

HALIFAX

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Item No. 9.1.2
Grants Committee
June 21, 2021

TO: Chair and Members of Halifax Regional Municipality Grants Committee

SUBMITTED BY:


Denise Schofield, Executive Director, Parks & Recreation


Jacques Dubé, Chief Administrative Officer

DATE: May 1, 2021

SUBJECT: Less Than Market Value Lease Agreement: Spencer House Seniors Centre,
5596 Morris Street Halifax, NS

ORIGIN

This report originates with the accepted Letter of Offer to Lease Spencer House Seniors Centre, 5596 Morris Street Halifax, NS.

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.

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
- (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.

RECOMMENDATION

It is recommended that the Grants Committee recommend that Halifax Regional Council authorize the Mayor and Municipal Clerk to enter into the Municipality's standard less than market value lease agreement with the Spencer House Seniors Centre for the premises located at 5596 Morris Street, Halifax.

BACKGROUND

The municipally owned facility known as Spencer House is leased by the Spencer House Seniors Centre and is located at 5596 Morris Street, Halifax (PID 40266553) (see Attachment 1). The Spencer House Seniors Centre (SHSC) is a non-profit that provides programs and services that contribute to the health and wellbeing of seniors. These programs and services enable recipients to live independently, contribute to their community and maintain an active and healthy lifestyle. This type of service and program aligns with the Halifax Regional Municipality's vision of fostering the growth of healthy and vibrant communities as well as council's priority outcomes of involved and inclusive communities.

DISCUSSION

The lease agreement for 5596 Morris Street commenced on October 1, 2015 and expired September 30, 2020. Staff met with the SHSC executives to discuss the terms of the new agreement and on September 9, 2020 an Offer to Lease letter was sent to the group. The proposed key terms and conditions set out in the offer were approved and accepted by the SHSC board. The proposed lease agreement is for a five (5) year term, commencing on October 1, 2020 and expiring on September 30, 2025.

Comparable Class 'C' base rents for the Halifax peninsula are approximately \$10.50 per square foot plus Additional Rent and Property Taxes estimated at \$13.14 per square foot. The subject property would be considered moderately below a Class 'C' building for comparative purposes and as a result, the market base rent for this space has been calculated at \$9.00 per square foot. The base rent for the first year of the lease as recommended in this report is \$2.00 per square foot, a rent difference of \$22,050 in year one, which represents the equivalent of an 'operating grant' for the property's use. The term 'operating grant' as used in this report represents the opportunity cost associated with HRM leasing the space at less than market value.

The funds received through the lease are allocated for building repairs and maintenance. The funds from this account have previously been sufficient to cover the building repair costs; however, as the building continues to age and is nearing 40 years, a condition assessment for this facility is planned for 2021/2022 to determine future requirements.

The Tenant will be responsible to pay all utilities including heat, power and water, and all other associated costs related to the maintenance and operation of the leased premises. The Tenant is responsible for the snow and ice control for their walkways, entrances, stairs and emergency exits. There is only the one accessible parking spot for patrons of the facility. It is located at the beginning of the driveway perpendicular to Morris Street. The Tenant has been advised of the parking challenges at this location. The Tenant is also aware that should they wish to have shared use of the parking spaces in the St. Mary's Elementary School parking lot, that would be for the Tenant to negotiate directly between the Tenant and the Halifax Regional Educational Centre (HRCE).

The Tenant is responsible for their proportionate share of the property tax plus HST, which will be billed by HRM. The organization may continue to apply to the *Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations* once a lease is executed.

The lease agreement will be the Municipality's standard less than market value lease agreement. The terms and conditions to be included in this lease agreement are outlined below in Table 1.

