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**Item No. 9.1.1**  
**HRM Grants Committee**  
**September 9, 2024**

**TO:** Chair and Members of the HRM Grants Committee

**FROM:** Cathie O'Toole, Chief Administrative Officer

**DATE:** July 4, 2024

**SUBJECT:** Less than Market Value Lease Extension and Amending Agreement – Northwood Homecare Incorporated – 409 Glendale Drive

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**ORIGIN**

This report originates with a request from the Tenant to exercise their renewal option included in their current lease agreement with the Halifax Regional Municipality (HRM) for premises within the Sackville Sports Stadium located at 409 Glendale Drive, Sackville.

**EXECUTIVE SUMMARY**

- Northwood Homecare Incorporated has been a tenant at the Sackville Sports Stadium for the past five years and has provided HRM with notice to renew their lease. They have requested to amend the renewal term from 5 years to 3 years. Except for the proposed amended terms outlined in this report, all other terms and conditions of the existing Lease shall remain the same and unmodified and in full force and effect, and time continues to be of the essence.
- The proposed less than market value gross rent has been negotiated at \$14.50 per square foot plus HST. The rent difference in a below market value lease represents the equivalent of an 'operating grant' for the property's use. The value of the operating grant being considered with HRM leasing the space at less than market value is approximately \$16,643 per annum and approximately \$49,929 over the term of the lease.
- There are no significant risks related to this report.

**RECOMMENDATION**

It is recommended that HRM Grants Community Council:

1. Recommend that Regional Council approve a less than market value lease extension and amending agreement, with terms set forth in this report, with Northwood Homecare Incorporated for the premises located at 409 Glendale Drive, Lower Sackville, and authorize the Mayor and Municipal Clerk to execute the less than market value lease extension and amending agreement.

**BACKGROUND**

In August 2017, roughly 7,700 square feet of leased space was vacated in the south wing of the Sackville Sports Stadium (SSS) which included a small gymnasium, an administrative office, and several classrooms. Parks & Recreation elected to assume control and repurpose 5,500 square feet for HRM recreation programming, and the remaining 2,200 square feet were identified as leasable space. Over the next fifteen months, the management staff of the SSS met with multiple parties, including government agencies, private sports clubs, and community groups, in preparation for listing the space for a new tenant. The proposed uses for the space varied including offices, client services, rental, and community youth programs.

In December 2018, prior to the listing of the space, the SSS management staff were contacted by the Northwood Homecare Incorporated with a proposal to lease the space. The Northwood Adult Day Care program offers caregivers a day of respite with confidence and peace of mind. The program is designed to help build on and maintain current life skills and recreation for dependent adults over the age of 50 who have a diagnosis of Alzheimer’s disease, dementia, stroke, Parkinson’s disease, or who may be physically frail.

**DISCUSSION**

In 2019, HRM and Northwood Homecare Incorporated negotiated a 5-year lease agreement with an option to renew for an additional term of 5 years, however, upon notice from Northwood Homecare Incorporated requesting to exercise their renewal and have sked for an amendment on the renewal term to 3 years.

Except for the proposed amended terms outlined below, all other terms and conditions of the existing Lease shall remain the same and unmodified and in full force and effect, and time continues to be of the essence.

The proposed Lease Extension and Amending Agreement terms and conditions recommended by staff are outlined below in Table 1.

**Table 1**

<b>Recommended Amended Key Terms and Conditions</b>	
<b><i>Property Addresses</i></b>	409 Glendale Drive, Lower Sackville (PID 40503013)
<b><i>Tenant</i></b>	Northwood Homecare Incorporated
<b><i>Premises</i></b>	approximately 1,958 square feet
<b><i>Commencement Date</i></b>	October 1, 2024
<b><i>Term</i></b>	3 Years (October 1, 2024 – September 30, 2027)
<b><i>Renewal Term</i></b>	No renewal term
<b><i>Gross Rent</i></b>	\$14.50 per sq. ft. (\$28,391.00 plus HST per annum), payable in monthly instalments of \$2,365.92 plus HST. The Rent shall increase annually on each anniversary of the Commencement Date and thereafter on a cumulative basis during the Term of this Lease, by two (2) percent per annum.
<b><i>Property Taxes</i></b>	The tenant shall be responsible for any applicable Property Taxes levied upon the property because of the lease agreement plus the applicable HST. HRM shall issue an invoice to the group.
<b><i>Schedule “D”</i></b>	The Landlord Work and Tenant Work as outlined in Schedule “D” in the Lease has been completed and there is no further agreed Landlord Work or Tenant Work.
<b><i>Condition</i></b>	Tenant accepts the Premises on an “as is” basis.

### **FINANCIAL IMPLICATIONS**

Market value base rent was established using the Regional Rental Rates Reference Guide prepared by Cushman & Wakefield. The market value base rent for this space is \$12.50 per square foot, which is at the lower end of the market value spectrum with an operating cost of \$10.50 per square foot for a total gross rent of \$23.00 per square foot. The total annual gross rent would be \$45,034 per annum.

The proposed less than market value gross rent has been negotiated at \$14.50 per square foot plus HST. The rent difference in a below market value lease represents the equivalent of an 'operating grant' for the property's use. The term 'operating grant' represents the opportunity cost associated with HRM leasing the space at less than market value, rather than full market value. The value of the operating grant being considered with HRM leasing the space at less than market value is approximately \$8.50 per square foot, or \$16,643 per annum and, approximately \$49,929 over the term of the lease.

The Sackville Sports Stadium's operating budget, Account No. ADMN-5151 will receive from the Tenant rent in the amount of \$28,391.00 plus HST per annum, payable in monthly installments of \$2,365.92 plus HST. The rent shall increase annually on each anniversary of the Commencement Date and thereafter on a cumulative basis during the Term of this Lease, by two (2) percent per annum.

Full Market Value Rent	\$45,034 + HST per annum
Less: Proposed Less than Market Value Lease	<b><u>\$28,391 + HST per annum</u></b>
Operating Grant – opportunity cost value	\$16,643 + HST per annum

Property taxes are billed initially by the Municipal Government, HRM as Landlord will pay the property taxes through Sackville Sports Stadium's operating budget, Account No. ADMN-5151 as a clearing account. The Landlord shall invoice the Tenant the property taxes plus HST.

### **RISK CONSIDERATION**

Risk consideration is Low. The proposed tenant is a well-established organization and provincially incorporated non-profit society.

### **COMMUNITY ENGAGEMENT**

No community engagement was required.

### **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

### **SOCIAL VALUE**

No social value was identified.

### **ALTERNATIVES**

The HRM Grants Committee could:

1. Recommend that Regional Council lease the property at market value to the Northwood Homecare Incorporated.
2. Recommend that Regional Council lease the property to the Northwood Homecare Incorporated for a longer term.

### **LEGISLATIVE AUTHORITY**

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

Section 61 (3): The property vested in the 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): Notwithstanding 71(2), the Municipality may sell or lease property at a price less than market value for any purpose that the Council considers to be beneficial to the Municipality, and

Section 63 (2): A resolution to sell or lease property referred to in subsection (1) at less than market value shall be passed by at least a 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.

### **ATTACHMENTS**

None.

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