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**Item No. 12.2.1**  
**Audit & Finance Standing Committee**  
**February 23, 2023**

**TO:** Chair and Members of Audit & Finance Standing Committee

**SUBMITTED BY:** - Original Signed -  
Cathie O'Toole, Chief Administrative Officer

**DATE:** February 7, 2023

**SUBJECT:** **Funding Request – Banook Canoe Club**

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**ORIGIN**

June 22, 2022 – Item 10.3.1. Moved by Councillor Morse, seconded by Councillor Purdy

THAT the Audit and Finance Standing Committee direct the Chief Administrative Officer to request a staff report on a possible grant to the Banook Canoe Club in the amount of \$250,000 and to waive municipal permit fees.

**MOTION PUT AND PASSED.**

**LEGISLATIVE AUTHORITY**

***Halifax Regional Municipality Charter, S.N.S, 2008, c.39***

79A (1) Subject to subsection (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.

**RECOMMENDATION**

It is recommended that the Audit and Finance Standing Committee recommend that Regional Council refer the Banook Canoe Club to established municipal grant programs for consideration in fiscal 2023/24.

## EXECUTIVE SUMMARY

While the historical significance of the Banook Canoe Club and its clubhouse is acknowledged, the timing of their request for funding in the amount of \$265,000 (\$250,000 as a grant and waived permit fees equivalent to \$15,000) comes at a time when the Halifax Regional Municipality (“HRM”) is facing exceptional financial pressures, due in part to economic factors beyond HRM’s control. Consequently, an ability to provide capital grants outside an established municipal grant program is compromised. Notwithstanding this limitation, the scope of the proposed project could be phased as funds permit aided by a capital campaign and further investigation of targeted government programs. Examples of the latter include heritage conservation, accessibility, or energy efficiency. Further, capital improvements to municipal lands under a license agreement require departmental review and approval as communicated in a letter from HRM dated February 22, 2022. The Club’s request that HRM waive permit fees cannot be addressed under current policy which restricts this consideration to only the construction of affordable housing. A grant in lieu of a fee waiver circumvents current policy and creates precedence, the financial and administrative impact of which cannot be predicted with any reasonable degree of certainty.

## BACKGROUND

The Banook Canoe Club is located on the shoreline of what is now referred to as “Lake Banook”, an anglicised version of the Mi’kmaw word *Panuk* meaning “at the first opening”. This natural lake formed part of an extensive inland waterway used by the Mi’kmaw to navigate from Shubenacadie to the Halifax Harbour. As early settlers adopted the use of the canoe its popularity extended to encompass structured recreational and competitive clubs throughout North America. In 1903, Arthur Weston, a local sports enthusiast was hired by the William English Canoe Company, a commercial canoe builder, to help develop the sport in the Dartmouth market. Weston recruited local business partners and the Banook Canoe Club Limited incorporated April 11, 1903, under the Nova Scotia Private Companies Act. The club issued shares to its members to raise funds for the purchase of land and construction of a permanent clubhouse which was completed in 1913. This property was added to the City of Dartmouth registry of heritage properties in 1993. Substantive alterations to a heritage property require heritage planner approval.

The current facility operates year-round with seasonal recreational and competitive paddling, regattas, facility and boat storage rentals, off-season “dry-land” training and exercise classes. Operations are also supported through annual municipal tax relief, non-recurring government grants, membership and program fees, private rentals, and fundraising.

The Municipality is in receipt of a request from the Banook Canoe Club (“the Club”) for a grant towards specific costs associated with capital improvements to their facility located at 17 Banook Avenue, Dartmouth. In a presentation to the Audit and Finance Standing Committee meeting of June 22, 2022, the stated purpose of municipal funding in the amount of \$250,000 is for **improvements on municipal lands abutting the Club’s premises to mitigate storm water run-off onto and under the Club’s premises, and to improve accessibility and safety**. In addition, the Club requested the waiver of building permit fees, or a grant in lieu of fees at an estimated value of \$15,000, for a combined total request of \$265,000. As stated, \$250,000 in funding from HRM “would be used solely for improvements related to the surrounding municipal lands”<sup>1</sup>.

In July 2022 Regional Council approved the execution of a less than market value license and temporary encroachment agreement for the Club’s use of municipal lands abutting their property<sup>2</sup>. The report noted that these agreements were a prerequisite to advancing their capital project with specific reference to

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<sup>1</sup> Presentation to the June 22, 2022, meeting of the HRM Audit and Finance Standing Committee.

