

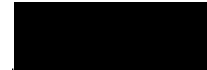


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Item No. 9.1.1
Grants Committee
September 12, 2022

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

SUBMITTED BY:



Jacques Dubé, Chief Administrative Officer

DATE: May 11, 2022

SUBJECT: **Less than Market Value Land Lease: West Halifax Housing Co-Operative Limited, Lot BRH-2, Regent Road, Halifax**

ORIGIN

This report originates with the request from West Halifax Housing Co-Operative Limited to renew their land lease agreement with HRM for Lot BRH-2 Regent Road, Halifax.

LEGISLATIVE AUTHORITY

The report complies with:

Halifax Regional Municipality Charter, SNS 2008, c 39, s 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, SNS 2008, c 39, s 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

Halifax Regional Municipality Charter, SNS 2008, c 39, s 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 approve the entering into of a less than market value land lease agreement with West Halifax Housing Co-Operative Limited located at Lot BRH-2, Regent Road, Halifax, as per the key terms and conditions set out in Table 1 in the discussion section of this report, and that Council authorize the Mayor and Municipal Clerk to execute the less than market value land lease agreement.

BACKGROUND

On March 15th, 1985 the former City of Halifax executed a 40-year lease agreement for Lot BRH-2, Regent Road with the West Halifax Housing Co-Operative Limited which will expire on December 31, 2024. The 3.2-acre lot has a total of 32 semi detached dwellings and are rented out by the West Halifax Housing Co-Operative as affordable housing. The original financial terms included a one-time lease payment of \$635 at the commencement of the lease. A mortgage of \$10,000 was also included in the Lease Agreement as a form of payment for ongoing maintenance and capital improvements. The West Halifax Housing Co-Operative Limited have fulfilled their re-payment obligation and the mortgage was released on January 21, 2021.

DISCUSSION

In September 2021, West Halifax Housing Co-Operative Limited contacted HRM with a request to renew their existing lease agreement. Although the existing lease agreement does not expire until December 2024, in order to qualify for Federal funding, the Co-Operative needs to have a current lease agreement with a minimum 25-year term.

Staff reviewed the existing lease agreement and determined that rather than renewing the existing lease, HRM would prepare a new Land Lease Agreement with current terms and conditions. This approach allows HRM to include contemporary terms and conditions that are approved by HRM Legal Department.

Corporate Real Estate have negotiated a 25 year lease agreement commencing on April 1, 2022 and expiring on March 31, 2047. The rent shall be one (\$1) dollar plus HST per annum paid on the anniversary date of each year being 1st day of April, for duration of the 25-year term. A new lease agreement 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 Halifax West Housing Co-Operative Limited 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 as well as including any required snow clearing.

The Tenant is responsible for their proportionate share of the property tax plus HST. The Tenant currently receives tax relief through the Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations. Each year the Tenant is required to submit a confirmation form and must meet the renewal requirements to remain in the tax relief program.

Housing

The Halifax West Housing Co-Operative has provided an affordable housing model on this site for nearly four decades. As discussed in the HRM 2018 Affordable Housing Work Plan and subsequent update in 2020, making lands available for affordable housing developments is an important and impactful way to support affordable housing. Renegotiating the lease for Halifax West Co-Operative will not only ensure the

land will be used to support the provision of affordable housing for an additional 25 years, but will also ensure the co-op has access to funding from other levels of government to support upgrades and maintenance to the buildings.

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

Table 1:

Recommended Key Lease Terms and Conditions	
Property Addresses	Lot BRH-2, Regent Road, Halifax (PID 00085043)
Landlord	Halifax Regional Municipality
Tenant	West Halifax Housing Co-Operative Limited
Premises	3.52 acres
Term	25 years (April 1, 2022 to March 31, 2047).
Commencement Date	April 1, 2022
Use	Land Lease for affordable housing
Base Rent	Year 1 -25 (April 1, 2022 to March 31, 2047) \$1.00 plus HST per annum paid on the Anniversary date of each year being April 1st
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 property taxes plus HST will be invoiced to the Tenant as they fall due.
Renewal Term	No Renewal term has been included in the Land Lease Agreement
Tenant Responsibilities	The Tenant has improved the property with several structures and shall be responsible for all maintenance, repairs, operating costs and capital repairs and replacement to the buildings and the Premises
HRM Responsibilities	The Landlord shall have no further responsibilities.
Insurance	<p>Commercial General Liability (CGL) in the amount no less than \$5,000,000 per occurrence</p> <p>Halifax Regional Municipality is to be on the CGL policies as additional named insured. The Tenant's policy shall contain a waiver of subrogation rights.</p> <p>All Risks Property Insurance including all contents, equipment and property of every description within the Premises whether owned by the Tenant or for which the Tenant is responsible, in an amount equal to the full replacement value.</p> <p>Any other form of insurance, including but not limited to director's and officer's liability, errors and omissions liability, business interruption and extra expense liability, or a change in limits of the insurance as the Landlord, acting reasonably, requires the Tenant to obtain from time to time.</p> <p>The Tenant will provide the Landlord with a Certificate of Insurance evidencing proof of all required coverage upon the signing of the agreement.</p>
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 annual rent of \$1 plus HST for the first year of the term and subsequent years will be deposited into Operating Account W400-5151.

Property taxes are billed initially by the Municipal Government, HRM as Landlord will pay the property taxes through W400-5508 as a clearing account. The Landlord shall invoice the Tenant the property taxes plus HST. The Tenant currently receives tax relief through the Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations. Each year the West Halifax Housing Co-Operative Limited is required to submit a confirmation form and must meet the renewal requirements to remain in the tax relief program.

The land lease rent that today's open market could achieve for this location is approximately \$320,000 per annum. The difference between the market value rent and the proposed rent is referred to as the operating grant. The value of the operating grant being considered with HRM leasing the space at less than market value is approximately \$4.8M over the term of the lease.

RISK CONSIDERATION

The risks associated with the recommendations in the Report are considered low. 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.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

1. The Grants Committee could recommend that the Regional Council lease the premises at market value to West Halifax Housing Co-Operative Limited.
2. The Grants Committee could recommend that the Regional Council lease the property to West Halifax Housing Co-Operative Limited for a shorter term.

ATTACHMENTS

Schedule A – 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.

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HALIFAX

Schedule A

