



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 12.2.2
Audit and Finance Standing Committee
June 22, 2022

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: **- Original Signed -**

Jacques Dubé, Chief Administrative Officer

DATE: May 18, 2022

SUBJECT: **Sheet Harbour Marina Association Request for Funding**

ORIGIN

January 19, 2022 Audit and Finance Standing Committee motion (Item No. 10.3.1):

MOVED by Councillor Hendsbee, seconded by Councillor Purdy

THAT the Audit and Finance Standing Committee direct the CAO to prepare a staff report regarding infrastructure funding in respect of the Sheet Harbour Marina Association request for funding and refer the matter to Regional Council for consideration.

MOTION PUT AND PASSED

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter ("HRM Charter"), S.N.S 2008, c.39

79A (1) Subject to subsections (2) to (4), The Municipality may only spend money for municipal purposes if

(a) The expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality;

Administrative Order 2014-015-ADM Respecting Reserve Funding Strategies
Roles and Responsibilities

...

5. The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.

Administrative Order 2019-007-ADM Respecting Grants Reporting

RECOMMENDATION ON PAGE 2

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend that Halifax Regional Council:

1. Provide a \$50,000 grant to the Sheet Harbour Marina Association with funding from the Options Reserve (Q421); and
2. Authorize the Chief Administrative Officer or their designate to negotiate and execute a tripartite Contribution Agreement with the Sheet Harbour Marina Association and Atlantic Canada Opportunities Agency including HRM's contribution in the amount of \$50,000 to engage professional services to complete a Marina Spatial Plan and Comprehensive Business Plan with respect to the development of a marina facility, substantially in the same form as Attachment 1 of this report.

BACKGROUND

In 2013, the Sheet Harbour Chamber of Commerce established a committee to explore the prospect of developing a marina in the vicinity of Sheet Harbour. The focus of the project is to create a destination for recreational sailors and tourism-related charters and enhance the local economy. The committee subsequently incorporated a nonprofit society, the Sheet Harbour Marina Association ("the Society"), on August 30, 2021 with a separate Board of Directors and financial accountability. Shortly thereafter, the Society made a presentation to HRM's Audit and Finance Standing Committee in support of a funding request for \$1.1 million dollars. Grant requests that fall outside an established municipal grant program represent an unbudgeted cost to the Municipality. Typically, such requests may be considered under a Contribution Agreement; a contract that sets out the terms and conditions of funding either through a one-time or phased withdrawal from a specific municipal reserve or an alternate source.

In the preparation of this report, staff reviewed the Association's Business Proposal 2021 submitted to the Audit and Finance Standing Committee and correspondence to Regional Council dated January 27, 2022. HRM senior management attended a meeting convened by Develop Nova Scotia on February 17, 2022 that included representatives from the Society and the Atlantic Canada Opportunities Agency ("ACOA"). Staff also requested clarification from the Halifax Partnership regarding their involvement and what assistance they may be able to provide to the Society. It is important to note that neither Develop Nova Scotia or the Halifax Partnership have funding programs, and in that respect, their role may be primarily in relation to business plan development, technical information, data, or to identify potential funding sources.

DISCUSSION

As proposed, the Society would construct a marina which would operate largely on a seasonal basis for recreational sailing and boat charters. The initial 3-year Capital Plan totals \$3,476,360¹² and the society has requested a municipal capital grant in the amount of \$1,100,000 or approximately 32% of total projected capital costs. Although a financial statement was not included with documentation provided by the Society, as a start-up operation it is unlikely that the organization has an established revenue stream and as such

¹ A value of \$3,476,360 includes \$293,610 in related and non-capital costs: legal fees at \$6,000 each of two years (\$12,000), insurance for one year (\$15,000), communications (\$13,225), a project manager at \$38,000 for each of two years (\$76,000), an unspecified "land loan" (\$172,385), and dive survey (\$5,000). The underwater survey is assumed to be funding in the amount of \$5,000 awarded to the Sheet Harbour Chamber of Commerce under the 2021 Community Grants Program and as such is an expenditure already incurred and paid.

² The start date is unspecified and may be determined by government funding eligibility and timelines.

would have limited, if any, access to financing. The proposal does not include reference to a capital campaign and appears dependent on full or substantial government funding.

A review of the Society's business plan concluded that there is insufficient information with which to test assumptions and confirm the feasibility of (1) the development project and (2) the on-going sustainability of operations. This finding is substantiated by the following disclaimer included on page 2 of the submission which states:

"This document and the information contained herein (the "Documentation") is published in good faith and for general purposes only. All facts, matters, and budgets are based on the personal experiences of the volunteers and in relation to the stated Vision and Mission Statements. Every care has been taken to ensure that the content is useful and accurate. THAT SAID, anyone reviewing the Documentation should appreciate that the facts, matters, and budgets are compiled by laypeople and to that end, should carry out their own due diligence. The Sheet Harbour Marina Association, its members, officers and directors, and any contributing third party shall have no legal liability for the content."

