

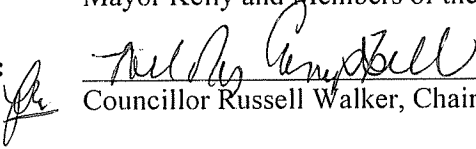


PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 11.2.2

**Halifax Regional Council
February 12, 2008**

TO: Mayor Kelly and Members of the Halifax Regional Council

SUBMITTED BY:  _____
Councillor Russell Walker, Chair, HRM Grants Committee

DATE: February 4, 2008

SUBJECT: **Property Matter: Less Than Market Value Leases**

ORIGIN

Grants Committee meeting of February 4, 2008.

RECOMMENDATION

It is recommended that Regional Council approve:

1. The staff recommendation to enter in to a less than market value lease agreement with the Heritage Trust of Nova Scotia, 1588 Barrington Street, Halifax as per the terms and conditions set out in the Discussion section of the Report dated November 22, 2007, attached as Attachment 1.
2. The staff recommendation to enter in to a less than market value lease agreement with the Bike Again Program, 2786 Agricola Street, Halifax as per the revised terms and conditions set out in the Discussion section of the Report dated January 25, 2008, attached as Attachment 2.

BACKGROUND

See staff reports attached as Attachments 1 and 2 to this report.

DISCUSSION

Heritage Trust of Nova Scotia

The Grants Committee requested staff investigate the possible retroactive application of a reduced rental rate as of November, 2002. Staff advise against such consideration as precedence setting. Arguably, both landlord and tenant could have renegotiated any leasing terms at the time the lease was assumed by HRM.

Bike Again Program

The Grants Committee requested staff add fiscal year dates for clarity as shown in the table below.

Schedule	Annual Rent	Monthly Rent	Rental Rate
Year 1 - 2007-2008	\$600	\$50.00	0.5 sq.ft
Year 2 - 2008-2009	\$1,956	\$162.50	\$1.63 sq.ft
Year 3 - 2009-2010	\$3,300	\$275.00	\$2.75 sq.ft
Year 4 - 2010-2011	\$4,656	\$387.50	\$3.88 sq.ft
Year 5 - 2011-2012	\$6,000	\$500.00	\$5.00 sq.ft

BUDGET IMPLICATIONS

See staff reports attached as Attachments 1 and 2 to this report.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

See staff reports attached as Attachments 1 and 2 to this report.

ALTERNATIVES

See staff reports attached as Attachments 1 and 2 to this report.

ATTACHMENTS

1. Staff Report dated November 22, 2007 - Property Matter: Less than Market Value Lease: Heritage Trust of Nova Scotia - 1588 Barrington Street, Halifax.
2. Staff Report dated January 25, 2008 - Property Matter: Less than Market Value Lease: Bike Again Program, 2786 Agricola Street, Halifax.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or Fax 490-4208.

Report Prepared By: Melody Campbell, Legislative Assistant.



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HRM Grants Committee
February 4, 2008

TO: Chair and Members HRM Grants Committee

SUBMITTED BY: 
Dale MacLennan, Director of Finance

DATE: November 22, 2007

SUBJECT: Property Matter: Less than Market Value Lease: Heritage Trust of
Nova Scotia, 1588 Barrington Street, Halifax.

ORIGIN

This report originates with staff of HRM Community Development and Finance (Grants Program) regarding proposed lease amendments to a lease agreement assigned to HRM as a consequence of revoking a facility management agreement.

RECOMMENDATION

It is recommended that:

1. HRM Grants Committee approve in principle the staff recommendation to enter into a less than market lease agreement with the Heritage Trust of Nova Scotia as per the terms and conditions set out in this report.

BACKGROUND

The Municipal Government Act (1998), Section III, Item 51 (1) authorizes the sale or lease of an HRM-owned property for less than market value to a registered non-profit organization on the condition that the organization carries on an activity that Regional Council considers to be "...beneficial to the municipality". A less than market value lease must be approved by Regional Council but a public hearing is not required.

