



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

Item No. 12.1
Halifax Regional Council
January 24, 2023
March 7, 2023

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed

Cathie O'Toole, Chief Administrative Officer

DATE: January 18, 2023

SUBJECT: **Administrative Order 50 Disposal of Surplus Real Property: PID 00002063**
1940 Gottingen Street, Halifax

ORIGIN

June 14, 2022 – Regional Council approved the following motions:

1. Cancel the commitment of the capital contribution to the Mi'kmaw Native Friendship Society and the associated contribution agreement referenced in Recommendations 1 and 2 of the January 28, 2020, Private and Confidential Report;
2. Recategorize the surplus property located at 1940 Gottingen Street, Halifax, from Economic Development to Community Interest category and dispose of the said property by Direct Sale;
3. In accordance with Schedule 1 of Direct Sale Consideration, Administrative Order 50 Respecting the Disposal of Surplus Real Property, authorize the CAO to:
 - a. direct staff to request the applicant, Mi'kmaw Native Friendship Society, to submit the information required in Section 8 of Schedule 1;
 - b. request staff to evaluate the information submitted; and
 - c. prepare a report to Council on the sale of the said Community Interest property;
4. Waive the requirements for a public advertisement and a public information meeting in accordance with the Direct Sale process of the Community Interest category pursuant to Administrative Order 50, Schedule 1, s.13(a) and (b); and
5. Direct the Chief Administrative Officer to initiate the process to demolish the former Red Cross building at 1940 Gottingen Street and to include the necessary expenditures in the 2023/24 capital budget to be funded by the 2021-22 operating surplus; and

Recommendation on Page 3

6. Authorize the release of Council's approval to the public following Council's decision, as associated with this report.

LEGISLATIVE AUTHORITY

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

Section 63

- (1) The Municipality may sell or lease property at a price less than market value to a non-profit organization that Council considers to be carrying on an activity that is beneficial to the Municipality.
- (2) A resolution to sell or lease property referred to in subsection (1) at less than market value shall be passed by a two-thirds majority of the Council present and voting.
- (3) Where the Council proposes to sell property referred to in subsection (1) valued at more than ten thousand dollars at less than market value, the Council shall first hold a public hearing respecting the sale
- (4) The Council shall advertise the public hearing at least twice, in a newspaper circulating in the Municipality, the first notice to appear at least fourteen days before the hearing.
- (5) Notice of the public hearing shall include the date, time and place of the hearing, the location of the real property or description of the tangible personal property, the estimated value of the property and the purpose of the sale.

Administrative Order 50, the Disposal of Surplus Real Property Administrative Orders

Section 2(2)(b) Community Interest.

Properties known to have potential for community use, in particular where:

- (i) there has been a prior community or institutional use of the property; or
- (ii) by location or scarcity of available property the consideration would reasonably arise.

Schedule 1 Disposal of Community Interest Properties

Section 11 Direct Sale Request

- (1) A non-profit organization may make a request to purchase, by Direct Sale, a community interest property owned by the Municipality.
- (2) If a request to purchase a community interest property by Direct Sale is received by the Municipality and the subject property has not been declared surplus and classified as a community interest property, the request must:
 - (a) be included in the next review provided to Council pursuant to subsection 3(1) of this Administrative Order; or
 - (b) be forwarded to Council with a report and recommendation respecting the property.
- (3) No action may be undertaken by the Municipality in respect of the request to purchase except those actions required to satisfy subsection 2 of this section.
- (4) For greater certainty, the property may only be sold by Direct Sale if the property is declared surplus by Council, is categorized as community interest property by Council in accordance with this Administrative Order, and sections 7, 8, 9, 11, 12 13, and 14 are satisfied.
- (5) If Council decides to proceed by Direct Sale, such decision must be made at the same meeting where the property is categorized as community interest property.
- (6) An applicant will have up to 90 days to submit to the Municipality the information that would otherwise be required under section 8.

Schedule 2

1. The purchase price shall include the following transaction fees;

| | |
|--|--|
| Migration and Deed Fees for the Property | Maximum of \$2,500 per property plus HST |
|--|--|

Appraisal/Comparative Market Analysis Lesser of 50% of the cost of the appraisal or \$2,500 per Property transaction, plus HST

Plan of Survey for the Subdivision of Land Full cost recovery
Including Lot Consolidation, Legal Description
And Deed

Administrative Order 58 Respecting Delegation of Certain Authorities Administrative Order.

Administrative Order 2020-008-ADM Public Reporting of Grants.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Set a date for public hearing to consider the sale of PID 00002063 located at civic 1940 Gottingen Street, Halifax, to the Mi'kmaw Native Friendship Society as per the terms and conditions outlined in Table 1 of this report; and
2. Subject to the outcome of the public hearing, approve the sale and authorize the Mayor and Municipal Clerk to enter into an Agreement of Purchase and Sale and Buy-Back Agreement with the Mi'kmaw Native Friendship Society as per the terms and conditions outlined in Table 1 of this report.

EXECUTIVE SUMMARY

The Mi'kmaw Native Friendship Society (MNFS) made application to the Community Interest category process, pursuant to Administrative Order 50, Respecting the Disposal of Surplus Real Property. The internal HRM review concluded with the recommendation that Council proceed to sell the surplus property at 1940 Gottingen Street, Halifax, at below-market value to the Mi'kmaw Native Friendship Society (MNFS) to support construction of a new, high-profile, Mi'kmaw Native Friendship Centre. Council's approval would be contingent upon, first, hosting a public hearing.

The Centre will benefit both Indigenous and non-Indigenous residents in providing a place to gather, learn and collaborate in a wide variety of programs, services, and events, while advancing self-representation, cultural presentation, commemoration, and financial independence. It is anticipated that an architecturally iconic cultural centre will be an attraction for visitors and tourists while advancing opportunities to meet the needs of the Indigenous community.

BACKGROUND

Municipal Policy: Administrative Order 50 is a standardized process for the sale of surplus real property. Section 2(2)(b) defines Community Interest properties as known to have potential for community use, in particular where:

- (i) there has been a prior community or institutional use of the property; or
- (ii) by location or scarcity of available property the consideration would reasonably arise.

