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Item No. 9.1.2
Grants Committee
May 22, 2024

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

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

DATE: April 30, 2024

SUBJECT: **Less Than Market Value Lease: Sackville Rivers Association**

ORIGIN

February 6, 2024, meeting of Regional Council Item 15.1.2

MOVED by Councillor Russell, seconded by Councillor Mason and approved as part of the Consent Agenda

THAT Halifax Regional Council:

4. Direct the CAO to negotiate a Lease Agreement with the Sackville Rivers Association for the existing occupied space at 45 Connolly Road and return a staff report through Grants Committee for the approval of the key terms and conditions.

MOTION PUT AND PASSED UNANIMOUSLY

LEGISLATIVE AUTHORITY

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

Section 61:

- (3) The property vested in Municipality, absolutely or in trust, is under the exclusive management and control of the Council, unless an Act of the Legislature provides otherwise.

Section 63

- (1) The Municipality may sell or lease property at a price less than market value to a Non-Profit organization that the Council considers to be carrying on an activity that is beneficial to the Municipality; and
- (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.

The Grants Committee Terms of Reference states:

The HRM Grants Committee shall review, evaluate and make recommendations to Regional Council regarding annual cash grants, rent subsidies, property tax exemptions, less than market value property

sales and leases to registered non-profit organizations and charities managed by a duly appointed Grants Committee.

RECOMMENDATION

It is recommended that the Grants Committee recommend that Halifax Regional Council approve a less than market value lease with the Sackville Rivers Association for the premises located at 45 Connolly Road, Middle Sackville and the lease is to contain terms and conditions that are similar to those set out in Table 1 and in the discussion section of this report and direct the Mayor and Municipal Clerk to execute the less than market value lease.

BACKGROUND

The Sackville Heights Community and Cultural Centre (SHC&CC) located in Middle Sackville is part of HRM Parks & Recreation Community Partnership portfolio.

The overall facility and property are managed by the SHC&CC under the authority of a Facility Operating Agreement (FOA) approved by Regional Council on February 6, 2024.

Under the FOA governance model, not-for-profit partner organizations no longer have legal authority to enter exclusive space subleases on behalf of HRM. The FOA does not convey the required property interest to the not-for-profit organizations like previous agreements did. Only HRM, as holders of the title to the land, can enter lease agreements for facilities governed by FOAs.

The Sackville Rivers Association (SRA) is a not for profit, registered charitable organization founded in 1988. They restore, enhance and protect the environmental health of the Sackville River Watershed for present and future generations. The SRA provides river restoration, promotes recreational use, delivers educational programs and encourages stewardship of the river.

To support their activities, the SRA will have exclusive use of a 708 sq. ft space located in the SHC&CC at 45 Connolly Road (Attachment 1).

DISCUSSION

On March 6, 2024, the SRA accepted an Offer to Lease at less than market value for a five (5) year term commencing on execution of the lease agreement.

The SRA will be responsible for their proportionate share of the property tax plus HST for 2025. The SRA would be eligible to apply to the Tax Relief for Non-Profit Organizations Program under Administrative Order 2014-001-ADM Tax Relief to Non-Profit Organizations once a lease is executed.

The SHC&CC have maintained several sublease agreements under the authority granted in their previous Facility Lease Agreement (FLA) with HRM, including with SRA. For the community centre and their clients to continue to benefit from these services under the new FOA, HRM will need to enter into new lease agreements with each party.

The types of services and program offered by the tenants aligns with HRM's vision of fostering the growth of healthy and vibrant communities as well as Regional Council's priority outcomes of involved and inclusive communities. Therefore, these not-for-profit organizations are considered to be providing municipal benefits which would permit Regional Council to consider Less Than Market Value leases.

The proposed new Lease Agreements with HRM would not change the daily operation with the tenants but will require Regional Council approval as HRM will be assuming control of the leases. The revenue HRM receives from these leases, net exclusive of taxes, will be paid to the SHC&CC. This approach allows HRM oversight of all leases in HRM owned facilities, but the revenue from leases will continue to offset the operating costs at each facility.

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

Table 1:

Property Address	45 Connolly Road, Middle Sackville, Nova Scotia
Tenant	Sackville Rivers Association
Landlord	Halifax Regional Municipality
Premises	~708 square feet of interior space
Initial Term	Five (5) years
Renewal Term	Five (5) year renewal term
Termination	Landlord may terminate with one (1) year notice. Tenant may terminate with six (6) months notice.
Base Rent	\$2.00 plus HST per square foot, 2% annual increase in renewal term
Waived Market Value Rent:	Market Rent estimated at \$11.00 per sq. ft., \$7,788 per annum, as per HRM's broker of standing, Cushman Wakefield; \$9.00 per sq. ft waived per annum.
Additional Rent	\$3.00 plus HST per sq. ft. Increase 2% annually
Property Tax	Tenant is responsible for their proportionate share of property tax, plus HST, levied upon the property. Space is not currently assessed for property tax.

FINANCIAL IMPLICATIONS

The waived market rent represents the equivalent of an “operating grant” for each tenant’s use of space in the facility. The term “operating grant” represents the opportunity costs associated with HRM leasing the space at Less Than Market Value rather than full Market Value. The total value of the operating grant with HRM leasing the space to the Sackville Rivers Association is \$6,372 per year and \$31,860 over the initial term of the lease.

General Revenue will collect and deposit revenues from this lease, net exclusive of taxes, into Area Rate C105-5151 (Lease Revenue). The revenue can then be used towards the operation of this facility.

RISK CONSIDERATION

Risk consideration is Low. The proposed tenant is a well-established organization and provincially registered non-profit society. Putting a valid lease agreement in place mitigates risks for the group and the municipality.

COMMUNITY ENGAGEMENT

No community engagement required for the completion of this report. The SRA is made up of members of the broader community.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Alternative 1: The Grants Committee could recommend that Regional Council direct staff to not execute the lease with the SRA at 45 Connolly Road.

Alternative 2: The Grants Committee could recommend that Regional Council direct staff to negotiate different terms for the SRA lease at 45 Connolly Road.

ATTACHMENT

Attachment: Site Map SRA

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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Attachment: Site Map SRA

