

Item No. 11.3.2
Halifax Regional Council
February 25, 2014

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY: _____
for: Councillor Walker, Chair and Members of HRM Grants Committee

DATE: February 14, 2014

SUBJECT: Proposed Less Than Market Value Lease – Canada Games Centre

ORIGIN

Staff recommendation approved at the February 3, 2014 HRM Grants Committee meeting.

LEGISLATIVE AUTHORITY

HRM Charter (2008) Section 63 (1) respecting less than market value leasing of municipal property.

RECOMMENDATION

The HRM Grants Committee recommends that Halifax Regional Council enter into a less than market value lease agreement with the Canadian Sports Centre Atlantic, with terms and conditions as outlined in Table 1 of the November 26, 2013 staff report.

BACKGROUND

A staff report dated November 26, 2013 “Property Matter: Proposed Less Than Market Value Lease – Canada Games Centre” was presented to the HRM Grants Committee on February 3, 2014.

Refer to the ‘Background’ section of the staff report for further information on the proposed lease.

DISCUSSION

The Grants Committee reviewed and discussed the November 26, 2013 staff report at the February 3, 2014, Grants Committee meeting.

Staff clarified the following at the request of the Committee:

- HRM does not pay property taxes on HRM owned and operated properties, although under the Assessment Act, if HRM owns a property and leases a portion of it, the leased portion of the assessment would be taxable. The leaseholder is responsible for the payment of their proportional share of the property taxes, which would be assessed by Property Valuation Services Corporation Nova Scotia.
- Holding a less than market value lease has no effect on the property tax rate for the leased space.
- The market value rental rate for the leased space would be \$16/sq. ft. The less than market value agreement proposes a rental rate \$14/sq. ft. plus HST.
- This will be the second time that Council will be considering this lease, so the leased space has already been added to the property tax roll. The leaseholder has not previously applied for a property tax exemption.

The staff recommendation was approved that the HRM Grants Committee recommend that Halifax Regional Council enter into a less than market value lease agreement with the Canadian Sports Centre Atlantic, with terms and conditions as outlined in Table 1 of the November 26, 2013 staff report.

FINANCIAL IMPLICATIONS

As outlined in the November 26, 2013 staff report.

COMMUNITY ENGAGEMENT

The Grants Committee consists of four (4) members of Regional Council as well as six (6) members of the general public. Grant Committee meetings are open to the public. Agendas, minutes and reports are available on the HRM website.

ENVIRONMENTAL IMPLICATIONS

None identified.

ALTERNATIVES

Refer to alternatives set out in the Alternatives section of the November 26, 2013 staff report.

ATTACHMENTS

1. Staff recommendation report dated November 26, 2013 “Property Matter: Proposed Less Than Market Value Lease – Canada Games Centre”

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: Jennifer Weagle, Legislative Assistant, 490-6517

**HRM Grants Committee
February 3, 2014**

TO: Chair and Members of HRM Grants Committee
Original signed

SUBMITTED BY: Brad Anguish, Director, Community & Recreation Services
Original signed

Greg Keefe, Director of Finance & ICT/CFO

DATE: November 26, 2013

SUBJECT: **Property Matter: Proposed Less Than Market Value Lease - Canada Games Centre**

ORIGIN

The expiration of an existing lease between Halifax Regional Municipality (Canada Games Centre Society-Halifax) and Canadian Sports Centre Atlantic, December 31, 2013.

LEGISLATIVE AUTHORITY

HRM Charter s.63 (1) respecting less than market value leasing of municipal property.

RECOMMENDATION

It is recommended that the HRM Grants Committee recommend that Halifax Regional Council enter into a less than market value lease agreement with Canadian Sports Centre Atlantic, 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 not executed. The terms of the lease agreement with CSCA were considered below-market value and, as such, the lease agreement required recommendation of the Grants Committee and approval of 2/3 majority of Halifax Regional Council, pursuant to the *HRM Charter*. As a result,

on March 19, 2013, Regional Council approved a 3 year less than market value lease retroactive to January 1, 2011 which expires on December 31, 2013.