In 2016 the subject property located at 1940 Gottingen Street, Halifax, was declared surplus by Regional Council. The following year HRM initiated a subdivision and consolidation of an abutting parcel to normalize

the shape and dimensions of the entire 1940 Gottingen Street property to enhance efficient land use¹. At the same time, the Municipality initiated a title search which indicated no encumbrances. The property has been land registered under the *Land Registration Act*.

Before the property was released to the market for sale, the Mi'kmaw Native Friendship Society ("the Society") made a formal written request for a less-than-market-value sale given the need to vacate their existing facility located at 2158 Gottingen Street, Halifax. To accommodate this consideration, Regional Council rescinded their previous motions and on June 14, 2022, approved re-assignment of the property to the Community Interest category of Administrative Order 50. At this same meeting, Council approved a Direct Sale consideration whereby only the Society's proposal would be considered in advance of any open offering. The submission deadline for the MNFS's proposal was September 12, 2022, which was met by the applicant.

Property Description: The subject property has a total land area of 56,801 square feet (5,277 square meters) and is bordered by Gottingen Street, Rainnie Drive, and Cogswell Street. A site map and aerial photograph are included as **Attachment 1** of this report. This area has been identified by HRM as the "North End Gateway and Scotia Square Complex" in Regional Centre Municipal Planning Strategy (Centre Plan) and is also identified as the "Downtown Gateway" with opportunities for future redevelopment given its strategic location to central business districts, North End neighbourhoods, and the Halifax Citadel National Historic Site, which has one of the highest annual visitation rates in Canada. The area also includes significant municipal land holdings and large-scale mixed-use construction projects, which have been completed or are under construction in the vicinity, including the new Nova Convention Centre and the Cogswell District. The site is serviced by municipal water, sewer, and public transit, but the sloping topography of the site presents challenges to development. Construction below grade, at the property, would require an archaeological and geotechnical engineering assessment. Any pyritic slate would need to be disposed of in compliance with provincial regulations which may add to construction costs.

Zoning: The property is zoned DH (Downtown Halifax Zone) under the Regional Centre Land Use By-law. The zone permits a mix of residential, commercial, institutional, recreational, and cultural uses. The proposed development of a cultural centre conforms to permitted uses. Current zoning permits as-of-right development up to 23 meters (75.5 ft) or approximately seven storeys above grade. The Centre Plan provides significant opportunities for built form variations for institutional buildings through a site plan approval process, should those be required for the site.

Incentive or Bonus Zoning: The property is located within the Centre Plan Downtown Halifax Zone where bonus zoning provisions apply. Potential public benefits include public art, improvements to municipal parks or cash for park acquisitions, heritage conservation, community cultural space, and affordable housing. For most of the acceptable public benefits, only money-in-lieu is accepted. The value of public benefit is calculated by applying a rate per square metre to 20% of the total floor area (above grade) that exceeds 2,000 square metres. In 2022 the bonus rate for South End Halifax District 1 is \$285.34 per square metre. Nonprofit and charitable organizations are *not* exempt from the bonus zoning provisions but are eligible to apply for municipal grants from the Bonus Zoning Reserve.

Property Valuation: In 2018, the Society retained the Altus Group Limited to conduct an appraisal of the subject property, which determined the market value to be \$9,400,000 as-if-vacant (i.e., assuming the building has been demolished). Based on an analysis of current market conditions, it is staff's opinion the subject property's current market value is approximately \$11,700,000 as-if-vacant. In 2022 the assessed value of the property was \$7,505,200² and was classified as Commercial Exempt. This valuation is based on land only. Conveyance will trigger a re-evaluation through Property Valuation Services Corporation (PVSC) from Commercial Exempt to taxable. The MNFS may apply to HRM's Tax Relief for Non-Profit

¹ Nova Scotia Land Registry Plan #113096060 dated 2018.

² The PVSC value is based on vacant land and an area of 1.30 acres (56,628 square feet).

Organizations Program (see below for further discussion about 'Property Tax Implications'.)

History of Ownership and Use: The original inhabitants of what is now known as Halifax were Mi'kmaq Clans who established villages close to Kijipuktuk³ (Great Harbour). The location's abundant supply of fish, marine mammals, and vegetation provided access to food, fresh-water streams, and natural materials with which to construct shelter, clothing, transportation, and tools for daily living. Initial contact with Europeans was in relation to fishing boats anchored in the harbour, which led to the transmission of infectious diseases⁴ to which the Mi'kmaq had no immunity. The arrival of English settlers in 1749 led by Edward Cornwallis resulted in occupation without consent, including lands considered sacred to the Mi'kmaq. Cornwallis' refusal to recognize Mi'kmaq sovereignty and the construction of the Halifax Citadel fortification led to protracted conflict until his replacement in 1752. Subsequent Mi'kmaw claims for compensation for lands seized or occupied by Europeans were ignored and their formative presence was minimized or erased.

This situation continued when the former City of Halifax ("the City") acquired lands from the federal government in 1966 for the sum of \$193,304.20⁵. The following year, the City entered into a lease agreement with the Canadian Red Cross Society for approximately 1.2 acres of land upon which a two-storey office building was constructed. In 1983, with an additional structure added, a new lease was executed. Several years later, the tenant acquired land in Dartmouth and constructed a new facility. The building located at 1940 Gottingen Street has been vacant since 2013.

DISCUSSION

Proponent's Profile: Since the 1950's, the Friendship Centre movement in Canada has evolved and expanded to assist Indigenous people access culturally based programs and services. Halifax's "Micmac Native Friendship Centre" opened in 1973 and incorporated in 1975 as a nonprofit and registered Canadian charity. In 2013, the society officially changed its name to the Mi'kmaw Native Friendship Society (MNFS). The Society's role has expanded since its inception to encompass a diverse and integrated array of programs and services including child development/family resources, seniors, employment, education, health, social justice, and housing. The organization is supported by grants and contractual funding from the federal and provincial governments, charitable foundations, project-specific grants, and fundraising. In 2022, the Municipality provided tax relief for seven (7) properties owned and operated by the Society located within HRM.