Table 1: Recommended Key Lease Terms and Conditions

Property Addresses	5596 Morris Street, Halifax
Landlord	Halifax Regional Municipality
Tenant	Spencer House Seniors Centre
Premises	The municipally owned property, known as Spencer House Seniors Centre, (a portion of PID 40266553) the land beneath and directly surrounding the building. Spencer House Seniors Centre is a total area of three thousand one hundred fifty (3,150) square feet.
Term	Five (5) years (October 1, 2020 – September 30, 2025), the anniversary date shall be on October 1 of each year of the term and the first anniversary will be on October 1, 2021.
Use	Spencer House Seniors Centre administration and to provide programs, activities and services to seniors.
Base Rent Years 1 - 3	(October 1, 2020 to September 30, 2023) \$2.00 per square foot, \$6,300 + HST/annum, payable monthly \$525.00+HST/month
Years 4 & 5	(October 1, 2023 to September 30, 2025) \$2.50 per square foot, \$7,875 + HST/annum, payable monthly \$656.25 +HST/month
Tenant Responsibility	The Tenant is responsible for all utilities including heat, power and water; and all other associated costs related to the maintenance and operation of the leased premises such as general repairs, technology, service delivery upgrades, alarm system costs, waste/recycling removal, cleaning and grounds maintenance (snow/lawn).
Property Taxes	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.
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. Director's and Officer's Liability Insurance in an amount not less than One Million Dollars (\$1,000,000) per occurrence. 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.
Notice	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.
Condition	The Tenant accepts the premises on an "as is" basis.
Parking	The Tenant may use the parking spot at the end of the driveway as an accessible parking spot for their members and guests. This is not a staff parking spot. There are no other parking spaces at this location. Negotiation of any additional spaces in the St. Mary's Elementary School parking lot is to be directly between HRCE and the Tenant.
HRM Maintenance Responsibilities	<ul style="list-style-type: none"> • Capital repairs and replacements for items related to the Building/Structural, as required and as Landlord's budget allows; • Life and Safety System inspections; • Monthly building inspections for Spencer House Seniors Centre including Emergency Lights & Exit Lights • Pest control due to building deficiencies i.e. holes or entrances where rodents can enter the building
Special Clauses	Any maintenance to, repairs to or replacements for Spencer House for which the group is deemed responsible shall be submitted in writing to HRM for approval prior to any work being complete, except where emergency repairs/issues arise and require immediate attention.

FINANCIAL IMPLICATIONS

The market value base rent was established by using the Regional Rental Rates Reference Guide prepared by Cushman & Wakefield, which was further adjusted to compensate for the subject property being considered moderately below a Class “C” building to bring the base rent to \$9 per square foot. The table below is a breakdown of the market value rent, the proposed rent and the rent difference, referred to as the operating grant for both the first year of the term and for the entire five-year term.

Duration	Market Value Rent at (\$9.00 per square foot)	Proposed Less than Market Value Rent	Operating Grant
Base Rent - First year (2022)	\$28,350	\$6,300	\$22,050
Base Rent - Second Year (2023)	\$28,350	\$6,300	\$22,050
Base Rent – Third Year (2024)	\$28,350	\$6,300	\$22,050
Base Rent – Fourth Year (2025)	\$28,350	\$7,875	\$20,475
Base Rent – Fifth Year (2026)	\$28,350	\$7,875	\$20,475

The monthly rent of \$525 plus HST for the first three years of the term and \$656.26 plus HST for the last two years of the term will be deposited into Reserve Account Q541-5102. The rent revenue shall be transferred annually on April 1 into Municipal Facility Maintenance & Operations cost centre W213.

The value of the operating grant being considered with HRM leasing the space at less than market value is \$107,100 over the term of the lease.

Property taxes are billed initially by the Municipal Government, HRM as Landlord will pay the property taxes through W213- 5508 as a clearing account. Should Regional Council approve the inclusion of the Spencer House Seniors Centre to Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations, the amount offset will represent an additional ‘operating grant’ from HRM.

RISK CONSIDERATION

Risk consideration is Low. Entering into a 5-year lease rather than a longer term allows HRM time to understand and assess higher costs associated with an aging building.

The Lessee is an established provincially registered non-profit registered Canadian charity. Having a valid Lease Agreement in place reduces the risk considerations.

COMMUNITY ENGAGEMENT

No community engagement was required for the completion of this report.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Alternative 1: The Grants Committee could recommend that Regional Council lease the property at market value to the Spencer House Seniors Centre.

Alternative 2: The Grants Committee could recommend that Regional Council direct the CAO to negotiate different terms for the lease of the property to SHSC.

ATTACHMENTS

Attachment 1 - Property Location 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.

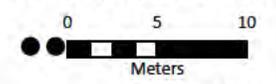
Report Prepared by: Trish Higby, Partnership Coordinator, Community Development, Parks & Recreation
902.490.1808.



PROPERTY LOCATION MAP - PID 40266553 PREMISES

-  PID 40266553
-  Building Polygon
-  Parcel
-  HRM Park

HALIFAX
Parks & Recreation
Business & Technical Services



Date: 5/7/2021