




P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 11.4.2**  
**Halifax Regional Council**  
**October 25, 2011**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**  Original Signed  
Councillor Russell Walker, Chair, Grants Committee

**DATE:** October 3, 2011

**SUBJECT:** Less than Market Value Lease – Lake Echo Lions Club

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**ORIGIN**

The October 3, 2011 Grants Committee meeting and staff report dated August 8, 2011.

**RECOMMENDATION**

It is recommended that Halifax Regional Council authorize the Mayor and Municipal Clerk to enter into a less than market value lease agreement with the Lake Echo Lions Club for a portion of the premises located at 3168 Highway #7, Lake Echo, as per the key terms and conditions set out in Table 1 of the Discussion section of the August 8, 2011 staff report.

## **BACKGROUND**

As per the August 8, 2011 staff report attached to this report as Attachment 1.

## **DISCUSSION**

As per the August 8, 2011 staff report attached to this report as Attachment 1.

## **BUDGET IMPLICATIONS**

As per the August 8, 2011 staff report attached to this report as Attachment 1.

## **FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**

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

## **COMMUNITY ENGAGEMENT**

The Grants Committee is comprised of six (6) citizen representatives and six (6) elected officials representing each of the Community Councils.

## **ALTERNATIVES**

1. Regional Council may choose not to authorize the less than market value lease agreement with the Lake Echo Lions Club for a portion of the premises located at 3168 Highway #7, Lake Echo. This is not the recommended option.

## **ATTACHMENTS**

1. The August 8, 2011 staff report.

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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: (Chris Newson, Legislative Assistant, 490-6732)

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**HRM Grants Committee**  
**October 3, 2011**

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

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Brad Anguish, Director, Community & Recreation Services

**DATE:** August 8, 2011

**SUBJECT:** **Property Matter: Proposed Less than Market Value Lease to the  
Lake Echo Lions Club**

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**ORIGIN**

This report originates with HRM staff following receipt of a notice of intent filed by the Lake Echo Lions Club to terminate their management agreement with HRM for the Lake Echo Community Centre effective September 30, 2011. The Lake Echo Lions Club wishes to remain in the premises as a tenant under a lease agreement for their exclusive space.

**RECOMMENDATION**

It is recommended that the HRM Grants Committee recommend that Halifax Regional Council authorize the Mayor and the Municipal Clerk to enter into a less than market value lease agreement with the Lake Echo Lions Club for a portion of the premises located at 3168 Highway #7, Lake Echo, as per the key terms and conditions set out in Table 1 in the Discussion section of this report.

## **BACKGROUND**

HRM has accepted the Lake Echo Lions Club termination and acknowledge their years of dedicated service with the operation and management of this facility. For many years, the Lake Echo Lions Club provided two functions for the community of Lake Echo; the pursuit of the Lions mission and the provision of a community centre open to the public. The Lions Club has decided that it can no longer continue to be effective in both roles and they wish to continue the work of a Lions Club using a dedicated space on the ground floor of the community centre.

HRM assumed operation of the facility on October 1, 2011. It is intended that HRM operate the facility until a new Board is positioned to take over the facility through a Facility Lease Agreement. There are several advantages to having the Lake Echo Lions Club as a tenant: they are experienced in operating the facility and this will help provide a smooth transition of facility operations to HRM and then to a new board, and the facility's operating budget will benefit from stable rental revenue and any additional room rentals.

During their tenure as facility operators, the Lions Club built and had exclusive use of 1,045 square feet on the building's main level at no cost for building operations and management, and to use as a clubhouse. The Club would like to continue to have exclusive use and lease this portion of the premises. Any use of additional public space would be via room rentals at the regular hourly rate. To accommodate events and activities which are already booked for the Fall, the Lions and Lioness' have agreed to HRM's request to continue to provide their bar and catering services for the facility in the interim.

## **DISCUSSION**

### **Property Ownership History**

Incorporated in 1974, the Lake Echo Recreation Association entered into a 10-year lease agreement with the Province of Nova Scotia the following year (1975) for use of the land located at 3168 Highway #7, Lake Echo. The lease included an option to renew for an additional 10-year term "...subject to the proposed development of a recreational area". The lease permitted construction of buildings or amenities to further the recreational use of the land; such structures were to be removed or default to the Province's ownership at the expiry of the lease. In 1986, the Province acquired an abutting parcel of land from a private owner and consolidated with the existing land to create the current property.

In 1990, the former Halifax County acquired title from the Province of Nova Scotia for the nominal sum of \$1 conditional on the use of the lands for recreational purposes. The Agreement of Purchase and Sale it is stated that if the land is not used for recreational purposes, it shall revert back to the Province of Nova Scotia. This is an important consideration in the future operation of the facility and perhaps tenancy, or a substantive portion thereof.