Given the scope and technical complexity of the development envisioned by the Society, a robust business plan could take volunteers several years to develop to a standard acceptable to government funders and/or the private sector. Further, in addition to a comprehensive business plan, prospective funders may assess the Society's capacity to manage a \$3 million dollar construction project and/or on-going operations. The timing of this proposal is also compounded by economic variables such as interest rates, the availability of materials and experienced contractors – factors that impact both the nonprofit and private sectors. Given these constraints the commencement and completion date of such a project cannot be determined and a large-scale financial commitment may be premature for a project which is essentially conceptual at this time.

In the alternative, staff representatives from HRM, ACOA and Develop Nova Scotia met on April 28, 2022 to consider the option of providing funds to secure qualified professional services to develop a comprehensive business plan commensurate with the level of government funding sought. It is anticipated that sub-specialties may be required for elements of the project, such as but not limited to engineering, legal, environmental assessment and approvals, property acquisition and development, and revenue projections in relation to immediate holding costs and future operating viability. The overall financial plan might also incorporate inflation given current market volatility and supply issues.

As proposed, the approach to assisting the Society in developing a comprehensive business plan would be in two stages. The first phase would address the feasibility of the location. This initial step, referred to as a Marina Spatial Plan would evaluate the suitability of the "East River Wharf" location starting with a bathymetric survey - which is a study of the ocean depth and mapping of the underwater ground contours to confirm the type and number of boats that could be accommodated - the potential placement of underwater fixtures³, waterfront access points, and wind exposure. This first phase would also consider the existence and ownership of any underwater lots associated with the wharf and land-based infrastructure with respect to property acquisition, consolidation, development (including zoning), and any environmental assessment and related risk mitigation.

Upon completion of this stage, a decision would be made with respect to proceeding with a second phase which would be the development of a Comprehensive Business Plan to provide clarification with respect to the proposed operating structure, market demand, revenue and expense projections, implementation timeline, sustainability, and economic benefits. ACOA have agreed in principle to provide up to \$25,000. It is also anticipated that the Society would secure funding from non-government sources for elements of the plan and their general operating expenses as a Society.

³ For example, pontoon pilings, subsea anchorage, floating docks.

Arguably, development at the location proposed by the Society does not have to be positioned as an all-or-nothing proposition. If the first phase of analysis determines that a marina facility is an option, but the scale, complexity, and on-going operation may be cost-prohibitive consideration could be given to a smaller-scale venture. For example, a modest-scale sailing club facility that might be expanded or enhanced once demand and management capacity has been established.

Although not a funding agency, Develop Nova Scotia has agreed to assist the project with respect to their technical expertise in coastal development projects. This agency also has an established working relationship with specialized service providers and consultants. As proposed, HRM's role at this stage is primarily in relation to financial assistance towards establishing the feasibility of the Society's concept.

FINANCIAL IMPLICATIONS

At their meeting of May 17, 2022, Regional Council approved amendments to Administrative Order 2014-015-ADM Respecting Reserve Funding Strategies⁴. Policy states that the Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the reserves. A grant in the amount of \$50,000 represents an unbudgeted withdrawal from a reserve.

As per the approved Reserve Business Cases (November 2021) the Options Reserve (Q421) may be used for one-time funding for operating and capital grants. It is recommended that this one-time grant be paid from Fiscal Services account M310-8004 with funding from the Options Reserve Q421.

Budget Summary: Options Reserve Q421

Projected Net Available Balance	\$7,256,398
Less: Unbudgeted Withdrawals, SHMA	<u>(\$ 50,000)</u>
Projected Net Available Balance	\$7,206,398

RISK CONSIDERATION

High. The Society's proposal is conceptual and does not meet the submission requirements for funding of the magnitude sought from ACOA or HRM. Therefore, a municipal funding commitment of \$1.1 million dollars poses financial and reputational risk to the Municipality. This risk may be moderated through a Contribution Agreement to retain professional consulting services to assess the feasibility of the proposed site, construction and operation of a marina located at the East River Wharf, Sheet Harbour.

Moderate. Although an unbudgeted expenditure of up to \$50,000 could result in a finding that the development project, as proposed by the Association, is not feasible in the short-term the financial risk is low when compared to the \$1.1 million amount that has been requested of the Municipality. Oversight in the implementation of the Contribution Agreement and assistance in selecting qualified and experienced consultants could also reduce the Municipality's financial and reputational risk.

COMMUNITY ENGAGEMENT

No community engagement was required. This report addresses an unsolicited request for municipal funding.

⁴ Item 15.2.1 Amendments to Administrative Order 2014-015-ADM Respecting Reserve Funding Strategies, dated April 20, 2022.

