



P.O. Box 1749
Halifax, Nova Scotia
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Item No. 11.6.1
Halifax Regional Council
June 29, 2021

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: ORIGINAL SIGNED

Councillor Cathy Deagle Gammon, Chair, Grants Committee

DATE: June 22, 2021

SUBJECT: **Less than Market Value Lease: The Royal Life Saving Society Canada, Nova Scotia Branch, 1014 Purcells Cove Road, Halifax**

ORIGIN

June 21, 2021 meeting of the Grants Committee, Item 9.1.1.

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

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.

Administrative Order 58 - Delegation of Certain Authorities

The provisions of Section 13 (Delegation - Less than Market Value Rent) do not apply as the term of the proposed lease agreement is greater than one year.

RECOMMENDATION

It is recommended 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 Royal Life Saving Society Canada, Nova Scotia Branch for the premises located at 1014 Purcells Cove Road.

BACKGROUND/DISCUSSION

The Grants Committee received a staff recommendation report dated April 26, 2021, at their June 21, 2021 meeting.

The Grants Committee reviewed the staff recommendation report and approved the recommendation as outlined in this report.

For further discussion on this item, refer to the attached staff report (Attachment 1) dated April 26, 2021.

FINANCIAL IMPLICATIONS

Financial implications are outlined in the attached staff report (Attachment 1) dated April 26, 2021.

RISK CONSIDERATION

Risk consideration is outlined in the attached staff report (Attachment 1) dated April 26, 2021.

COMMUNITY ENGAGEMENT

The agenda and reports of the Grants Committee are posted on Halifax.ca, and draft minutes of the meeting will be made available on Halifax.ca within three business days.

ENVIRONMENTAL IMPLICATIONS

Environmental implications are outlined in the attached staff report (Attachment 1) dated April 26, 2021.

ALTERNATIVES

The Grants Committee did not provide alternatives.

For further information on alternatives as it relates to this item, refer to the attached staff report (Attachment 1) dated April 26, 2021.

ATTACHMENTS

Attachment 1 – Report dated April 26, 2021

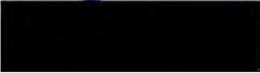
A copy of this report can be obtained by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Jill McGillicuddy, Legislative Assistant 902.483.2810

TO: Chair and Members of the Halifax Regional Municipality Grants Committee

SUBMITTED BY:  Original Signed

Dave Harley, Acting Executive Director of Finance, Asset Management

 Original Signed

Jacques Dubé, Chief Administrative Officer

DATE: April 26, 2021

SUBJECT: Less than Market Value Lease: The Royal Life Saving Society Canada, Nova Scotia Branch, 1014 Purcells Cove Road, Halifax

ORIGIN

This report originates with the accepted letter of Offer to Lease, The Royal Life Saving Society Canada, Nova Scotia Branch located at 1014 Purcells Cove Road, Halifax.

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

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.

Administrative Order 58 – Delegation of Certain Authorities

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

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 Royal Life Saving Society Canada, Nova Scotia Branch for the premises located at 1014 Purcells Cove Road.

BACKGROUND

In 1891, The Swimmers' Life Saving Society was formed in England and became The Royal Life Saving Society in 1904. The Royal Life Saving Society Canada, Nova Scotia Branch is a national registered charity with thousands of individual members, providing service to various aquatic facilities, municipalities, waterfronts and schools. In Canada, the society is often informally referred to as the Lifesaving Society.

The Lifesaving Society provides training for more than 50 lifeguards and area supervisors who are responsible for supervising approximately 20 beaches in Nova Scotia for nine weeks during the summer, beginning at the end of June. Each year, between 250,000 and 500,000 people visit Nova Scotia supervised beaches. Six of these beaches are located in HRM, which are: Clam Harbour, Dollar Lake, Lawrencetown, Martinique, Queensland and Rainbow Haven. Four of these beaches have very high attendance numbers. In the past, the society has assisted HRM with Beach Training for HRM lifeguards, when the situation warranted.

The Royal Life Saving Society Canada, Nova Scotia Branch has occupied space in the basement of the Chocolate Lake Community Centre for over 15 years. During that time, their occupancy has been through annual rental contracts.

DISCUSSION

In February 2021, an Offer to Lease was sent to The Royal Life Saving Society Canada, Nova Scotia Branch 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 Royal Life Saving Society Canada, Nova Scotia Branch, however, the terms remain subject to receipt to the required municipal approval.

Comparable Class 'C' base rents for Mainland West are approximately \$12.00 per square foot plus Additional Rent and Property Taxes estimated at \$7.42 per square foot. The subject property would be considered moderately below a Class 'C' building for comparative purposes with the premises located in the basement. The market base rent for this space has therefore been calculated at \$10.00 per square foot and the operating cost calculated at \$4.00 per square foot with the tenant responsible for the payment of property taxes separately. The combined rate for base rent & operating costs for the first year of the lease as recommended in this report is \$6.00 per square foot. A difference of \$14,184 in year one which represents the equivalent of an 'operating grant' for the property's use. The term 'operating grant' represents the opportunity cost associated with HRM leasing the space at less than market value.

Corporate Real Estate have negotiated a five (5) year lease agreement commencing on April 1, 2021 and expiring on March 31, 2026. The rent shall be six (\$6) dollars per square foot for the first year of the term, The rent shall increase annually in Years 2 thru Year 5 to six (\$6.25) dollars and twenty-five cents, six (\$6.50) dollars and fifty cents, six (\$6.75) dollars and seventy-five cents, and seven (\$7.00) dollars respectively. A lease will trigger an updated assessment of the property and consequently a property tax bill. The Tenant is responsible for their proportionate share of the property tax plus HST, which will be billed by the Landlord.