Compared to non-Indigenous Canadians, the Indigenous population is younger, growing at a faster rate, and located in predominantly rural areas which creates challenges for those trying to increase their economic self-sufficiency. In contrast, urban locations offer more opportunities in relation to training and employment, access to medical services, housing, high-speed internet, education, and transportation.

Socio-economic and quality-of-life inequities are evident in statistical data. Consequently, migration to urban centres is expected to continue. A corresponding increase in demand for off-reserve services is evident in the Society's expanding programming (over 56 programs serving approximately 7,000 clients) and property portfolio, supported by extensive volunteer participation.

³ Kijipuktuk was in the District of Sipekne'katik which was self-governed and had an estimated population of 400-600 Mi'kmaw by the early-to-mid-1700s.

⁴ In the mid-1740s, an estimated 1,000 French sailors and 1,000 Mi'kmaq residents were buried in mass graves. Michael McDonald, History of Halifax, a Mi'kmaw Perspective. The Nova Scotia Advocate, July 12, 2017.

⁵ Nova Scotia Land Registry Document #7309.

Proponent’s Intended Property Use: The condition of the original Mi’kmaw Native Friendship Centre located at 2158 Gottingen Street, Halifax, is a long-standing issue that was recognized under the HRM Community Grants Program to undertake a building condition report in 2004, and an assessment of the Society’s facility needs in 2006, to adequately accommodate its operations and program delivery. In 2022, the Society had to relocate to temporary office space on Brunswick Street, Halifax; this recent development and the need for larger, appropriate space to meet growing demand has increased the need for a timely decision with respect to securing a site for the construction of a new cultural centre.

The Society’s initial vision for the site at 1940 Gottingen Street was the development of two buildings, one that would serve as a cultural centre and the second as a mixed-use development with housing, commercial and social enterprises. This has since been revised to phased development. As proposed, the Gottingen Street property will be used for the construction of a replacement Mi’kmaw Native Friendship Centre (Phase I). The longer-term vision, to address expanded services in housing, health, and justice would require a second site (i.e., not at 1940 Gottingen Street) and additional planning (Phase II). In addition to the immediate need to secure a permanent replacement facility, the vision is to create an iconic, culturally relevant building that will provide visibility and instill pride for Indigenous persons while also educating the non-Indigenous community and visitors on the important history and contribution of Indigenous peoples to the region, Nova Scotia, and Canada.

“The opportunity enabled by this new facility includes being able to respond to evolving needs of urban Indigenous persons. This includes expanding existing services, offering new services and enhancing the MNFS mandate to more vigorously support community engagement with the public and visitors to the Region”⁶

The new facility would enable better service integration and delivery, including but not limited to entrepreneurial development and employment placement, educational programming (e.g., language, cultural sensitivity training, treaty rights), and enhanced opportunities for cultural expression through production or presentation (e.g., arts, crafts, history, events) with an emphasis on self-representation.

The donation of municipal land in support of a local Friendship Centre is not precedence-setting; the City of Fredericton has been working with the One Sky Friendship Centre to assemble lands, including provincial, for the construction of a new Awitgati Centre. The Fredericton municipality has also executed a less-than-market-value lease of municipal property to accommodate a new Wolastoqey land-based language immersion school⁷.

Proponent’s Requested Terms and Conditions of Offer: The Mi’kmaw Native Friendship Society’s offer of purchase, dated September 12, 2022, is described below in point form⁸.

- A Purchase Price of \$1.00.
- Closing costs accruing to the Purchaser and seller are to be assumed by the respective parties to the agreement.
- A closing date requested to be one day following the building removal and confirmation of the remediation of the site to the extent necessary such that the lot can be transferred to and used unencumbered by the MNFS for the purpose proposed – the construction of a new Centre on the site in the form of a fixed structure with the scale and capacity to house core MNFS/community programming.
- Operating costs to be waived until the building is complete.

⁶ The Mi’kmaw Native Friendship Centre of the Future: Business Plan. Group ATN Consulting Group Inc. March 2019, p.13.

⁷ <https://www.awitgati.ca/>

⁸ Direct Sale 1940 Gottingen Street, Halifax – Response Document. MNFS. September 12, 2022, pp.14-15.

- Buy-Back Agreement and conditions proposed, included:
 - threshold for construction of a minimum of completed building of 30,000 sq.ft.;
 - period before commencement of construction: 3 years;
 - duration of construction: 3 years;
 - minimum completed building area: 20% of the area of the property conveyed;
 - repurchase of property: 60 months [5 years] from closing.
- As an alternative to a Buy-Back Agreement, the Society proposes the payment of a premium to HRM in an amount equal to the total of 50% of real property taxes, plus HST:
 - the property would not be assignable by the MNFS to any other party for a period of 10 years following completion of construction and/or HRM has the right of first refusal to purchase the property at a value assigned by an accredited member of the Appraisal Institute of Canada selected by the MNFS and HRM;
 - any requirement for a deposit is to be waived; and,
 - there would be no use of the property by MNFS nor HRM during the term of this [alternative to a Buy-Back] agreement and prior to transfer of title without the other’s consent.

In October 2022, questions of clarification were forwarded to the Society to confirm the review team’s understanding of the Society’s initial offer. Specifically, if the scope of the development had been amended to exclude a second mixed-use building, what was understood to be the “operating costs” to be waived, and the terms of a Buy-Back Agreement.

The Society provided the following additional information and clarification:

- The Society is proposing that the Buy-Back Agreement be released at completion of 30,000 square feet of construction and, if required, that the Buy-Back Agreement not be exercised within the first 60 months (5 years) of closing to allow the Society to make any potential adjustments to the construction schedule.
- “Operating costs” were identified as building monitoring, electricity/utilities, insurance, grounds maintenance, snow/ice removal, and unspecified “other costs”.
- The “premium payment” referenced as an alternative to the Buy-Back Agreement would apply if the building could not be constructed within 60 months [5 years] of closing. The Society would pay an agreed-upon amount to delay the execution of the Buy-Back Agreement for an additional year [to a total of 72 months or 6 years from initiation as of date of closing], if required. The Society would have the option to make this payment to defer execution of the Buy-Back Agreement annually for a period of up to 5 years.