ENVIRONMENTAL IMPLICATIONS

The Society would be responsible for any environmental assessment or remediation should they acquire property for the development of a marina.

ALTERNATIVES

1. The Audit and Finance Standing Committee could recommend that Regional Council decline the funding request from the Sheet Harbour Marina Association.
2. The Audit and Finance Standing Committee could recommend amendments to the proposed terms and conditions of the Contribution Agreement or the value of any grant proposed.

ATTACHMENTS

Attachment 1 - Draft Contribution Agreement

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: Peta-Jane Temple, Team Lead Grants & Contributions, Fiscal and Financial Planning,
Finance & Asset Management 902.490.5469

ATTACHMENT 1

This **CONTRIBUTION AGREEMENT** is made as of the day of , 2022

Between

HALIFAX REGIONAL MUNICIPALITY

a municipal body corporate
("HRM")

-and-

SHEET HARBOUR MARINA ASSOCIATION

A society incorporated under the laws of the Province of Nova Scotia
("the **Society**")

-and-

ATLANTIC CANADA OPPORTUNITIES AGENCY

a federal body corporate
("ACOA")

RECITALS

- A. The Sheet Harbour Marina Association intends acquire a portfolio of waterfront properties for the purpose of the construction and operation of a marina. The Society has requested that HRM provide funds for the development of the marina facility.
- B. On [DATE], Regional Council of the Halifax Regional Municipality passed a resolution to provide a contribution in the amount of up to fifty thousand dollars [\$50,000.00] to the Society to be used towards professional consulting fees to complete a Marina Spatial Plan and Comprehensive Business Plan.

Now therefore, in consideration of and the mutual covenants and promises contained herein another good and valuable consideration the receipt and adequacy of which is hereby acknowledged, parties hereto covenant and agree as follows:

SECTION ONE CONTRIBUTION OF FUNDS

Section 1.01 Amount of Contribution

- a) HRM agrees to make a one-time contribution to the Society in the amount of up to fifty thousand dollars [\$50,000.00] (the "**Contribution Amount**") to be used by the Society to retain the services of specialized consulting services to complete a Marina Spatial Plan and Comprehensive Business Plan.
- b) The Contribution Amount is a firm, fixed amount and represents HRM's complete financial commitment. HRM shall not be obligated to provide any additional, supplemental or incremental funding to the Society.
- c) HRM shall not be liable for any losses incurred by the Society in relation to the acquisition of real property.

Section 1.02 Obligations of Grant Recipient

- a) The Society shall accept that a contract awarded by the Society for professional and consulting services shall be subject to the informed consent of both HRM and ACOA.
- b) The Society shall be responsible to provide both HRM and ACOA with a complete copy of the findings of any study, evaluation, report, or assessment undertaken and paid in full or in part using the Contribution Amount.

Section 1.03 Payment Schedule

Payment of the Contribution Amount shall be made in full upon receipt of a detailed quote from the company or consultant, including a summary of their related qualification and experience, to be retained to perform the work specified in Section 1.04.

Section 1.04 Expenditures

The costs funded under this Contribution Agreement referenced in Section 1.03 are for professional fees to conduct:

- a) a bathymetric survey of the underwater topography and ocean depth to confirm water depths in all areas of the proposed marina as well as the approaches and navigational channel;
- b) a title search to determine the existence or ownership of any water lots in the area to be developed in association with a proposed marina and any encumbrances or restrictions attached thereto;
- c) a market value appraisal of the four (4) properties the Society anticipate acquiring for the purpose of land-based infrastructure and an assessment of their development potential with respect to current zoning, consolidation, deeded access, and any encumbrances or restrictions attached thereto; and
- d) subject to the current owner's consent, a Level I Environmental Assessment of any built structures located upon the properties under consideration including soil samples that based on the findings inform any future environmental remediation plan; and
- e) development of a Marina Spatial Plan, including order of magnitude costing and phasing plan that includes:
 - (i) the type and number of boats that could be accommodated by a marina located on the East River Wharf, including consideration for manoeuvrability during approach and departure;
 - (ii) performing loading calculations to ensure the dock size and anchoring system for the newly proposed floating dock system can accommodate expected vessel size (length, weight and height) and is efficiently serviceable;
 - (iii) the potential placement of underwater fixtures required for the operation of a marina, such infrastructure including any coastal shoreline access point(s); and
 - (iv) analysis of wind exposure.
- (f) Development of a Comprehensive Business Plan providing details on the operating structure for the organization that will operate the marina, details on market demand for this location from both visiting boaters and local users, programming details such as services and amenities to be offered, marketing plan, revenue and expenses projections, implementation timeline, sustainability plan, and details on the return on investment (ie. economic benefits).

