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Item No. 9.1.1
Grants Committee
November 26, 2025

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

FROM: Jacqueline Hamilton, Acting Commissioner of Operations

DATE: August 12, 2025

SUBJECT: **Less Than Market Value Lease Agreement: Spencer House Seniors Centre, 5596 Morris Street Halifax, NS**

ORIGIN

This report originates from a request from the Spencer House Seniors Centre to enter into a new lease for the HRM property located at 5596 Morris Street Halifax, NS.

EXECUTIVE SUMMARY

This report recommends that Halifax Regional Council authorize a new Less Than Market Value (LTMV) lease agreement between the Halifax Regional Municipality (HRM) and the Spencer House Seniors Centre (SHSC) for the municipally owned property located at 5596 Morris Street, Halifax. The SHSC operates from this location under a lease agreement that expires on September 30, 2025. The organization has requested a renewal to continue offering programs that promote senior independence, wellbeing, and social engagement. Staff have determined that there is no competing municipal need for the space and that continued tenancy by SHSC is in the public interest.

The new lease proposes a five-year term beginning October 1, 2025, with an option to renew for an additional five years. The agreement will have a significantly discounted base rent of \$1.75 per square foot and will increase 5% each year. Operating costs will be billed to SHSC at \$1.39 per square foot and will increase 3% each year to cover general maintenance and repairs completed by HRM on behalf of SHSC. All other expenses associated with the building will be paid by HRM and provided as a subsidy to the SHSC.

The difference between the base rent rate offered to the SHSC and the market rate of \$14.00 plus the building expenses subsidy, represents an operating grant to the Tenant. The total operating grant for this lease is:

Base Rent Discount	\$212,543.41
Operating Cost Subsidy	\$ 56,031.38
Total Operating Grant Over Term	\$268,574.79

This lease structure aligns with HRM's evolving framework for LTMV leasing and supports the development of a forthcoming Administrative Order to standardize municipal lease practices. The proposed agreement ensures transparency, financial sustainability, and continued support for vital community programming.

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RECOMMENDATION

It is recommended that the Grants Committee recommend that Halifax Regional Council approve a less than market value lease agreement with the Spencer House Senior Centre for the premises located at 5596 Morris Street, and authorize the Mayor and Municipal Clerk to execute the less than market value lease with terms and conditions that are similar to those set out in this report.

BACKGROUND

The municipally owned facility known as Spencer House is located at 5596 Morris Street, Halifax (PID 40266553) (see Attachment 1). The first floor of the facility (~3140 sq. ft) is currently leased by the not-for-profit society, Spencer House Seniors Centre (SHSC). The SHSC provides programs and services that contribute to the health and wellbeing of seniors. These programs and services enable recipients to live independently, contribute to their community and maintain an active and healthy lifestyle. This type of service and program aligns with the Halifax Regional Municipality's vision of fostering the growth of healthy and vibrant communities as well as Council's priority outcomes of involved and inclusive communities.

DISCUSSION

The current lease agreement for 5596 Morris Street commenced on October 1, 2020 and expires on September 30, 2025. The SHSC have requested a new lease term to continue their operations in Spencer House. The current lease is in hold over until a new lease is approved.

Staff determined that there was not a municipal need for the SHSC space and that entering a new lease with the society would be beneficial to all parties. A comprehensive review of the local market value rates, building expenses, and operating practices for the SHSC space was completed. In the current lease, the Tenant pays only a Base Rent to HRM and was technically responsible for completing any general maintenance and repairs in their space which were not related to the structure or building systems. Upon review, it was found that HRM was completing most of this work on behalf of the SHSC, and that it would be simpler for both parties for HRM to formally take over completion of this work. To balance the additional work by HRM, a separate rate to cover Operating Costs was set at \$1.39 per square foot. This is based on the average cost of similar work completed in the building over the previous 3 years. These Operating Costs will increase by 3% annually to cover inflation while maintaining consistency and predictability of costs for the Tenant. The Tenant will continue be responsible to pay all utilities and services to their space, including heat, electricity, water, and telecommunications.