Capital Budget Projection: In response to questions of clarification, the Society has also provided an updated capital budget estimate, which is summarized below in Table A.

| Table A. Projected Capital Cost – Cultural Centre¹ (as of October 2022) | |
|---|---------------------|
| Description | Value |
| Estimated Construction Costs based on 75,000 sq.ft. gross floor area @ \$450 sq.ft. | \$33,750,000 |
| Construction Contingency (15%) | 5,062,500 |
| Design and Pricing Contingency (15%) | 5,062,500 |
| Estimated Permit Fees @\$11.94 sq.ft. | 895,500 |
| Fixtures, Furnishings and Equipment (gross floor area x 70%) | 4,462,500 |
| Estimated Total Budget | \$49,233,000 |

*Note to Table A

1. Capital cost estimate excludes provision for land acquisition and demolition estimated to cost \$15,000,000. If these costs are included, the revised estimated total is \$64,233,000 (land, demolition, construction and fit-up).

Project Financing: The initial business plan had a funding target totaling \$57,503,899, with identified federal sources (\$35 million/61%), provincial sources (\$15 million/26%), fundraising (\$4 million/7%), and the Society’s equity/debt financing projection (\$3,503,899/6%)⁹. The projected financing has since been revised to reflect a focus on Phase I (Cultural Centre) as shown below in Table B.

| Table B. Projected Project Financing – Cultural Centre (as of October 2022) | |
|---|---------------------|
| Description | Value |
| HRM Land Donation @\$1.00 | \$12,499,999* |
| HRM Building Demolition | 2,500,000 |
| Federal Government – Indigenous Services Canada | 28,822,000 |
| Federal Government – Indigenous Services Canada: Indigenous Communities Infrastructure Fund | 4,000,000 |
| Donations | 100,000 |
| Confirmed/Expected | \$47,921,999 |
| Unconfirmed | \$16,311,001 |

*Note to Table B. A land value of \$12,499,999 may be over-stated if the appraisal was based on as-if-vacant.

In May 2022, funding in the amount of \$4,000,000 was confirmed under the federal Indigenous Communities Infrastructure Fund and a commitment of \$28,800,000 was announced by Indigenous Services Canada in October 2022, for a combined total of \$32,800,000. Hence, 94% of the federal funding goal has been achieved to-date.

The commencement of construction now hinges on support from both the municipal and provincial governments in addition to the Society’s equity/debt financing and a fundraising campaign. The fundraising campaign goal is \$4,000,000 toward interpretation and programming and will target primarily corporations and foundations. As a registered Canadian charity, the Society is eligible to apply to the Canada Revenue Agency for partial rebate on the federal portion of sales tax (HST) which, for a project of this scale, could represent a substantial saving.

North End/Downtown Gateway - Fathom Study (2022): The concept of a “gateway” is intended to create or strengthen the identity of a distinct or defined area. In land use planning, the concept can be applied through a consistent approach to landscape design, streets, and pedestrian networks to signify arrival at a destination or assist with wayfinding. What is now referred to as the “Downtown Gateway” was identified in the 2009 Downtown Halifax Plan (North End Gateway/Scotia Square) and later the Centre Plan (North End Gateway Precinct). Despite the name change, the concept remains an important initiative within the context of urban revitalization and connectivity. The construction of a new Mi’kmaw Native Friendship Centre within this area and adjacent to Halifax Citadel presents a timely opportunity to incorporate an iconic cultural facility within district planning.

In advancing a downtown gateway concept, HRM retained Fathom Studios in 2022 to conduct an analysis of the area and facilitate future community consultation to inform potential development options¹⁰ and use of municipal lands. While the study will be presented to Council in a separate staff report, staff have confirmed that no portion of 1940 Gottingen Street will be required for municipal purposes, including a road or public plaza to break up the larger block which may have impacted the siting of the new cultural centre.

The study contains reference to the Mi’kmaw Native Friendship Society’s interest in, (1) an easement over HRM owned PID 00002089 (Centennial Pool) to access their proposed underground parking, and (2) space for a bus lay-by on Gottingen Street for access to the Friendship Centre’s main entrance for charter or bus

⁹ The Mi’kmaw Native Friendship Centre of the Future: Business Plan. Group ATN Consulting Inc. March 2019, p. 42.

¹⁰ Halifax Downtown Gateway Plan 2022. Fathom Studio. December 2022.

services used by visitors, program participants or clients. However, it is important to note that they were not included as part of the formal request via the AO50 Community Interest process. Although HRM cannot dedicate parking for individual businesses or occupants, it can dedicate space for a loading zone, taxi stand, or bus stop, and these amenities could be considered as the Downtown Gateway comprehensive plan evolves. Likewise, albeit an easement over a portion of the HRM-owned abutting property (on lands occupied by the Centennial Pool) would add flexibility in the design of the Society's amenities, further analysis is recommended as the easement would represent a perpetual encumbrance on the Centennial Pool lands, and staff have not fully analyzed its impacts on such issues as: shared access to abutting future property owners, funding of capital and maintenance costs of an easement, and implications to the precinct overall.

Administrative Order 50 – Community Interest Category

Consideration under the Community Interest category is a two-step process to determine the feasibility of the applicant's proposal. The first step requires a technical evaluation by a staff team followed by overall consideration by Regional Council.

