreement to outline the current uses and responsibilities for the MacPhee House, the accessory buildings, and the portion of land (PID 40328528) which is included in the proposed leased premises.

Upon completion of those discussions, in June 2019, an Offer to Lease was sent to the Sheet Harbour and Area Chamber of Commerce for a Less than Market Value Lease Agreement. The proposed key terms and conditions set out in the offer were approved and accepted by the Society. The term of the lease agreement is for ten (10) years, commencing January 1, 2020 and expiring December 31, 2029, at a nominal rental rate of one (\$1) dollar per year. A lease will trigger an updated assessment of the property and consequently a tax bill. The Tenant is responsible for their proportionate share of the property tax plus HST, which will be billed by the Landlord.

The organization may apply under Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations once a lease is executed; however, the Sheet Harbour and Area Chamber of Commerce is not guaranteed exemption or a reduction of the commercial tax rate. Further, the execution of a new lease and application deadline for the Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations does not coincide to allow the organization to apply immediately. Sheet Harbour and Area Chamber of Commerce can apply for the 2020-2021 tax relief program and a council report outlining the recommendations for the property tax relief will be submitted to Regional Council for review, decision and approval. The Sheet Harbour and Area Chamber of Commerce would be responsible for the entire property tax payment until a decision is made by Regional Council on the group's tax relief application status which may or may not relieve them from all or a portion of the property taxes due.

HRM will continue to be responsible for repairs and maintenance costs related to the operation of MacPhee House, monthly building inspections from May-October, all utilities including heat, power and water, annual furnace/burner maintenance and inspections, all capital work for the leased property of the MacPhee House, excluding the accessory buildings, which are the sole responsibility of the Tenant, grass cutting,

and winter snow clearing for the driveway to ensure, in the event of an emergency, access to the building is not obstructed.

The Sheet Harbour and Area Chamber of Commerce will be responsible for all maintenance, general repairs and capital repairs of the accessory buildings, monthly visual inspections, interior cleaning and minor interior improvements, garbage and recycling, compost removal from the interior of the leased premises, lawn and grounds maintenance including trimming, raking, and litter removal from the grounds of the leased property. The Tenant will be responsible for the cleaning, purchase and restocking of paper products, soap and supplies to the exterior public washrooms.

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

Table 1

Recommended Key Lease Terms and Conditions	
Property Addresses	22404 Highway 7, Sheet Harbour
Landlord	Halifax Regional Municipality
Tenant	Sheet Harbour and Area Chamber of Commerce
Premises	<p>The municipal registered heritage property located at 22404 Highway 7, Sheet Harbour, known as MacPhee House, the Accessory Buildings and (a portion of PID 40328528) the land beneath and directly surrounding each of the buildings.</p> <p>MacPhee House is a total net area of one thousand four hundred sixty (1,460) square feet which includes the usable space on the main floor, second floor and exterior public washrooms. The two Accessory Buildings have a total net area of six hundred thirty (630) square feet (larger four-unit building is four hundred thirty-seven (437) square feet and the single building has one hundred ninety-three (193) square feet).</p> <p>There is approximately three thousand one hundred (3,100) square feet of land for MacPhee House and the two Accessory Buildings have approximately two thousand six hundred twenty (2,620) square feet of land which encompasses an approximate total land area of five thousand seven hundred twenty (5,720) square feet. The Lands and the Buildings situated on PID 40328528, are more particularly shown outlined in Schedules A and B.</p>
Term	Ten (10) years (January 1, 2020 – December 31, 2029), the anniversary date shall be on January 1 of each year of the term and the first anniversary will be on January 1, 2021.
Use	Premises are used as a Visitor Information Centre and a museum of Sheet Harbour history. They provide a location to host community events and community group meetings and such other uses that are supportive of the community of Sheet Harbour and HRM.
Rent	Nominal \$1.00 per annum