<sup>2</sup> Report to July 22, 2022, meeting of Regional Council, Street Closure and Less than Market Value License and Temporary Encroachment Agreement: Banook Canoe Club, Portions of PID’s 00094573 and 40941718 lands adjacent to 17 Banook Avenue, Dartmouth, dated June 25, 2022.

“walkways, ramps, circular garden” to be located on lands under the license agreement and new steps at the front entrance to the facility which encroach on municipal property. Regional Council approved a road closure, temporary encroachment, and a 20-year license agreement for \$1/year which at 2022 market values represents an opportunity cost to HRM of \$11,400 for the first year of the agreement. It is anticipated that this opportunity cost may fluctuate over the term of the agreement to reflect local real estate activity. Under the terms of the license agreement the Club accepted the lands on an “as is” basis – meaning that the licensee has accepted use of the property in its current condition.

## **DISCUSSION**

**Project Description:** In 2009, the Club retained the services of SNC Lavalin to conduct a building condition report and initial cost estimates. The findings of the study identified major issues with respect to the structural integrity of the building, notably water run-off management due to building’s location below grade. Consequently, groundwater and storm water run-off flow to the lowest point. In the absence of a “weeping field” - a series of underground porous pipes to collect and redirect water away from a building’s foundation - erosion and pooling of water is to be expected unless re-directed, for example by concrete or asphalt curbs, storm drain(s), grading, vegetation, or a combination thereof. In addition to mitigation of water management issues the Club proposes major capital upgrades to the facility and interior fixtures.

**Federal and Provincial Funding Applications:** In 2021, the initial cost estimate was updated to \$3,960,000 and in February 2022 the Club made application to the Atlantic Canada Opportunities Agency (“ACOA”) Innovative Communities Fund for \$120,000 towards construction design fees and to the Nova Scotia Department of Communities, Culture, Tourism and Heritage (“CCTH”) Recreation Facility Development Fund for \$81,984.60<sup>3</sup>. The total estimated cost of the project was listed as follows:

- (a) architectural design fees (\$60,000)
- (b) structural engineering services (\$80,000)
- (c) mechanical and electrical drawings/consulting fees (\$27,500)
- (d) civil engineering (\$12,255)
- (e) Class B cost estimates and schedule of work (\$6,240)
- (f) 15% contingency (\$27,899.25)
- (g) HST (\$32,084.14)

In support of their application to CCTH the Club identified the following funding sources:

Nova Scotia Recreation Facility Development Fund	\$81,984.60
ACOA/Other	\$132,395.95
HRM	\$7,000
Banook Canoe Club	<u>\$24,597.84</u>
<b>Total</b>	<b>\$245,978.39</b>

At the request of the Club, HRM provided a letter to CCTH in support of the Club’s application for funding for safety and accessibility improvements “situated on municipal lands” subject to a risk assessment, scope, and design approvals but Regional Council’s approval of a less than market value land license and street closure would be necessary to accommodate encroachments. There was no financial commitment stated or inferred.

Evidently, the initial submission to the provincial government was subsequently revised to request \$4 million and in March 2022, the Club received confirmation from CCTH of funding in the amount of \$3 million for unspecified infrastructure upgrades. The terms attached to the funding include notification of any changes

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<sup>3</sup> Banook Canoe Club Response to Review Factors Submitted to the Nova Scotia Recreation Facility Grant: Central Region, dated February 8, 2022, pp.23-24.

to project timelines or scope, and a final report of actual project revenues and expenses. The Club has also received confirmation of federal government funding for the lesser of \$115,128 or 53.83% for the completion of design drawings and specifications for permitting, Class B cost estimates, and preliminary construction schedules for infrastructure and accessibility<sup>4</sup>. Funds will be dispersed by ACOA as costs are incurred.