1. Staff Evaluation Results

An inter-disciplinary team of staff was convened by Finance & Asset Management to evaluate the Association's submission: Finance & Asset Management, Office of the CAO (Diversity & Inclusion), Property, Fleet, & Environment (Real Estate), and Planning & Development. In accordance with subsection 4(1)(f) of Administrative Order 50, staff evaluates submissions on four (4) criteria:

- Viability
- Benefit to the Municipality
- Benefit to the Community
- Compensation

Key Findings:

- 1. Viability** – The application was complete and comprehensive (400+ pages). Assumptions and projections are included which reflect extensive research and analysis invested in the development of the facility development plan. The Society is a well-established organization with an annual operating budget of ~\$12 million dollars, 200 staff, and extensive volunteer participation. Broad community consultation was undertaken in relation to the proposed facility design which demonstrated the Society has strong partnerships and relationships with government, Indigenous leaders and organizations, the nonprofit sector, and foundations who have expressed strong support. The organization's leadership is stable and effective. Professional consultants have been engaged in the development of the plan and it is anticipated that a contemporary, purpose-built Wije'winen Centre will garner public attention and enhance self-directed enterprise, entrepreneurship, strengthen strategic alliances, and increase the Society's earned revenues.

A review of the proposed capital and operating plan identified a degree of risk in relation to current economic volatility: the impacts of inflation are expected to continue to 2025/26, labour market shortages, supply chain gaps and delays adversely impact scheduling and costs, plus interest rates have increased. These factors could impact project costs and as such the contingency may be insufficient unless offset by a successful capital campaign, access to market financing, future amendments to the scope of work or a combination thereof. However, an assessment of nation-wide fundraising capacity undertaken by Ketchum Canada suggests that the Society's \$4 million target has the potential to be substantially larger. As of the date of this report, the Society has secured \$32,800,000 in federal funding. An assurance with respect to land ownership should help leverage a commitment from the Provincial government and build confidence among potential private, institutional, and corporate donors.

- 2. Benefit to the Municipality** – The staff review team identified numerous ways that the proposed property conveyance supports Canadian, Nova Scotian, and HRM's efforts to engage Indigenous communities, organizations, and individuals. The following examples are not intended as an exhaustive list but serve to illustrate how municipal interests are advanced through the proposed development:

2015 - HRM committed to the principles of the Truth and Reconciliation Commission of Canada: Call to Action through a public Statement of Reconciliation in which the Municipality committed to advancing community engagement, cultural education, and relationship-building towards addressing intergenerational trauma. The Municipality has committed to recognizing the needs and aspirations of Indigenous people and ways in which the municipal government can play a respectful and supportive role.

2015 – Accessibility Act provincial legislation enacted to advance the inclusion of persons with a disability. Specific goals have been established over a 15-year period (2030). In 2021 HRM introduced an Accessibility Strategy to integrate the principles of inclusion in municipal operations (for example, planning and the built environment, transportation, employment, programming) and the broader community. In 2022, HRM launched its inaugural recognition of Indigenous Disability Awareness Month (November).

2018 – HRM Public Safety Strategy advances actions to address the social determinants of crime and anti-social behaviour through, for example, building resiliency (employment, education, and programming for children and youth) and safe housing.

2019 - National Inquiry into Missing and Murdered Indigenous Women and Girls report released which asserts that access to language, culture and identity are a foundation for resilience and safety.

2020 – Task Force on the Commemoration of Edward Cornwallis and the Recognition and Commemoration of Indigenous History recommended actions to support Indigenous language, history, treaty education, events, and continued relations with organizations that can assist in effective recognition and commemoration. The Task Force was a joint initiative of HRM and the Assembly of Nova Scotia Mi'kmaq Chiefs, assisted by the Kwilmu'kw Maw-klusuqn Negotiation Office (Mi'kmaq Rights Initiative) and the Mi'kmaw Native Friendship Society. The Society's current programming advances specific actions identified in the final report and a new facility will expand programming and interpretive capacity.

2020 - Diversity & Inclusion Framework recognizes diversity as a core value and a foundation upon which to address barriers to representation, economic and social opportunity.

2020 - Mi'kmaw Language Act provincial legislation enacted. The Act acknowledges Mi'kmaw as Nova Scotia's first language.

2020 – HalifACT 2050 Plan launched to reduce emissions and enhance climate change adaptation. Mi'kmaw cultural and spiritual values recognize interconnectivity with the natural world (Nefukulink) and that sustenance can be achieved without jeopardizing the integrity, diversity, and productivity of the environment. These principles and energy efficiency features have been integrated into the design of the new facility.

2021 – HRM Centre Plan re-affirmed the North End Gateway/Scotia Square Precinct (previously identified in the 2009 Downtown Halifax Plan) as a major gateway into the downtown, signified with open space and public art installations, signature architecture, a wide range of services and amenities, and enhanced pedestrian connection to the downtown from the surrounding areas.

2021/2025 - HRM Strategic Priorities Plan includes goals to support growth in the local economy, planning that considers the economic, social, and environmental implications of how communities develop, public safety, citizen involvement, and inclusivity.

2022/27 - HRM Economic Strategy to attract and retain talent, investment, and employment in the region. The Indigenous business sector plays an important role in generating jobs and wealth for local communities and is noted for its innovation and exports. The proposed Centre will include on-site retail opportunities and will be a high-profile visitor/tourist attraction.

2023 – Culture and Heritage Priorities Plan proposes improvements in how the Municipality supports culture and history. The Centre will be a venue for the presentation and performance of Indigenous arts, culture, and history. The architectural design of the building and an outdoor ceremonial circle also reflect Indigenous culture.

- 3. Benefit to the Community** – A new, high-profile facility for the Indigenous community will benefit both Indigenous and non-Indigenous residents in providing a place to gather, learn and collaborate in a wide variety of programs, services, and events while advancing self-representation. It is anticipated that the new Mi'kmaw Native Friendship Centre will also be an attraction for visitors and tourists while advancing opportunities to diversify and increase the Society's earned revenues.

A custom-designed facility to accommodate increased demand for culturally appropriate programs and specialized services has expanded to meet the needs of the region's Indigenous community advances the principles and actions identified in the Truth and Reconciliation Commission of Canada: Call to Action (2015) and the United Nations Declaration on the Rights of Indigenous People (2005).