The Royal Life Saving Society Canada, Nova Scotia Branch will be responsible for general repairs and maintenance, interior cleaning, source separation of garbage, recycling and compost which is to be taken to the outside bins, any Tenant alarm systems, false alarm charges, telephone, internet, and cable charges in or for the Premises.

The Royal Life Saving Society Canada, Nova Scotia Branch may apply for tax relief under Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations Program once a lease is executed. The Program awards various levels of tax relief to eligible non-profit and charitable organizations. All applications are reviewed by the Grants Committee and any Committee recommendations must also be approved by Regional Council. Until approval, the Royal Life Saving Society Canada, Nova Scotia Branch will be responsible for payment of property tax.

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 in Table 1.

Table 1:

| Recommended Key Lease Terms and Conditions | |
|---|--|
| Property Addresses | 1014 Purcells Cove Road (PID 00251520) Chocolate Lake Community Centre |
| Landlord | Halifax Regional Municipality |
| Tenant | The Royal Life Saving Society Canada, Nova Scotia Branch |
| Premises | Approximately 1,773 square feet of space on the basement level |
| Term | Five (5) years (April 1, 2021 to March 31, 2026). |
| Commencement Date | April 1, 2021 |
| Use | Office space and equipment storage |
| Base Rent | Year 1 (April 1, 2021 to March 31, 2022) \$6.00 per square foot, \$10,638.00 +HST/annum, payable monthly \$886.50+HST/month Year 2 (April 1, 2022 to March 31, 2023) \$6.25 per square foot, \$11,081.25 +HST/annum, payable monthly \$923.44 +HST/month Year 3 (April 1, 2023 to March 31, 2024) \$6.50 per square foot, \$11,524.50 +HST/annum, payable monthly \$960.38 +HST/month Year 4 (April 1, 2024 to March 31, 2025) \$6.75 per square foot, \$11,967.75 +HST/annum, payable monthly \$997.31 +HST/month Year 5 (April 1, 2025 to March 31, 2026) \$7.00 per square foot, \$12,411.00 +HST/annum, payable monthly \$1,034.25 +HST/month |
| Additional Rent | All other amounts payable by the Tenant to the Landlord except Base Rent whether or not specifically designated as Additional Rent. |
| Property Taxes | The tenant shall be responsible for any applicable property taxes levied upon the property due to this agreement. The Tenants proportionate share of the property taxes plus HST will be invoiced to the Tenant as they fall due. |
| Renewal Term | Five (5) years |
| Tenant Responsibilities | The Tenant shall be responsible for the interior cleaning of the premises, source separation of garbage, recycling and compost which is to be taken to the outside bins, any Tenant alarm systems, false alarm charges, telephone, internet, and cable charges. |
| HRM Responsibilities | The Landlord is responsible for the operations of the building including items such as capital and structural repairs, maintenance, general repairs, garbage and recycling removal from property, pest control, ground maintenance, snow and ice removal for the walkways, entry/exit doors and parking lot. The Landlord will be responsible water, sewer, electrical, and furnace oil expenses. |

| | |
|--------------------------|--|
| Insurance | - Commercial General Liability in the amount no less than \$5,000,000 including content insurance, and Director's and Officer's Liability Insurance. Halifax Regional Municipality is to be on the policies as additional named insured. - The Tenant's policy shall contain a waiver of subrogation rights. - The Tenant will provide the Landlord with a Certificate of Insurance evidencing proof of all required coverage upon the signing of the agreement. |
| Early Termination | Either party shall have the option to terminate this agreement upon providing three (3) 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. |

FINANCIAL IMPLICATIONS

The market value base rent was established 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 \$10.00 per square foot and the operating cost to \$4.00 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 Base Rent \$10.00 per square foot & Operating Cost \$4.00 per square foot | Proposed Less than Market Value Rent | Operating Grant |
|--|---|---|------------------------|
| Base Rent - First year (21/22) | \$24,822 | \$10,638 | \$14,184 |
| Base Rent - Second Year (22/23) | \$24,822 | \$11,081 | \$13,741 |
| Base Rent – Third Year (23/24) | \$24,822 | \$11,525 | \$13,297 |
| Base Rent – Fourth Year (24/25) | \$24,822 | \$11,968 | \$12,854 |
| Base Rent – Fifth Year (25/26) | \$24,822 | \$12,411 | \$12,411 |

The annual rent of \$10,638 plus HST for the first year of the term and subsequent years will be deposited into Operating Account D155-5102.

The value of the operating grant being considered with HRM leasing the space at less than market value is \$66,487 over the term of the lease.

Property taxes are billed initially by the Municipal Government, HRM as Landlord will pay the property taxes through D155-5508 as a clearing account. The Landlord shall invoice the Tenant the property taxes plus HST. Should Regional Council approve the inclusion of The Royal Life Saving Society Canada, Nova Scotia Branch 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

The property taxes associated with the new lease may produce a risk for the group given their funding and revenue sources.

The risks associated with the recommendations in the 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

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 the Regional Council lease the Premises at market value to The Royal Life Saving Society Canada, Nova Scotia Branch.

Alternative 2: The Grants Committee could recommend that the Regional Council lease the property to The Royal Life Saving Society Canada, Nova Scotia Branch for a longer term.

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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