**Clarification of Municipal Funding Request – Capital Grant (\$250,000):** In their presentation to the June 22, 2022, meeting of the Audit and Finance Standing Committee the Club presented revised cost estimates totalling \$3,933,000 that pertain to their overall renovation project that are primarily in relation to the building that included:<sup>5</sup>

- (a) stabilize structure (\$1.3 million): new retaining wall/foundation at current passthrough, raise grade to mitigate run-off, replace seawall and wharves, roofing and siding repair, interior improvements to floors;
- (b) barrier-free accessibility (\$322,000): exterior access, barrier-free washrooms, barrier-free lift;
- (c) operational improvements (\$1.05 million): renovate kitchen, new windows, storage, solar panels;
- (d) experiential improvements (\$301,000): terraced seating, enhanced lighting; and
- (e) project management (\$960,000 including HST and contingency): architectural and engineering design, project manager, environmental, consultation, permits etc.

The presenters cautioned that these costs were expected to increase in the range of \$4,383,000 to \$5,000,000 due to inflation, labour rates, and material prices.

In August 2022 the Club was asked to provide an itemized breakdown of the items and costs comprising the \$250,000 requested of HRM and a construction schedule for the work. The following information was submitted on behalf of the Club by WSP, the engineering company retained to manage the project:

- (a) property boundary survey (\$7,500)
- (b) civil engineering fees (\$35,000) - design for water management system
- (c) raise grade and water management system (\$150,000) – club parking area/lands
- (d) retaining wall (\$40,000) – direct water flow from Banook Avenue and Club parking lot
- (e) building front entrance (\$35,000) – new construction to address elevated grade of club parking lot

These items total \$267,500. A difference of \$17,500 is assumed to be building permit fees. Of these costs, the land survey has been completed and the engineering design work was completed in December, 2022.

**Revised Project Cost Estimates:** The initial \$3,933,000 cost estimate has been revised to \$5 million based on recommendations from BNP Philanthropy Incorporated who have been retained by the Club to develop the fundraising campaign. The initial goal of \$1 million has been revised to \$1.5 million based on construction estimates and timelines. The fundraising campaign is due to launch in December 2022 and focus on major and internal gifts with a broader public solicitation starting in June to October 2023. The cost of professional fundraising/capital campaign is to be funded by a 10% administrative charge on funds raised plus a Capital Campaign Fee added to membership fees starting in 2022 (\$25 individual and \$50 family)<sup>6</sup>. According to the Club's website a Capital Campaign was launched in 2021 in association with the National

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<sup>4</sup> The total estimated cost for this work was \$214,000; ACOA funding in the amount of ~\$115,000 represents ~54%.

<sup>5</sup> HRM Audit and Finance Committee Banook Canoe Club Presentation. June 22, 2022.

<sup>6</sup> The membership levy is expected to raise \$7,500 annually.

Sport Trust Fund: Nova Scotia Branch<sup>7</sup> which raises funds for sport programs, training, and equipment. However, the Club states that these expenditures are not included in the project scope and as such should not be included as project-specific funds.

**Construction Timeline:** Work on the project has commenced but it is anticipated that temporary measures will be put in place to make the facility available for summer programming and events. Construction will resume in the Fall with an anticipated completion date of December 31, 2023.

**Site Visits:** HRM staff have visited the site to clarify the Club's request with respect to funding for "...safety and accessibility improvements situated on municipal lands". If any portion of the proposed work (parking and retaining wall) are located on lands licensed from HRM the Club is required to submit details of the work to HRM for a risk assessment and approval: a license agreement is not exclusive, and members of the public will continue to have access to these lands. Likewise, in accordance with Clause 16 (i) the licensee is responsible to repair or replace at its own cost any portion of the licensed area damaged by their actions or those of a contractor. Clause 16 (j) of the agreement requires that any work, including construction, improvements, or modifications to the licensed area the licensee "...represents and warrants to HRM that such work shall be free from any defects in design, construction, installation and material". Although the footings for a new front entrance to the clubhouse will be placed within the licensed area and therefore subject to HRM approval, the entry/stairs are affixed to the clubhouse and considered an integral part of the facility and not an HRM asset.

Any capital work on municipal assets by the Club requires the submission of an engineering plan to HRM for review and approval, including Parks & Recreation in relation to municipal lands subject to the license agreement, as was communicated in the letter issued by HRM dated February 22, 2022. Likewise, concerns with respect to water runoff from a small, paved area in Findlay Park or the addition of a new exit on the West of the clubhouse building requires consultation with departmental staff.