- 4. Compensation** – A proposed purchase price of \$1.00 is below the property's appraised and assessed values but is considered appropriate given the property's historical and cultural context, the unique opportunity to advance mutual interests in relation to Indigenous communities, and the long-term economic and social benefits realized by an iconic destination serving Indigenous and non-Indigenous residents and visitors.

An appraisal was obtained by HRM in 2017 to inform a market value disposal. The Society obtained its own appraisal (2018) at its expense. Since HRM did not incur any additional appraisal expenses directly related to the Community Interest disposal process appraisal cost recovery under Schedule 2 is not applicable. Cost recovery for the survey, migration and deed fees of \$2500 is required.

Summary and Recommendation Rationale

In summary, the submission scored 81/100 based on information provided by the applicant. The review concluded that the proponent demonstrates organizational stability and fiscal responsibility, that considerable investment has been made in project planning, and funding commitments are advancing. The long-term operating viability of the Centre cannot be established at this stage, but an increased capacity for revenue diversification could strengthen self-sufficiency.

Closing Date

The Society has requested a closing date of one (1) day following completion of the building's demolition and any potential site remediation, but that HRM would assume responsibility for any "operating costs" until

construction is complete. HRM's holding costs for the building will be nominal¹¹ following discontinuation of on-site parking and removal of the building. However, a transfer of title would trigger an assessment as taxable. Using the 2022 assessed value and Commercial tax rate, this cost is estimated to be \$226,357¹² and would increase over the course of the proposed 3-year holding period following demolition (construction readiness and financing) and the estimated 3-year construction period.

In the alternative, Staff recommends, that by mutual agreement, a closing date of the Agreement of Purchase and Sale would be on the later of: A) the 30th business day following written confirmation from the Municipal Engineer assigned to the demolition, that the demolition of the former Red Cross building and remediation of the Property (if necessary) has been completed; or B) the first business day, which is 36 months following the date of execution of the Agreement of Purchase and Sale; or C) an alternative date as may be agreed to in writing by the parties. This would allow the Society to complete their due diligence (archaeological, environmental, etc.), planning, construction schedule, and confirm financing while ownership of the property and holding costs remain the responsibility of HRM. The property's tax classification would remain Commercial Exempt. During this same period the Society could apply for municipal permits with confirmation of HRM's consent as owner. The flexible closing date is to provide enough time for the Society to secure financing, prepare for construction, and for demolition of the building to be completed. The key terms and conditions of conveyance (Table 1 below) recommends that Council delegate authority to the Director of Corporate Real Estate to amend the terms and conditions of the Agreement of Purchase and Sale to enable flexibility with respect to a closing date and/or the release, amendment, or continuation of the Buy-Back Agreement, among others as necessary.

Buy-Back Agreements

In 2014, Regional Council approved a policy with respect to the use of Buy-Back Agreements in property sales to nonprofit organizations¹³. The policy states that a Buy-Back Agreement shall have an initial term of 25 years followed by an automatic review by Regional Council to consider continuation, amendment, or release. The Buy-Back Agreement usually forms a first option on the property in favour of the Municipality and is in priority relative to any financial encumbrance granted to the Purchaser after the sale closes. During the term of the Buy-Back Agreement the owner may apply to the Municipality for postponement of the Buy-Back Agreement to secure financing of up to 65% of the property's market value as of the date of the request. The purpose of a Buy-Back Agreement is to uphold the intent of the less-than-market-value sale.

Proposed Modified Buy-Back Agreement

Staff recommend that a Buy-Back Agreement be applied to the subject property's conveyance to manage risk on the basis of: 1) the market value of 1940 Gottingen Street (as undeveloped) is high; 2) financing by MNFS has not been fully secured; and 3) a construction start date cannot be established until building demolition is complete. However, the recommended term is less than the standard 25 years with the intent that the Society will ultimately hold title unencumbered. In the alternative, the execution of a "commencement of construction" Buy-Back Agreement is recommended, with a term of up to ten (10) years wherein the agreement would be released upon completion of 30,000 square feet of construction. This benchmark is less constraining than the release of a Buy-Back Agreement upon total project completion and issuance of an occupancy permit. Likewise, the standard postponement to secure financing benchmark of 65% of market value could present a challenge given that construction costs are high and volatile. In the alternative, a postponement threshold of 95% is recommended to enable market financing, if required.

¹¹ General liability insurance would remain in relation to vacant land.

¹² To be considered for tax relief in fiscal 2024/25 the Society would have to hold title and make application by November 30, 2023. Awards are not retroactive to a prior fiscal year.

¹³ Report to Regional Council, Use of Buy-Back Agreements in Property Sales to Non-Profit Organizations, dated June 23, 2014, and approved at the July 22, 2014, meeting of Regional Council.

Projected Demolition Costs

The current budget for demolition of the former Red Cross building is \$2.5 million, with more precise project estimation pending the completion of a consulting engineering exercise, which includes development of specifications to permit demolition tendering in 2023, pending Capital Budget approval. The building has been vacant since 2013 and is considered uninhabitable and a liability. Although the projected demolition cost is high, removal of buildings and remediation of surplus properties is not precedent setting. HRM has paid for environmental remediation and/or demolition in previous less-than-market-value sales with examples including: demolition of the derelict former fire station in Herring Cove, the environmental remediation of a former school in Lake Loon, and asbestos abatement at 1588 Barrington Street, Halifax.

Property Tax Implications

The conveyance of 1940 Gottingen Street, Halifax, will trigger an assessment by Property Valuation Services Corporation (PVSC) and the land will revert to taxable status. Based on non-residential use, it is expected that the tax classification will continue to be Commercial. If the Society makes application to—and are accepted into—HRM’s Tax Relief for Non-Profit Organizations Program, a budget increase will be necessary to accommodate a development of this magnitude. Based on recent trends, it is unlikely that assessment values and municipal tax rates will be static. Consequently, upon completion of the Centre, annual taxes could exceed \$2 million per annum.

