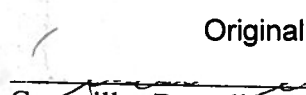


Item No. 11.6.1
Halifax Regional Council
March 19, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:


Councillor Russell Walker, Chair, Grants Committee

DATE: March 5, 2013

SUBJECT: Property Matter: Less than Market Value Lease: Canada Games Centre-
Canadian Sport Centre Atlantic

ORIGIN

The March 4th, 2013 Grants Committee meeting and August 12, 2008 Committee of the Whole Motion regarding the Mainland Common Centre Complex which included a provision for leased space for Canadian Sport Centre Atlantic (CSCA) to be included in the Canada Games Centre.

LEGISLATIVE AUTHORITY

HRM Charter, Section 63

RECOMMENDATION

The Grants Committee recommends Halifax Regional Council Halifax Regional Council approve the above noted lease, with terms and conditions as outlined in Table 1 of the February 11, 2013 staff report.

BACKGROUND

As per the February 11, 2013 staff report.

DISCUSSION

The Grants Committee reviewed and discussed the Property Matter: Less than Market Value Lease: Canada Games Centre-Canadian Sport Centre Atlantic report at the March 4, 2013 meeting.

FINANCIAL IMPLICATIONS

As per the February 11, 2013 staff report.

COMMUNITY ENGAGEMENT

The Grants Committee is comprised of six (6) citizen representatives and six (6) elected officials representing the three Community Councils. The Grants Committee meetings are open to the public.

ENVIRONMENTAL IMPLICATIONS

None indicated.

ALTERNATIVES

1. The Grants Committee did not provide an alternative. See February 11, 2013 staff report.

ATTACHMENTS

- 1 Less than Market Value Lease: Canada Games Centre-Canadian Sport Centre Atlantic – February 11, 2013

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: Quentin Hill, Legislative Assistant, 490-6732

Grants Committee
March 4, 2013

TO: Chair and Members of Grant Committee

SUBMITTED BY: Original Signed
Brad Anguish, Director, Community and Recreation Services

DATE: February 11, 2013

SUBJECT: **Property Matter: Less than Market Value Lease: Canada Games
Centre-Canadian Sport Centre Atlantic**

ORIGIN

August 12, 2008 Committee of the Whole Motion regarding the Mainland Common Centre Complex which included a provision for leased space for Canadian Sport Centre Atlantic (CSCA) to be included in the Canada Games Centre.

LEGISLATIVE AUTHORITY

HRM Charter; Section 63

RECOMMENDATION

It is recommended that the Grants Committee recommend that Halifax Regional Council approve the above noted lease, with terms and conditions as outlined in Table 1 of this report.

BACKGROUND

The Canada Games Centre (CGC) was constructed for the 2011 Canada Winter Games and subsequently opened to the public in March 2011. In addition to active living opportunities, the CGC provides a new centre for sports training and competition. The main features of the building include an aquatic centre, field house, running track, community and activity spaces, fitness centre, and dedicated leased space.

Dedicated leased space was included in the plans for the facility, once it was decided that the facility would become a Canada Games legacy facility within HRM. Initial leased space in the facility included: a cafe service provider, a sports medicine provider, and Canadian Sport Centre Atlantic (CSCA). Inclusion of the CSCA within the CGC formed part of the original business plan for the facility and was outlined as a requirement in the agreement for federal funding. Subsequently, the Regional Council report presented in August 2008 for the approval of the facility also outlined inclusion of the CSCA.

Canadian Sport Centre Atlantic has been a partner in the operation of the CGC since its initiation. CSCA is part of a national network of sport performance centres that share the following objectives:

- To support the achievement of high performance sport excellence by Canadian athletes, including athletes with a disability, through fair and ethical means, in a harassment-free environment;
- To contribute to the holistic development of high performance athletes;
- To provide an enriched training environment in key locations across the country;
- To promote the profession of coaching; and
- To stimulate sport development across the country.

Canadian Sport Centers (CSCs) were created in partnership with Sport Canada, the Canadian Olympic Committee, the Coaching Association of Canada and the provincial governments. Beginning with the CSC Calgary in 1994, the Canadian Sport Centre network has now expanded to include: Montreal, Ontario, Manitoba, Saskatchewan, Pacific Sport and Atlantic Canada.

Partnerships at both the national and provincial levels are important for the development of a sustainable Canadian sport system. Support is provided for only one CSC per province or region of provinces/territories. The CSCA located at the Canada Games Centre serves the Atlantic Region. In addition to the high performance sport community, Sport Centre Atlantic provides services to the CGC membership and the regional community.