Section 1.05 Restrictions

The Society covenants and agrees that:

- a) the Contribution Amount shall be used by the Society solely towards consulting fees and professional services;
- b) no portion of the Contribution Amount is to be used for the payment of goods or services that are unrelated to the scope of work described in Section 1.04; and
- c) no portion of the Contribution Amount shall be paid to employees, volunteers, officers, or directors of the Society (ie. salary, wage, stipend, honorarium, gift or commission) or administrative costs.

SECTION TWO FINANCES, RECORDS AND INFORMATION SERVICES

Section 2.01 Registry of Joint Stocks

The Society shall maintain active status pursuant to the *Societies Act* as a Society in good standing with the Nova Scotia Registry of Joint Stock Companies.

Section 2.02 Accounting Records

The Society shall maintain a complete and proper set of accounting records regarding its operations in accordance with Canadian generally accepted accounting principles.

Section 2.03 Municipal Audit

HRM shall have the right, pursuant to this Contribution Agreement, at its own expense, and with reasonable notice, to audit or examine the books of accounts and records maintained by the Society and shall have the right to make copies thereof and to take extracts therefrom.

SECTION THREE LIABILITY AND INDEMNITY

Section 3.01 Risk

The Society agrees that its activities shall be at its sole risk and expense.

Section 3.02 Limitation of Liability

HRM is not a guarantor or partner of the Society or the properties owned by the Society and in no event, will HRM be liable for any direct, indirect, consequential, exemplary or punitive damages in relation to the Society's ownership, use occupancy and operation of the properties regardless of the form of action, whether in contract, tort or otherwise.

Section 3.03 Indemnification

The Society shall at all times indemnify and save harmless HRM, its officers, servants, employees or agents, from and against all actions, claims and demands whatsoever which may be brought against or made upon HRM and against all loss, liability, judgements, claims, costs, demands or expenses which HRM may sustain or suffer, resulting from or arising out of the Society's operations or out of HRM's contribution of the Contribution Amount to the Society.

SECTION FOUR GENERAL PROVISIONS

Section 4.01 Notices

All notices, demands, requests, approvals, or other communications of any kind which the parties may be required or may desire to serve on each other relating to this Contribution Agreement shall be delivered by registered mail to:

Halifax Regional Municipality

Attention: Chief Administrative Officer
Halifax Regional Municipality
P.O. Box 1749
Halifax, NS B3J 3A5

Sheet Harbour Marina Association

Attention: President
Sheet Harbour Marina Association
22799 Highway 7
Sheet Harbour, NS B0J 3B0

Atlantic Canada Opportunities Agency

Attention: []
Atlantic Canada Opportunities Agency
700-1801 Hollis Street
PO Box 2284 Station C
Halifax, NS B3J 3C8

Except in the event of a postal service strike or lockout (in which event the parties hereto agree to temporarily utilize other reasonable methods of communicating any notices), service of any notice or demand so made by registered mail shall be deemed complete on the date of actual delivery as shown by the registry receipt or at the expiration of the seventh business day after the date of mailing, whichever is earlier in time. Either party may from time to time, by notice in writing serve upon the other party as foresaid, designate a different mailing address or different additional persons to which all such notices or demands are thereafter to be addressed.

Section 4.02 Confidentiality

The Society acknowledges that this Contribution Agreement is a public document and that any information, document, or record, in any form, provided to HRM by the Society pursuant to this Contribution Agreement may be subject to disclosure in accordance with Part XX of the *Municipal Government Act* ("Freedom of Information and Protection of Privacy").

Section 4.03 Governing Law

- a) This Contribution Agreement shall be governed by and interpreted in accordance with the laws of the Province of Nova Scotia.
- b) The parties hereby attorn to the exclusive jurisdiction of the courts of Nova Scotia to resolve any disputes arising out of this Contribution Agreement.

Section 4.04 Effective Date

This Contribution Agreement will become effective when all parties have signed it. The date of this Contribution Agreement will be the date this Contribution Agreement is signed by the last party to sign it (as indicated by the date associated with that party's signature).

Section 4.05 Representations and Warranties

The Society represents and warrants that:

- a) All information submitted to HRM, is true, accurate and prepared in good faith to the best of the Society's ability, skill and judgement; and
- b) The Society has full power and authority to enter into and has taken all necessary measures to authorize the execution of this Contribution Agreement.

The rights and liabilities of the parties shall enure to the benefit of and be binding upon their respective administrators, successors and assigns, subject to any requirement for consent by HRM.

IN WITNESS WHEREOF each of the parties hereto have duly executed this Contribution Agreement.

Sheet Harbour Marina Association

Per:

Witness

Name:
Title:
I /We have authority to bind the Society

Witness

Name:
Title:
I/We have authority to bind the Society

Date Signed

Halifax Regional Municipality

Per:

Witness

Jacques Dube, CAO

Date Signed

Atlantic Canada Opportunities Agency

Per:

Witness

Date Signed