Proposed Terms and Conditions of Conveyance

| Table 1. KEY TERMS AND CONDITIONS (PROPOSED)* | |
|--|--|
| Civic Address | 1940 Gottingen Street, Halifax PID 00002063 |
| Area | Land area of 56,801 square feet (5,277 square metres) |
| Zoning | DH-1 Downtown Halifax Zone (Regional Centre Land Use By-Law) |
| Assessed Value | \$7,505,200 Commercial Exempt (2022) |
| Appraised Value | \$11,700,000 (2022) as-if-vacant |
| Tax Status | Commercial Exempt (2022) |
| Proposed Purchase Price | \$1.00 |
| Proposed Use | Construction and operation of a Mi’Kmaq Native Friendship Centre with ancillary amenities. |
| Conditions of Sale | <ul style="list-style-type: none"> • Staff to follow Regional Council’s motion of June 14, 2022, directing the Chief Administrative Officer to initiate the process to demolish the former Red Cross building at 1940 Gottingen Street and to include the necessary expenditures in the 2023/24 capital budget to be funded by the 2021-22 operating surplus. • The Purchaser shall have until 60 business days prior to the Closing Date to exercise its due diligence. The Purchaser may request in writing, access to the Property to conduct its due diligence investigations at reasonable times on reasonable notice, consent for which shall not be unreasonably withheld by the Municipality. • Following the date of execution of the Agreement of Purchase and Sale and prior to the Closing Date, the Purchaser will advance project readiness, including but not limited to securing sufficient project financing, a construction schedule, and construction commencement date. • Prior to the closing date, the Municipality shall be responsible for all expenses related to the Property, except for costs of any damages to the Property caused by |

| | |
|--------------------------------|--|
| | <p>the Purchaser in conducting its due diligence.</p> <ul style="list-style-type: none"> • Following its acquisition of the Property, the Society may make separate application to the HRM Tax relief for Non-Profit Organizations Program. • There shall be no use of the Property by the Society prior to the transfer of title without HRM's consent, which shall not be unreasonably withheld, subject to terms and conditions acceptable to HRM. • The Director of Corporate Real Estate shall be authorized to amend the terms and conditions of sale, Agreement of Purchase and Sale, and Buy-Back Agreement, if required, to enable the Society's financing and development of the Property to proceed. |
| Buy-Back Agreement | <ul style="list-style-type: none"> • A Buy-Back Agreement shall be registered on title for a term of up to ten (10) consecutive years from the date of the transfer of title. • The Buy-Back Agreement cannot be assigned to any other party. • Postponement of the Buy-Back Agreement is permitted to enable the Society to secure financing of up to 95% of the Property's market value as if improved to be used only for the development of the subject Property. • The Buy-Back Agreement may be released upon completion of 30,000 square feet of the development of the new Mi'kmaw Native Friendship Centre as reasonably determined by the Municipality or as may be further defined in the Buy Back Agreement. • If, after ten (10) consecutive years, the project has not commenced, or the construction cannot be completed, HRM may exercise its right to repurchase the Property pursuant to the Buy-Back Agreement for the price of \$1.00 plus the Society's capital costs, less depreciation. • The Director of Corporate Real Estate shall be authorized to approve changes to the Buy-Back Agreement to avoid conflict between the HRM Buy-Back Agreement or other funders' terms and conditions. |
| Closing Date | <ul style="list-style-type: none"> • The closing date shall be the later of: A) the 30th business day following written confirmation from the Municipal Engineer assigned to the demolition project that the demolition of the former Red Cross building and remediation of the Property (if necessary) has been completed; or B) the first business day which is 36 months following the date of execution of the Agreement of Purchase and Sale; or C) an alternative date as may be agreed to in writing by the parties. The Director of Corporate Real Estate shall be authorized to change the Closing Date on behalf of the Municipality. |
| Cost of Sale Recoveries | <ul style="list-style-type: none"> • Cost of sales recoveries of \$2,500 for the plan of survey, migration and deed fees shall be applied in accordance with Schedule 2 of Administrative Order 50. |

*Notes to Table 1.

1. An 'extended' closing date means that while HRM completes demolition of the building, the property will remain Commercial Exempt. Upon conveyance of title, the property will be assessed by Property Valuation Services Corporation.

Council's Consideration

Upon review of staff's evaluation, Council is to review the submission based on criteria set out in subsection 4(2)(i) of the policy, namely:

- (i) the market value of the property as appraised;
- (ii) the Planning Strategies of the area;

- (iii) the benefit of any cost saving to HRM;
- (iv) the consequences, beneficial or otherwise, to the community or to the Municipality as a whole;
- (v) the beneficial consideration of any submission against the benefit to the Municipality of selling the property at market value; and
- (vi) whether or not a Buy-Back Agreement is a condition of sale.

The following information is further provided for Council's consideration:

- the current assessed value is \$7,505,200;
- the amended appraised value is \$11,700,000; and,
- the proponent's intended use complies with current zoning.

FINANCIAL IMPLICATIONS

If approved, the terms of conveyance recommended by the staff review constitutes a less-than-market-value sale by virtue of: (i) assignment to the Community Interest category which restricts the opportunity to acquire title to only nonprofit and charitable organizations, and (ii) acceptance of a purchase price of \$1.00.

If conveyance of the property for the sum of \$1.00 is approved, HRM's opportunity costs and expenditures in relation to this development project is estimated to be \$12,191,452 based on the following:

| | | |
|--|---------------------------------|---|
| Less-than-Market-Value Sale Price | \$ 9,200,000 | Opportunity Cost* |
| Building Demolition/Remediation (2023) | \$ 2,500,000 | Expenditure 2023/24 budget – pending ¹ |
| Engineering (Demolition) | \$ 70,000 | Expenditure 2022/23 budget ² |
| HRM Carrying Costs per annum (2023) | \$ 19,595 | Expenditure 2023/24 budget ³ |
| Estimated Property Tax (2023) | \$ 226,357 | Opportunity Cost – estimated ⁴ |
| Deed Transfer Tax (1.5%) | \$ 175,500 | Opportunity Cost |
| Total: | \$12,191,452⁴ | |

*To avoid double counting the cost of demolition, the value of demolition has been deducted from the cost of the property donation.