## **1. Capital Grant Request**

A capital grant in the amount of \$250,000 is not recommended at this time. Typically, municipal grants are not awarded for improvements to municipal capital assets, including land, and elements of the work to have been funded under the HRM grant request have been completed (survey, engineering design). However, capital improvements to municipal lands could be funded under the District Capital Fund but would require coordination with respect to the applicable departmental approvals and scheduling capacity. The Fund permits Councillors to give grants for capital purposes for land or buildings owned by a non-profit organization or registered charity, the Municipality, or the Crown. Application is made directly to the Councillor. The maximum grant threshold is limited by the amount of money available to each Councillor (except for unregistered community groups).

Capital improvements to municipal capital assets would not qualify for consideration under the Community Grants Program<sup>8</sup>. Any funding towards capital improvements to the Club's building or interior fit-up would take into consideration funds secured from other levels of government and demand is high in relation to capital projects.

To date, the Club has secured \$3,115,000 in public funding which based on the initial estimates appears to cover the major costs associated with stabilizing the structure and professional fees. Although a fundraising goal of \$1.5 million appears to be ambitious the Club has retained a professional fundraising company and money raised could supplement critical infrastructure elements of the project. Conceivably,

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<sup>7</sup> The Fund was established by the Canadian Council of Provincial and Territorial Sport Federations, a registered Canadian charity, and is managed in Nova Scotia by Sport Nova Scotia. The Fund issues charitable tax receipts for donations of \$20 or above.

<sup>8</sup> Clause 6(3) of Administrative Order 2022-005-ADM Respecting the Community Grants Program states "Improvements to municipal or private property are not eligible for a Capital Grant".

expenditures on “operational and experiential improvements” totalling \$1,601,000 could be phased as funds permit. Further, at this stage in the development of a fundraising campaign the extent to which the Club might apply to designated programs cannot be confirmed. For example, the provincial Accessibility Program, HRM’s Solar City Program<sup>9</sup>, Efficiency Nova Scotia, Heritage Canada’s Building Communities Through Arts & Heritage: Legacy Fund, or a provincial tax rebate on materials used for restoration of the exterior of a registered heritage building (excludes labour) administered by Service Nova Scotia.

## **2. Municipal Permit Fees**

In 2020, Regional Council approved amendments to Administrative Order 15 Respecting License, Permit and Processing Fees and various municipal by-laws to enable a reduction in municipal fees for housing developments undertaken by registered non-profit and charitable organizations<sup>10</sup>. Specific eligibility requirements are applied under the respective by-law or policy. These fee discounts apply only to housing development. Therefore, there is no provision to waive municipal permit fees for construction projects other than affordable housing. Although not “grants” per se, these opportunity costs represent a financial contribution in support of addressing an acute shortage of affordable housing in the municipality and the cost is reported for transparency.

A cash grant in lieu of a fee waiver is not recommended because it would set a precedence the cost of which cannot be estimated with any reasonable degree of accuracy and is contrary to a user-pay principle<sup>11</sup>. This inability to predict annual uptake and the type/scale of a project would result in an unbudgeted impact on municipal revenues that might have to be offset by fee increases to other property owners or municipal tax rates. Further, if a grant in lieu is used to circumvent current municipal policy the impact on HRM’s administrative capacity cannot be quantified.

## **FINANCIAL IMPLICATIONS**

There are no financial implications in fiscal 2022/23 if the staff recommendation to refer the Banook Canoe Club to established municipal funding programs is accepted.

In 2022 the assessed value of the Club’s property located at 17 Banook Avenue, Dartmouth, is \$486,000. Capital improvements to the property in the range of \$3 million to \$5 million will trigger a re-assessment by Property Valuation Services Corporation and the cost of municipal tax relief is expected to increase.

In 2022, the Club received full tax exemption valued at \$17,156 for their clubhouse property located at 17 Banook Avenue, Dartmouth. The execution of a less than market value license valued at \$11,400/annum in municipal revenues forgone increases HRM’s combined operating assistance to \$28,556 (2022 values) – this value will increase annually to reflect market rental rates, property assessment values and municipal tax rates, and any capital improvements. It is also important to note that because a license is non-exclusive those lands have not been assessed as taxable.

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<sup>9</sup> Solar City is a financing program, not a grant, but is a means to advance alternate energy for applicants, including nonprofit organizations, who meet the program’s eligibility criteria.

<sup>10</sup> Report to Regional Council meeting of September 29, 2020, Waiving Municipal Related Construction Fees for Registered Non-Profit and Charitable Housing Developments, dated August 26, 2020. This report includes details with respect to which type of fee, level of reduction (full waiver or partial), and applicable terms and conditions.

