



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 11.2.2

Halifax Regional Council
August 12, 2008

TO: Mayor Kelly and Halifax Regional Council

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

DATE: July 24, 2008

SUBJECT: **Property Matter: Less Than Market Value Lease - 8,500 sq. ft.
Portion of Lot OH, Crichton Avenue, Dartmouth (PID #00094573) to
Canoe Kayak Canada, Atlantic Division**

ORIGIN

Grants Committee meeting of July 7, 2008

RECOMMENDATION

It is recommended that Regional Council:

1. Approve the staff recommendation to enter into a less than market value lease agreement with Canoe Kayak Canada: Atlantic Division as per the terms and conditions set out in the Discussion section of the staff report dated June 30, 2008.

BACKGROUND

Please refer to the staff reports, attached as Attachment 1, which were approved by the Grants Committee at their Monday, July 7, 2008 meeting.

DISCUSSION

Remove the clause on page 3 of the staff report dated June 30, 2008, "In the second 5-year term, 2013-2017, a rental rate of 0.39 cents . . ." At the end of the ten year period, HRM should enter into negotiations and rent should be based on the rental rates at that time.

BUDGET IMPLICATIONS

Please refer to the staff report dated June 30, 2008, attached as Attachment 1

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

Please refer to the staff report dated June 30, 2008, attached as Attachment 1

ALTERNATIVES

Please refer to the staff report dated June 30, 2008, attached as Attachment 1

ATTACHMENTS

1. Property Matter: Less Than Market Value Lease - 8,500 sq. ft. Portion of Lot OH, Crichton Avenue, Dartmouth (PID #00094573) to Canoe Kayak Canada, Atlantic Division.

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.

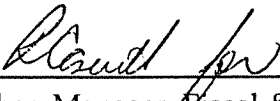
Report Prepared By: Barbara Coleman, Legislative Assistant



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

HRM Grants Committee
July 7, 2008

TO: Chair and Members HRM Grants Committee

SUBMITTED BY: 
Bruce Fisher, Manager, Fiscal & Tax Policy

DATE: June 30, 2008

SUBJECT: **Property Matter: Less than Market Value Land Lease - 8,500 sq.ft.
Portion of Lot OH, Crichton Avenue, Dartmouth (PID#00094573) to
Canoe Kayak Canada, Atlantic Division**

ORIGIN

Canoe Kayak Canada: Atlantic Division has requested a revised land lease agreement with HRM to accommodate a proposed capital project for a high performance training facility.

RECOMMENDATION

It is recommended that:

1. HRM Grants Committee approve in principle the staff recommendation to enter into a less than market value lease agreement with Canoe Kayak Canada: Atlantic Division as per the 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 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”. In accordance with the legislation and the HRM Transaction Policy (2002), the Real Property Division directs such requests through the HRM Grants Committee. A less than market value lease must be approved by two-thirds of Regional Council present and voting but a public hearing is not required.

In 2004, HRM agreed to a land license agreement with the Canadian Canoe Association: Atlantic Division (re-named Canoe Kayak Canada: Atlantic Division) for a five (5) year term for an annual lump sum payment of \$250 plus HST. The purpose of the agreement was to provide on-going maintenance for the 1,000 metre canoe race course, judge’s tower, docks and an annex building with washrooms and equipment storage. The water and washroom facilities need upgrades to increase capacity and address persistent water pressure problems. Canoe Kayak Canada want to renovate the existing two-storey wood frame building (a total area of ~2,400 sq.ft.) and build an addition. It is proposed the addition be two-storey with a concrete foundation and wood frame construction on the second floor. The addition is estimated to be ~4,000 sq.ft. The enhanced facility will provide high performance canoeing and kayak training amenities and additional off-water storage. The estimated cost of the capital work is \$500,000. Both the federal and provincial government have provided capital grants, HRM’s support will be in the form of a less than market value lease and, if approved under By-law T-200, property tax assistance.

Canoe Kayak Canada is a registered non-profit umbrella organization that comprises various paddling clubs in Nova Scotia and New Brunswick, of which nine are located in HRM¹. The development of the centre will provide access to high performance training opportunities to local athletes throughout the region and enhance the location’s ability to host regattas. The new facility will also store crew boats for the provincial team that has representation throughout the municipality.

DISCUSSION

Market Rent vs Less than Market Value: The market value rent for the land is estimated to be \$617/month or \$7,404 per annum plus HST (0.87 cents per sq.ft.)². The market value rent has not been used as a benchmark because HRM has no interest in changing the land’s zoning (Park & Institutional) or renting to business or private interests, thus diminishing its’ marketability. Instead, we have used the assessment value rent of \$561/month or \$6,732 per annum (a rate of 0.79 cents per sq.ft.).

Less than Market Value: Staff propose that the rental rate for Canoe Kayak Canada’s lease be 0.79 cents per sq.ft. but phased in over a 10-year period as follows:

¹ Abenaki Aquatic Club, Banook Canoe Club, Mic Mac Aquatic Club and Senobe Canoe Club (Dartmouth); Maskwa Aquatic Club (Halifax); Kinap Aquatic Club (Porter’s Lake); Orenda Canoe Club (Lake Echo); Cheema Aquatic Club (Waverley); Sac-A-Wa Canoe Club (Sackville).