If, as proposed, title is conveyed after 36 months [3 years] following execution of the Agreement of Purchase and Sale, HRM's opportunity cost for lost tax revenue would increase to an estimated \$679,071 or higher based on market conditions and municipal tax rates (~\$15,402,023 less any tax payable under HRM's Tax Relief for Non-Profit Organizations Program).

Notes to Financial Implications:

1. Value of the property assumes building has been demolished and land has been remediated. \$2.5 million was deposited to the Options Reserve Q421 from the 2021/22 surplus. Anticipated withdrawal in fiscal 2023/24. The extent of environmental remediation, if any, cannot be confirmed as of the date of this report.
2. Account CB190009 – Environmental Remediation/Building Demolition. Request for Proposals 22-170 was issued in 2022 and awarded on November 22, 2022, to Pinchin Ltd.
3. Account W169 – Transitional Properties. 2021 actuals: maintenance (\$3,000), snow/ice removal (\$13,750), electricity (\$2,500) and insurance (\$345). Projected cost for 2023/24 only. Once demolition is completed, the holding costs are expected to decrease, and snow/ice removal expenses would be negated through discontinuation of on-site parking.
4. Using the 2022 assessed value of \$7,505,200 and the urban Commercial tax rate the estimated

opportunity cost to HRM in lost tax revenue while holding title during demolition in 2023 is \$226,356.83¹⁴. However, this value could be higher if the assessed value and/or municipal commercial tax rate increase next fiscal year (April 1, 2023, to March 31, 2024).

Capital Budget Implications - Precedence

In accordance with Section 20 of Administrative Order 50, "If the proceeds of sale for a property owned by the Municipality have been

- (a) included in the reserve budget,
- (b) specifically tied to a capital project, and
- (c) is subsequently classified as Community Interest category or a decision is made not to sell the property, staff must report to Council any deficiencies in either the reserve budget or the capital budget along with any appropriate recommendations to offset the reduced proceeds".

Although not committed to a specific capital project, the sale of 1940 Gottingen Street, Halifax, was identified as long-term capital funding in the 2025/26 Capital Fund Reserve (Q526) in the amount of \$8 million dollars. However, there is precedence with respect to proceeds from the sale of municipal land have been included in a capital budget but not realized. For example, the proceeds of sale from de-commissioning four municipal arenas to fund construction of a new 4-pad complex in Dartmouth were not fully realized¹⁵.

If Council decides to proceed with disposal, funds received will be directed to the Capital Fund Reserve Q526.

Obligation Reserve – Capital Fund Reserve Q526

The reserve is funded by the sale of land in HRM, other than Business/Industrial parks or sale of land conveyed to HRM for parks, playgrounds, or similar public purposes. The Capital reserve Fund is governed by the Halifax Regional Municipality Charter Section 120 (1), (3) and (4). Withdrawals from the reserve are for capital expenses for which the Municipality may borrow. This report does not have a negative impact on the reserve since this is a land sale.

RISK CONSIDERATION

Moderate. Despite evident expertise and investment in planning this project, the scale relative to current market conditions presents a challenge in estimating cost and timelines. Ongoing operating viability cannot be established, but the Society's current financial position, capital assets, and capital campaign prospects provide some recourse in the event of cost overruns that exceed the contingency. Risk might also be reduced once a funding decision has been secured from the Government of Nova Scotia.

These risks are mitigated by the application of a Buy-Back Agreement (BBA) on the subject Property until the Purchaser has completed 30,000 square feet of construction or as otherwise defined in the Buy Back Agreement.

¹⁴ \$7,505,200 divided by 100 = 75,052 multiplied by 3.0160 = \$226,356.83.

¹⁵ Item 14.1.1. Recommendation Report to February 12, 2019, meeting of Regional Council, Administrative Order 50: Community Interest Category – PID 00062604 10 Monique Avenue, Dartmouth, dated January 18, 2019.

COMMUNITY ENGAGEMENT

A public information meeting in the vicinity of the subject property is not mandatory under the Direct Sale category of Administrative Order 50.

Subsection 63(3) of the Charter requires that a public hearing be held to consider the less-than-market-value sale of a property valued at \$10,000 or above.

ENVIRONMENTAL IMPLICATIONS

As part of the Purchaser's due diligence, the Society retained Pinchin LeBlanc Environment (2018) to conduct a Phase II ESA (Environmental Site Assessment). The study determined that based on a records review and site testing, no further assessment or remediation work was required upon development of the site¹⁶. The projected cost of building demolition (2018) included hazardous materials abatement and removal of an underground petroleum storage tank. These values will be updated in HRM's tender for demolition and site remediation.

ALTERNATIVES

1. Regional Council could decline the offer of \$1.00 in favour of a higher sale price.

This action is not recommended: Regional Council has consistently demonstrated its support for the development of a new Mi'kmaw Native Friendship Centre at 1940 Gottingen Street, dedicated to the Mi'kmaw and broader Indigenous communities. A less-than-market-value property sale and associated considerations is a tangible demonstration of actions toward Truth & Reconciliation.

2. Regional Council could apply a Buy-Back Agreement for an initial term of 25 years as per policy (2014) or apply other terms and conditions as Council may deem appropriate to protect the interests of the Municipality or the historical significance of this site.

This action is not recommended: A Buy-Back Agreement of up to ten (10) years with a higher postponement threshold (95% of market value) is recommended to allow for flexibility given the scale, complexity, and cost of the development proposed.

The recommendation to release the Buy-Back Agreement upon completion of partial construction reflects the specialized nature of the custom-designed building; the actual dollar value invested in construction might not be reflected in the subsequent market value.

ATTACHMENTS

Attachment 1 - Site Map and Aerial Photograph

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.

¹⁶ The Mi'kmaw Native Friendship Centre of the Future: Business Plan. Group ATN Consulting Incorporated, March 2019, Appendix H.

Report Prepared by: Rudy Vodicka, Project Manager, Corporate Real Estate, Property, Fleet & Environment,
902.476.8183

Attachment 1 Site Map and Aerial Photograph