<sup>11</sup> Available data suggests there are approximately 856 registered charities and 1,674 non-profit societies in HRM. 2022 State of the Sector Report. Impact Organizations of Nova Scotia, 2022, p.6.

## **RISK CONSIDERATION**

No risk considerations were identified in relation to the funding request.

## **COMMUNITY ENGAGEMENT**

No community engagement was required. This report is in response to a grant request outside an established municipal grant program.

## **ENVIRONMENTAL IMPLICATIONS**

Issues with respect to lake water quality or vegetation cannot be attributed solely to stormwater run-off but alternate mitigation techniques could be considered in the overall project design.

## **SOCIAL VALUE**

The Municipality is not obtaining goods or services to support municipal operations. Assistance to non-profit and charitable organizations is provided through a variety of cash grants and in-kind considerations. Specific to the Banook Canoe Club, the Municipality has extended financial consideration in the form of a less than market value land license/encroachment agreement (2022-2042) and annual tax relief. The Municipality also provides non-recurring assistance in support of community recreation facilities through an open application process through the Community Grants Program and the District Capital Fund.

## **ALTERNATIVES**

1. The Audit and Finance Standing Committee could choose to recommend Regional Council award a grant to the Banook Canoe Club in the amount of up to \$95,000 representing 50% of the estimated cost of parking lot improvements (estimated to cost \$150,000) and a retaining wall (estimated to cost \$40,000) to be funded from the Option Reserve Q421 conditional upon the receipt and approval of engineering plans by HRM, cost quotes, and subject to a signed Contribution Agreement.

An amount less than the \$250,000 requested is based on completion of the the property survey (\$7,500) and engineering fees for water mitigation design (\$35,000) and the new entry is integral to and affixed to the clubhouse (\$35,000).

### **Budget Summary: Option Reserve, Q421**

Projected Net Available Balances, as of Q2, 22/23	\$5,753,675
Unbudgeted withdrawal (alternative)	<u>\$ 95,000</u>
Projected Available Balances	\$5,658,675

This option is not recommended: for context, the value of cash grants towards surface grading/mitigation of water issues awarded to nonprofit and charitable property owners under the Community Grants Program have ranged from \$7,000 to \$25,000 in accordance with the program's maximum funding threshold.<sup>12</sup>

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<sup>12</sup> Halifax Transition House Association (2018)<sup>12</sup> \$25,000 site grading for construction of emergency shelter (0.6% of \$3,600,000 total cost); Second Stage Housing of Dartmouth (2019)<sup>12</sup> \$11,500 excavation and grading to remedy water drainage issue (55% of \$20,798.33 total cost); Lake Charlotte and Area Heritage Society (2019) \$7,000 excavation and grading to remedy site drainage issue (53% of \$13,249.37).

If the Committee selects this option to advance to Regional Council, it is recommended that funding be conditional upon the following:

- the submission of the applicable engineering plans for review and approval by HRM staff;
  - the submission of quotes to substantiate costs;
  - a signed Contribution Agreement; and
  - the Club be required post signage, per municipal specifications, to notify the public of the hours of public access to that area of municipal park land under license agreement which is fenced with a locked gate.
2. The Audit and Finance Standing Committee could choose to recommend that Regional Council award a grant in the amount of up to \$190,000 to be funded from the Options Reserve Q421. This amount excludes pre-paid expenses and new clubhouse entry and instead represents the full estimated cost of parking lot improvements (\$150,000) and a retaining wall (\$40,000).

This option is not recommended in advance of HRM's receipt of detailed engineering drawings and approval, and quotes for the proposed work.

If the Committee selects this option to advance to Regional Council, it is recommended that funding be conditional upon the following:

- the submission of the applicable engineering plans for review and approval by HRM staff;
- the submission of quotes to substantiate costs;
- a signed Contribution Agreement; and
- the Club be required post signage, per municipal specifications, to notify the public of the hours of public access to that area of municipal park land under license agreement which is fenced with a locked gate.

**Budget Summary: Option Reserve, Q421**

Projected Net Available Balances, as of Q2, 22/23	\$5,753,675
Unbudgeted withdrawal (alternative)	<u>\$ 190,000</u>
Projected Available Balances	\$5,563,675

**ATTACHMENTS**

No attachments.

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

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