Tenant Responsibility	<p>The Tenant is responsible for at Tenant's sole expense:</p> <ul style="list-style-type: none"> • General repairs, maintenance and capital repairs for the Accessory Buildings; • Alarm system costs: maintaining, monitoring and all false alarm charges; • Interior cleaning and minor interior improvements of all Buildings such that the Buildings are reasonably fit and presentable for visitors and invitees to the Premises; • Cleaning, purchase and restocking of paper products, soap and supplies to the exterior public washrooms; • Garbage, recycling, compost removal from the Premises; and • Lawn and grounds maintenance including trimming, raking, litter removal for the Premises.
Property Taxes	<p>The tenant shall be responsible to pay the property taxes to HRM as a result of a taxable assessed value plus the applicable HST. HRM shall issue an invoice to the group.</p>
Insurance	<p>Commercial General Liability in the amount no less than \$2,000,000 and any other insurance required by HRM as set forth in the agreement. If alcohol is served, stored or consumed on site then liquor liability must be included in the insurance and the Commercial General Liability shall be no less than \$5,000,000 and coverage must be satisfactory to HRM. HRM is to be on the policies as additional named insured.</p>
Notice	<p>Either party shall have the option to terminate this agreement upon providing six (6) months written notice to the other party at any time and for any reason.</p>
Accessory Buildings	<p>The Sheet Harbour and Area Chamber of Commerce, with HRM permission, has constructed accessory buildings on the property which shall be included as part of the leased premises. The accessory buildings shall be the sole responsibility of the Sheet Harbour Chamber of Commerce.</p>
Condition	<p>The tenant accepts the premises on an "as is" basis.</p>
HRM Maintenance Responsibilities	<ul style="list-style-type: none"> • General repairs and maintenance for MacPhee House, regular wear and tear excepted; • Capital repairs and replacements for MacPhee House, as required and as Landlord's budget allows; • Annual furnace/burner maintenance/inspections; • Grass cutting; • Monthly building inspections for MacPhee House (May-October); and • In the Fall, of each year, no later than December 15, performing "winterizing" of the Premises, including the Buildings, but not including the Accessory Buildings, and in the Spring, of each year, no later than April 30, performing "de-winterizing" of the Premises, but not including the Accessory Buildings and Tenant acknowledges and agrees that during the Winter season, no access is provided to the Premises by the Landlord and the Landlord performs no regular winter maintenance for the Premises.
	<p>Any maintenance, repairs and or replacements for MacPhee House shall be completed in accordance with the guidelines for a Municipal Registered Heritage Property.</p>

FINANCIAL IMPLICATIONS

The market value base rent of \$7.00 per square foot, or \$10,220 per annum, has been established by comparing the rental rates HRM pays to lease office space in Sheet Harbour. The proposed rent for the term of this agreement is a nominal amount of \$1.00 per annum which is considered less than market value.

HRM will remain responsible for all the utilities, repairs and other associated costs related to the maintenance and operation of leased premises as outlined in Table 1. This has been estimated using the average of the actual costs for the past three years at \$10,300 per annum, which represents the equivalent of an 'operating grant' for the property's use. The costs for this facility will continue to be paid through several operating accounts including W200, W212 and W213 which are managed by Municipal Facilities, Maintenance and Operations

The first year of the agreement the property and operating grants is a total of \$20,520 and over the ten-year term of the agreement an estimated total of \$205,200 shall be waived and represents the estimated value of the property and operating grant being considered with HRM leasing the space at less than market value.

The tenant will be responsible to pay the property taxes as they fall due and are invoiced by HRM and until such time that the Sheet Harbour and Area Chamber of Commerce apply to Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations, a level of tax relief cannot be determined.

RISK CONSIDERATION

The property taxes associated with the new lease produces a significant risk for the group given their limited funding and revenue source.

The risks associated with the recommendations in this Report are considered Medium. The risk to the organization can be mitigated by their application to Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations.

COMMUNITY ENGAGEMENT

Sheet Harbour and Area Chamber of Commerce is a community-based organization, comprised of members of the community.

ENVIRONMENTAL IMPLICATIONS

There are no known environmental implications.

ALTERNATIVES

Alternative 1: The Grants Committee could recommend that Regional Council lease the property at market value to the Sheet Harbour and Area Chamber of Commerce.

Alternative 2: The Grants Committee could recommend that Regional Council lease the property to the Sheet Harbour and Area Chamber of Commerce for a longer term.

ATTACHMENTS

Attachment 1: Site Map

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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HALIFAX

ATTACHMENT "1"
SITE MAP
PID 40328528 (outlined in green)
Premises (outlined in red)