In November, 2005, Regional Council approved termination of the facility management agreement under which the Khyber Arts Society operated the HRM-owned property located at 1588 Barrington Street, Halifax. All sub-leases entered into by the society were assigned to HRM as landlord. Under the former operator, the Heritage Trust of Nova Scotia leased 264 sq.ft at a rate of \$13.64 sq.ft (\$342/month). However, because this amount includes HST (14%) the net rent is \$300/month (\$3,600 per annum; \$15.55sq.ft). The sub-tenant was not billed a proportional share of property tax.

Staff recommend that the current rental rate of \$13.64 sq.ft (excluding HST) be decreased to \$10 sq.ft plus HST and a proportional share of property tax. This is the same rate charged the other building tenant (Khyber Arts Society). A month-to-month term is recommended because HRM has initiated an assessment of the feasibility of developing this building as a "cultural cluster". A consultant's report is due in 2008.

DISCUSSION

Founded in 1959, the Heritage Trust of Nova Scotia is a federally registered Canadian charity that promotes the protection and preservation of heritage properties throughout Nova Scotia. The Trust is largely self-funded and advocates for legislative protection at all levels of government, heritage registration, public education, and historical research. Presently, the society is serving on the steering committee of the HRM Barrington Street Heritage District Project.

Summary of Key Terms and Conditions (Proposed)	
Civic Address	1588 Barrington Street, Halifax.
Zoning	Commercial.
Occupancy	264 sq.ft on the first floor .
Rental Rate*	\$10 per sq.ft (\$2,640 per annum \$220/month) plus HST and proportional share of property tax.
Duration of Lease	Month-to-month pending receipt of operating feasibility study.
Conditions	No sub-leasing without HRM's written consent. HRM co-named on insurance coverage.

* The estimated market rental rate for the property is \$12 per sq.ft plus HST and a proportional share of property tax. The marketability of this property is compromised by the poor physical condition of the premises and no on-site parking.

Using the proposed rental rate of \$10 per sq.ft, excluding HST, HRM's rent subsidy would be \$528 per annum (264 sq.ft x \$12 = \$3,168 - \$2,640) and the estimated tax subsidy, at this time, is \$792 (\$3 per sq.ft x 264 sq.ft) for a combined total value of \$1,320.

BUDGET IMPLICATIONS

The execution of his lease will decrease HRM's revenue by \$960 per annum. Presently, the entire property is 100% tax exempt under By-law T-200 at an estimated annual cost of ~\$17,200. It is recommended that this level of tax exemption continue pending the outcome of the Cultural Cluster Feasibility Study and confirmation of the building's future use.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

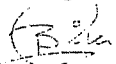
1. The Grants Committee could overturn or amend staff's recommendation and direct staff to negotiate a market value lease with the Heritage Trust of Nova Scotia.

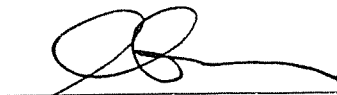
ATTACHMENTS

None.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Peta-Jane Temple, Team Lead, Tax, Grants & Special Projects 490-5469; Andrew Whittemore, A/Manager Community Relations & Cultural Affairs, HRM Community Development.

Report Approved by: 
Bruce Fisher, Manager Tax & Fiscal Policy

Financial Approval by: 
Catherine Sanderson, Senior Manager, Financial Services, 490-1562



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Attachment 2

HRM Grants Committee
February 4, 2008

TO: Chair and Members of HRM Grants Committee

SUBMITTED BY:


Dale MacLennan, CA, Director of Finance

DATE: January 25, 2008

SUBJECT: Property Matter: Less than Market Value Lease - 2786 Agricola Street,
Halifax : Ecology Action Centre

ORIGIN

On November 14, 2006, Regional Council approved a one-year lease with the Ecology Action Centre for space in the Fielding Building, Bloomfield Centre, Halifax. This report amends the terms of the lease to include (a) an increase in rental rate and (b) the term of occupancy.

RECOMMENDATION

It is recommended that:

1. HRM Grants Committee approve in principle the lease agreement with the Ecology Action Centre (Bike Again Program) as per the revised terms and conditions set out in the Discussion section of this report.

BACKGROUND

The Municipal Government Act (1998), Section III, Item 51 (1) authorizes the sale or lease of an HRM-owned property for less than market value to a non-profit organization on the condition that the organization carries on an activity that Regional Council considers to be "...beneficial to the municipality". A less than market value lease must be approved by Regional Council but a public hearing is not required.