DISCUSSION

During the implementation of the CGC facility, the original lease for the CSCA was negotiated and approved by a former Chief Administrative Officer, consistent with standard lease agreements. However, the lease agreement was not executed. The terms of the lease agreement with CSCA would be considered below-market value at \$12.00 per square foot, as market lease rates for commercial spaces are approximately \$15.00 per square foot. As such, the lease

agreement requires recommendation of the Grants Committee and approval of 2/3 majority of Regional Council, pursuant to the *HRM Charter*.

During the original discussions related to partnering with CSCA, it was anticipated that initial lease costs would be reduced while the facility was becoming established. It was expected that the partnership between CSCA and CGC would aid in the establishment of the facility and, as such, the negotiated rent takes into consideration operating costs of the space and commitments to other government levels for their contributions to capital funding to support the high performance sport component of the facility. Overall, the financial and operating performance of the facility is dependent upon being able to secure long term revenue sources for leased space such as Canadian Sport Centre Atlantic. The original partnership contemplated a long term relationship between CSCA and CGC.

In addition to the consistent lease revenue, location of the CSCA at the CGC is beneficial to both parties. CSCA regularly rents additional portions of the CGC facility for specific training of their clients. These additional rentals provide extra revenue for the CGC. The CSCA is currently exploring options to become a Paralympics training site which, if successful, will further enhance the relationship between the CSCA and the CGC.

The management of the CGE facility is governed by a Board of Directors, similar to other multi-district facilities. Therefore the CGC Board of Directors will be responsible for managing the current lease and negotiating future leases with the CSCA on HRM's behalf. It should be noted that should CGC negotiate a less than market value lease in future, the lease will require approval of 2/3 majority of Regional Council, pursuant to the *HRM Charter*. Since the proposed lease is retroactive to January 2011 and the CGC facility is only in its second year of public operation, it is recommended that a 3 year lease be approved until 2014 to allow for full reporting and understanding of all costs prior to negotiating new lease terms.

The key terms and conditions of the lease are as follows:

Table #1

Property & Civic Address	26 Thomas Raddall Drive
Zoning & PID	K (use related to recreation) 40796005
Landlord	Halifax Regional Municipality, or assignee, CGC Board of Directors acting as Agents for HRM
Tenant	Canadian Sport Centre Atlantic
Commencement Date	January 1, 2011
Term	Three (3) years (January 1, 2011 to December 31, 2014)

Annual Rental Rate	\$63,672 + HST, Years 2 and 3 will include an annual increase determined by the CPI
Additional Rent	The tenant will be responsible for the payment of their proportionate share of the property taxes.
Rental Rate per Square Foot	\$12.00
Square Footage	5,306 sf
Renewal Option	Up to five (5) years at a rental rate to be negotiated between the parties.
Specific Conditions	1. Tenant is responsible for all costs associated with any fit-ups and the tenant must have written approval for any changes to the building. 2. Tenant is to maintain a minimum of \$2 million liability insurance and HRM is to be named as additionally insured.

COMMUNITY ENGAGEMENT

There was extensive community consultation leading to the final design and the program activities of the facility prior to the construction of the Canada Games Centre.

ENVIRONMENTAL IMPLICATIONS

None identified.

FINANCIAL IMPLICATIONS

As per the terms and conditions listed above, the annual revenue of \$63,672 + HST generated from the first year of this lease agreement will be collected and recorded by the Canada Games Centre and contribute to the overall operations of the facility in achieving its projected budget. Each year thereafter, the revenue will increase by the Consumer Price Index (CPI); unless the CPI shows a decrease in any given year whereby the annual revenue will be the same amount as the prior year.

ALTERNATIVES

1. The Grants Committee could recommend that Regional Council not approve the below market lease for the CSCA within the Canada Games Centre. If this be the recommendation, the Grants Committee should also recommend that Regional Council direct staff to enter into renewed negotiations with the CSCA.
2. The Grants Committee could direct staff to work with the CGC Society to negotiate different terms.

ATTACHMENTS

None

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: Michael Ryan, Manager, Facility Partnerships, 490-1585

Report Approved by: **Original signed**
Denise Schofield, Manager, Regional Recreation & Culture, 490-6252

Report Approved by: **Original Signed**
Marian Tyson, Acting Director, Legal Services & Risk Management, 490-4226

Original Signed
Financial Approval by: Greg Keefe, Director of Finance and Information Technology, 490-6308