Separating Base Rent and Operating Costs, allows for greater transparency by HRM and creates consistency between our Less Than Market Value (LTMV) leaseholders. These costs reflect the right for exclusive use of the space (Base Rent) and the financial impact on HRM for maintaining tenant occupancy and completing work on their behalf (Operating Costs). This approach aligns with industry standards and HRM best practices. Structural and capital repairs, including all building systems, will continue to be the responsibility of HRM as a subsidy to the tenants.

The proposed new Base Rent of \$1.75 per square foot was set by reviewing comparable market rate rents in Halifax's South End and adding a significant discount to ensure that HRM is supporting the SHSC programming while reducing their dependency on HRM to successfully operate. The last research by HRM's broker of standing, Cushman Wakefield in 2020, showed Base Rents for similar buildings averaged \$14.70 per square foot with a low rate of \$10.50 per square foot. The quality of the Spencer House would be considered moderately below a Class 'C' building for comparative purposes but with significant increases in the market rates over the last 5 years, the current market base rent for this space has been estimated at \$14.00 per square foot. The difference between the estimated market rate and the discounted Base Rent

is \$38,465 in Lease Year 1, which represents the equivalent of an 'operating grant' to the society. The term Operating Grant as used in this report represents the opportunity cost associated with HRM leasing the space at less than market value rather than to a standard commercial tenant. A full breakdown of the Operating Grant across the term of the lease is shown in Financial Implications.

The Tenant is responsible for their proportionate share of the property tax for the property plus HST, which will be billed by HRM. The organization may continue to apply to the *2024-001-ADM Respecting Tax Relief for Non-Profit and Registered Canadian Charitable Organizations* once a lease is executed.

An additional goal of this Offer is to prepare Spencer House for a new Administrative Order (policy) which is expected to come into effect in the near future. This Administrative Order will provide a formal framework for LTMV municipal leasing and standardize the process and rent discounts across all applicable agreements and properties; much like the new Property Tax Grant Administrative Order put in place last year.

The proposed key terms and conditions set out in the offer were approved and accepted by the SHSC board and returned the signed Offer to Lease letter to HRM on June 25, 2025. The proposed lease agreement is for a five (5) year term, commencing on October 1, 2025, and expiring on September 30, 2031. The SHSC will also have the opportunity to renew their lease for an additional 5-year term with the rates for Base Rent and Operating Costs to be set at the time of renewal based on the then governing HRM policies.

Staff recommend that HRM enter into a lease agreement with the SHSC, to be completed on the Municipality's standard lease template, for the building space located at 5596 Morris Street. The key terms and conditions to be included in this lease agreement are outlined below in Table 1.

Table 1: Recommended Key Lease Terms and Conditions

Property Addresses	5596 Morris Street, Halifax
PID	40266553
Landlord	Halifax Regional Municipality
Tenant	Spencer House Seniors Centre
Premises	~ 3,140 square feet of exclusive use space on the first floor of the building commonly known as Spencer House Seniors Centre, comprised of programming space and a commercial kitchen. Non-exclusive access and use of the gardens and lands surrounding the building.
Term	Five (5) years
Commencement Date	October 1, 2025
Expiry Date	September 30, 2030
Permitted Use	Operation of the Tenant's not-for-profit society Spencer House Seniors Centre and its associated activities and services, directed to seniors.