²This value was derived from 2008-09 assessment data for land owned by the Banook Canoe Club (\$8.66 sq.ft.) plus 10% for the two years for which the assessment value lags behind market value, and a capitalization rate of Prime +2% = 9.15%.

\$1 per year for the first 5-year term 2008-2012 to recognize the capital intensive phase of the development valued at \$500,000. This represents an equivalent in-kind of \$33,660 (\$6,732 x 5 years).

In the second 5-year term, 2013-2017, a rental rate of 0.39 cents per sq.ft is used (\$3,315 per year) so as to phase in the incremental rent increase. This rate represents an additional in-kind donation of \$17,085 (\$33,660 minus \$16,575).

Any subsequent lease renewal would be at a rate of \$0.79 cents sq.ft., ie. full assessment value rent (\$561/month or \$6,732 per annum) plus HST and applicable property tax.

If approved, HRM's equivalent donation over the 10 year period of the initial lease will total \$50,745, excluding any property tax assistance.

Summary of Key Terms and Conditions (Proposed)	
Civic Address	Portion of Lot OH, Crichton Avenue, Dartmouth
Zoning	Park & Institutional
Occupancy	8,500 sq.ft.. land area
Rental Rate*	2008-2012 \$1 per year and applicable property tax. 2013-2017 \$0.39 cents per sq.ft. (\$276.25/month \$3,315 per annum) plus HST and applicable property tax.
Duration of Lease	10 years with the option to renew for a further 10 year term. The term of the lease is intended to secure a return on the tenant's capital investment.
Conditions	HRM to provide an easement over municipal lands for access to the facility and amenities located in the lake (judges tower, docks etc). No sub-leasing without the written consent of HRM. Proof of tenant liability insurance with HRM co-named.
Other	Any future removal of the built structure from the property shall be at the sole expense of the tenant.

* The estimated rental rate is based on 2008 assessment value for comparable land rental rate of \$0.79 cents per sq.ft. (\$561/month \$6,732 per annum).

Using the proposed initial rental rate of \$1 year for the first 5 year term, HRM's rent subsidy, excluding applicable property tax, would be \$6,732 per annum (\$0.792 cents per sq.ft. x 8,500 sq.ft.).

In the second 5 year term of the lease at \$0.39 sq.ft. HRM's rent subsidy, excluding any applicable property tax, would be \$3,417 per annum (\$0.402 cents per sq.ft x 8,500 sq.ft) .

Presently, the entire parcel of land is not assessed for property tax. HRM will request an assessment for the leased portion only for the 2009-2010 tax roll. Application for tax assistance has been made under By-law T-200.

BUDGET IMPLICATIONS

Presently, the association pays \$250 per annum rent; if this rental rate continued under the new land lease agreement the total revenues over a 10 year period would be \$2,500. However, the prior lease will be revoked to indicate the enlarged land area and specific terms and conditions.

If approved, the proposed new lease agreement will reduce HRM's rental revenue by \$1,250 (\$250 x 5 years) for the first 5 years of the lease, but in the second 5 years of the term revenue will increase by \$16,575 (\$3,315 x 5 years), for a total net increase over the 10 year lease of \$14,075.

The execution of a lease to a third party will change the land's tax status from Exempt to Commercial.

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 HRM Grants Committee could overturn or amend staff's recommendation and direct staff to negotiate a market value lease with Canoe Kayak Canada: Atlantic Division.

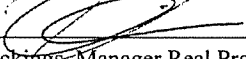
This action is not recommended: fair market value would be lower than a competitive market rate because of HRM's interest in retaining ownership of the land and keeping the Park & Institutional zoning; this decreases both marketability and price. Staff feel there is public benefit in retaining ownership of the land while also assisting in the development of local sport performance and hosting capabilities.

ATTACHMENTS

1. Site Map Lot OH, Crichton Avenue, Dartmouth.

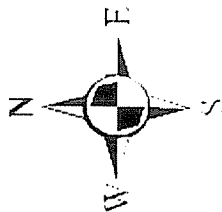
A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Peta-Jane Temple, Team Lead Tax, Grants & Special Projects, Tax & Fiscal Policy, HRM Finance 490-5469; Carla Thistle, Real Estate Officer, HRM Transportation & Public Works; Terry Gallagher, Coordinator Capital Projects, HRM Infrastructure & Asset Management.

Report Approved by: 
Peter Stickings, Manager Real Property, HRM Transportation & Public Works

Attachment 1
Site Map

8,500 sq. ft. of Lot OH
Crichton Avenue
Dartmouth, NS



This map was produced for the internal use
of Halifax Regional Municipality (HRM).
HRM does not assume liability for a more or
less exact. Date of map is not to be taken as
the date of data creation.
Date: June 25, 2008.
Prepared by: T. Mills