In 2000, the Ecology Action Centre entered into a one-year lease agreement with HRM for use of 500 sq.ft in the basement of the Fielding Building. There was no rental fee or property tax billing. In 2006, under the Bloomfield Centre Tenancy Plan, the group was re-located to a larger space under a one-year lease with the option to renew. To assist the group transition to paying rent a rental rate of \$600 was approved with the view to annual increments should the lease be renewed. However, tenancy may be impacted by the outcome of Phase III of the Bloomfield Review with respect to location.

Schedule	Annual Rent	Monthly Rent	Rental Rate
Year 1.	\$600	\$50.00	0.5 sq.ft
Year 2.	\$1,956	\$162.50	\$1.63 sq.ft
Year 3.	\$3,300	\$275.00	\$2.75 sq.ft
Year 4.	\$4,656	\$387.50	\$3.88 sq.ft
Year 5.	\$6,000	\$500.00	\$5.00 sq.ft

DISCUSSION

The *Bike Again Program* recycles surplus used bikes to donate to low income families or to sell at discounted prices to encourage cycling. The program links with HRM's interest in recreation, active transportation, and environmental waste reduction.

Summary of Key Terms and Conditions (Proposed)	
Civic Address	2786 Agricola Street, Halifax
Zoning	Park & Institutional
Occupancy	1,200 sq.ft located in the basement of the Fielding Building, Bloomfield Centre
Rental Rate*	\$1.63 sq.ft plus HST and applicable property tax (\$1,956 per annum \$162.50/month)
Duration of Lease	18 months. Lease commences March 1, 2008, to August 31, 2009.
Conditions	Leasehold improvements shall be at the expense of the tenant. HRM to be co-named on tenants insurance. Sub-leasing requires HRM's written consent. Safe storage and disposal of materials.

* The estimated market value for this space is \$5 per sq.ft due to its basement location and the condition of the premises.

Using the proposed rental rate of \$1.63 per sq.ft, excluding HST, HRM's rent subsidy would be \$4,044 per year ($\$1,200 \text{ sq.ft} \times \$5 \text{ per sq.ft} = \$6,000$ less actual rent of \$1,956) and the estimated tax subsidy, at this time, would be \$2,400 ($1,200 \text{ sq.ft} \times \2 sq.ft) for a combined total value of \$6,444. Application has been made to By-law T-200 for the 2008-2009 fiscal year.

BUDGET IMPLICATIONS

The execution of this lease will realize \$1,956 per annum in HRM revenue in 2008-2009; an increase of \$1,356 over 2007-2008.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

1. The Grants Committee could overturn the staff recommendation or amend the rental rate and specific conditions.

This action is not recommended: Given the extent of the program alignment with HRM's mandate, this type of lease would usually receive a less than market value rental rate.

2. The Grants Committee could overturn or amend the duration of lease.

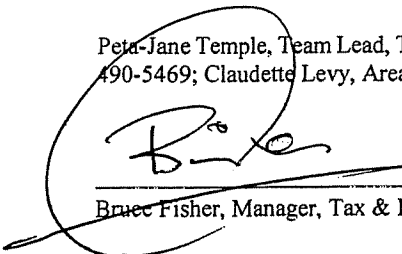
This action is not recommended: A term of 18 months provides a degree of stability for tenants while Phase III of the Bloomfield Review is undertaken. In practical terms, staff do not anticipate any substantive changes on site until the 2009-2010 fiscal year.

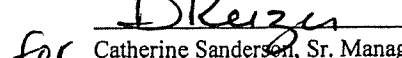
ATTACHMENTS

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Report Prepared by: Peta-Jane Temple, Team Lead, Tax, Grants & Special Projects, Tax & Fiscal Policy, HRM Finance 490-5469; Claudette Levy, Area Coordinator, HRM Community Development 490-4560.

Report Approved by: 
Bruce Fisher, Manager, Tax & Fiscal Policy, HRM Finance

Report Approved by: 
for Catherine Sanders, Sr. Manager, Financial Services, 490-1562