Base Rent	Base Rent for Year 1 shall be \$1.75 per square foot and increase at a rate of 5% per annum, and be payable as follows:			
	Lease Year	Rent Per Sq. Ft	Total Annual Rent	Monthly Rent
	1	\$1.75	\$5,495.00	\$457.92
	2	\$1.84	\$5,769.75	\$480.81
	3	\$1.93	\$6,058.24	\$504.85
	4	\$2.03	\$6,361.15	\$530.10
	5	\$2.13	\$6,679.21	\$556.60
All amounts are due at the start of the month, plus applicable HST.				
Operating Costs	Operating Costs for Year 1 shall be \$1.39 per square foot and increase at a rate of 3% per annum, and be payable as follows:			
	Lease Year	Op Costs Per Sq. Ft	Total Annual Operating Costs	Monthly Rent
	1	\$1.39	\$4,350.41	\$362.53
	2	\$1.43	\$4,480.92	\$373.41
	3	\$1.47	\$4,615.35	\$384.61
	4	\$1.51	\$4,753.81	\$396.15
	5	\$1.56	\$4,896.42	\$408.04
All amounts are due on the first of the month, plus applicable HST.				
Tenant Responsibilities	The Tenant is responsible at their sole cost and expense for: - Utilities, Services, & Preventative Maintenance, including: - Electricity, water/sewer, - HVAC System preventative maintenance - Telecommunications and internet services - Programming and service delivery upgrades - Intrusion alarm systems and false alarm charges - Waste removal and receptacles - Cleaning and janitorial - Snow clearing and ice control for their walkways, entrances, stairs and emergency exits - Landscaping and grounds maintenance - Life Safety Equipment such as AEDs and first aid kits			
Property Taxes	The Tenant shall be responsible to pay the property taxes to HRM incurred as a result of this lease, plus the applicable HST.			
	Year 1 Property Tax Estimate:		\$19,215.00 plus HST	
	Independent of this Lease, the Tenant may apply for HRM's Administrative Order 2024-001-ADM Respecting Tax Relief for Non-Profit and Registered Canadian Charitable Organizations to receive a discount on the estimated Property Tax above.			

Insurance	Commercial General Liability in the amount no less than \$5,000,000 and any other forms of insurance required by the Permitted Use.
Early Termination	Either party shall have the option to terminate this agreement upon providing 6 months written notice to the other party at any time and for any reason.
Renewal Term	1 Renewal Term of 5-years. Base Rent and Operating Costs to be determined at the time of renewal and to be approved by the Grants Committee and Regional Council.
HRM Responsibilities	HRM shall perform the following on behalf of the Tenant, the costs of which have been estimated using the average costs of the last 3 years and are included in Operating Costs: • HVAC System maintenance and minor repairs • General upkeep, maintenance and repairs of the Premises, including walls, ceilings, floor coverings, and plumbing and electrical fixtures • Maintenance and repairs of the exterior doors, windows, deck and other exterior common areas such as entrance stairs, walkways and paths HRM shall perform the following, at HRM's sole cost and expense as a subsidy to the Tenant: • Capital repairs and replacements for items related to the Building/Structure, as required and as Landlord's budget allows; • Life and Safety System inspections; • Monthly building inspections for Spencer House Seniors Centre including Emergency Lights & Exit Lights • Pest control due to building deficiencies i.e. holes or entrances where rodents can enter the building

FINANCIAL IMPLICATIONS

Lease Year 1 Revenue and Total Lease Value

The first year of the term the Tenant shall pay to HRM a total sum of \$9,845.41 plus HST, payable monthly as follows:

Base Rent	\$5,495.00, payable monthly as \$457.92 plus HST
<u>Operating Costs</u>	<u>\$4,350.41, payable monthly as \$362.53 plus HST</u>
Total Year 1 Revenue	\$9,845.41, payable monthly as \$820.45 plus HST

Over the course of the 5-year term, the Tenant shall pay to HRM a total sum of \$53,460.24, plus HST, as follows:

Base Rent	\$30,363.34, plus HST
<u>Operating Costs</u>	<u>\$23,096.90, plus HST</u>
Total Lease Value	\$53,460.24, plus HST

The Base Rent and Operating Costs will be received by Facility Maintenance & Operations operating budget to offset the operational and ongoing expenses for the building.

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Alternative 1: The Grants Committee could recommend that Regional Council lease the property at market value to the Spencer House Seniors Centre.

Alternative 2: The Grants Committee could recommend that Regional Council direct the CAO to negotiate different terms for the lease of the property to SHSC.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter

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.

ATTACHMENT

Attachment 1 Property Location Map

Report Prepared by: Trish Higby, Community Facility Partnership Coordinator 902.456.7062



PROPERTY LOCATION MAP - P I D 40266553 PREMISES

-  P I D 40266553
-  Building Polygon
-  Parcel
-  HRM Park

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 Parks & Recreation
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Date: 5/7/2021