No lease agreement between the former Halifax County and the Lake Echo Recreation Association appears to be on file. In 1990, the Municipality of the County of Halifax and Lake Echo Lions Club entered into an indenture for a period of ten years with a renewal option of ten years. In 1995, the Lake Echo Recreation Association's registration defaulted suggesting the organization may have ceased operations. In 1996, amalgamation vested title in Halifax Regional Municipality and in 1999 HRM entered into a "property management agreement" with the Lake Echo Lions Club (Minutes, Regional Council, December 4, 2001):

### **Change in Property Tax Status**

Over the course of 37 years, changes in ownership, leasing agreements, and facility management agreements have impacted the taxable status of the property. Under the management agreement, the Lake Echo Lions' Club was responsible for property taxes. However, they had applied for and were successful in receiving tax exemption under HRM's Grants Program. As a consequence of the dissolution of the management agreement, the property will be removed from By-law T-200 under this year's *Tax Exemption for Non-Profit Organizations Program*. With management of the property reverting to HRM, the building will become Commercial Exempt, excluding any portion leased to a third party. Hence, the Lions Club will pay tax but only on that portion of the premises they lease.

### **Transition of Programming and Operation**

During their tenure as facility operators, the Lion's Club provided services which were typically socially-oriented (ie weddings, bingos, etc). HRM provided minimal programming at the centre to supplement the services provided by the Lion's Club. This programming ranged from youth activities and day camps to arts & crafts activities. HRM will continue to seamlessly provide programming at this location until the Board structure is in place, at which time, HRM will work with the Board to ensure appropriate programming is offered. Staff have initiated the process for creation of the Board and it is expected that it will take approximately 6 months for the Board to be recruited and fully operational.

Given the Club's over twenty year tenure in the provision of local recreation amenities, and their prior contractual agreements with HRM, a less than market value lease agreement will provide stability for the Club, HRM, and members of the general public. The proposed terms and conditions are summarized in Table 1.

<b><i>Property- Civic Address</i></b>	3168 Highway # 7, Lake Echo PID (40164337)
<b><i>Landlord</i></b>	Halifax Regional Municipality
<b><i>Tenant</i></b>	Lake Echo Lions Club

<b>Commencement Date</b>	October 1, 2011
<b>Term</b>	2 years (October 1, 2011 – September 30, 2013)
<b>Rental Rate</b>	\$8.00 psf
<b>Area and Location</b>	1,045 square feet on the main level
<b>Monthly Payment</b>	$(\$8.00 \times 1,045\text{sf} = \$8,360 / 12) = \$696.67 + \text{HST}$ per month
<b>Insurance</b>	<p>Tenant is to maintain \$5 million insurance policy approved by HRM which is to include liquor coverage. HRM and the new community board (when facility is transitioned to a new board) are to be named on the policy as additionally insured.</p> <p>HRM will continue to maintain the property insurance.</p> <p>The tenant is also responsible for content insurance for their assets.</p>
<b>Notice</b>	<p>This agreement can be cancelled by either party, upon receipt of three (3) months written notice by the other.</p> <p>The Landlord may terminate this Lease Agreement at any point of the term upon giving three (3) months written notice to the Tenant, if the Municipality decides to sell, redevelop, renovate or change the Municipal use of the Leased Premise.</p>
<b>Specific Conditions</b>	<p>HRM has the right to assign the lease.</p> <p>The tenant (Lake Echo Lions Club) shall be responsible for payment of property tax based on their proportional share of occupancy once this lease is executed.</p> <p>Lions' Club agrees to continue catering service during the transition.</p>

**BUDGET IMPLICATIONS**

Starting October 1, 2011, and until a new board is in place, monthly lease payments of \$696.67 +HST and any other room rentals received from the Lake Echo Lions Club will be included as revenue in HRM operating account D620 which will offset the annual amount of \$6.00 per square foot which will be transferred to TPW for the operation and maintenance of the facility during the transition period.

Any exclusive use leases will be subject to payment of Commercial property tax for their portion of the premises. The Lake Echo Lions Club will be subject to property tax once this lease is executed.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

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

**COMMUNITY ENGAGEMENT**

Not applicable. The proposed less than market lease agreement with the Lake Echo Lions Club is a formal acknowledgement of HRM's relationship with the former operator and is part of a transitional process intended to secure a new operating agreement with a third party.

**ALTERNATIVES**

1. The HRM Grants Committee could recommend that Regional Council overturn or amend the staff recommendation. This action is not recommended as retention of the Lake Echo Lions Club as a tenant is a complementary fit given their long-standing tenure and will allow for continuity during the transition period to a new community board. The proposed lease rental rate is consistent with similar less than market lease agreements.

**ATTACHMENTS**

None.

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

Report Prepared by : Tara Legge, Community Facility Service Delivery Coordinator, 490-8442  
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Original Signed

Report Approved by: Denise Schofield, Manager, Community Partnerships

Original Signed

Financial Approval by: James Cooke, CGA, Director of Finance/CFO, 490-6308

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