The facility is managed on HRM's behalf by the Canada Games Centre Society (Halifax). The Board of Directors will be responsible for managing the lease and negotiating any future leases with the CSCA in consultation with HRM. However, pursuant to the *HRM Charter*, any less than market value lease negotiated by CGC still requires 2/3 majority of Regional Council.

The original partnership contemplated a long term relationship between CSCA and CGC as part of the Canada Games legacy. 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. This additional rent provides extra revenue for the CGC.

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

Table 1

Civic Address	Portion of Canada Games Centre – 26 Thomas Raddall Drive, Halifax
Zoning	K (use related to recreation) PID #40796005
Landlord	Halifax Regional Municipality/Canada Games Centre Society (Halifax)
Tenant	Canadian Sports Centre Atlantic
Area and Location	+/- 5,306 sq. ft. on second level Fieldhouse
Rental Rate	2014 - \$14.00 sq. ft. plus HST 2015 - \$16.24 sq. ft. 2016 - \$16.48 sq. ft. 2017 - \$17.72 sq. ft. 2018 - \$17.98 sq. ft.
Tax Status	The tenant will be assessed and responsible for payment of their proportional share of property taxes
Specific Conditions	The tenant shall: <ul style="list-style-type: none"> • maintain registered non-profit status with the Nova Scotia Registry of Joint Stocks; • not assign the lease without HRM's written consent; • maintain \$5 million insurance policy approved by HRM with HRM named as co-insured. HRM will continue to maintain property insurance; • remove all fixtures and furnishings at their sole expense in the event of dissolution, termination, or expiry of the lease agreement without renewal; • leasehold improvements require HRM's consent to conform to building and fire code regulations;

	<ul style="list-style-type: none">• pay any HRM expenses directly related to the execution of this lease agreement (survey, lease registration, fees, etc.).
Term	5 Years (January 1, 2014 - December 31, 2018)
Commencement Date	January 1, 2014
Permitted Use	Administrative office and training amenities

FINANCIAL IMPLICATIONS

Based on current comparative market values, excluding taxes, an annual base rental rate for the facility space would be \$16.00 sq. ft., (2013 values). Therefore, the 2014 rental rate of \$14.00 sq. ft. included in the proposal makes it a less than market value lease. Thereafter, the common area rental rate will increase annually by 2%. Based on non-residential use, the assessment classification will be commercial and shall apply only to the space exclusively occupied by the tenant (e.g. excludes common areas which remain exempt commercial).

As per the terms and conditions detailed in Table 1, the annual revenue of \$74,284 + HST generated from the first year of this lease agreement (and subsequent amounts) will be collected and recorded in the Canada Games Centre accounts and contribute to the overall operations of the facility in achieving its projected budget. This lease represents \$437,320 in revenue over the 5 year term.

COMMUNITY ENGAGEMENT

The Grants Committee is comprised of six (6) councillors and six (6) members of the general public. Meetings are open to the general public with agenda and minutes available online.

ENVIRONMENTAL IMPLICATIONS

None identified.

ALTERNATIVES

1. The Grants Committee recommend that Halifax Regional Council not approve the less than market value lease recommendation and direct staff to pursue a market value lease. This option is not recommended for the reasons outlined in the report.
2. The Grants Committee could direct staff to work with the Canada Games Centre Society to negotiate different terms. This is not recommended for the reasons outlined in the report.

ATTACHMENTS

1. Memo to HRM from Gary Furlong, Manager, Canada Games Centre, dated November 8, 2013
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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.html> then choose the appropriate committee and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Shawn West, Multi District Facility Coordinator, 490-3956
Peta-Jane Temple, Grants & Contributions, Finance 490-5469
Michael Ryan, Manager Facility Partnerships, 490-1585

Original signed

Financial Approval by: _____
Bruce Fisher, Manager, Financial Policy & Planning, 490-4493

Original signed

Report Approved by: _____
Denise Schofield, Manager, Regional Recreation & Culture, 490-6252



TO: Shawn West, Multi-District Facilities Coordinator, HRM

FROM: Gary Furlong, General Manager, Canada Games Centre

DATE: November 8, 2013

SUBJECT: **Canada Games Centre Lease Renewal - Canadian Sport Centre Atlantic (CSCA)**

I write to HRM seeking approval of the CSCA lease within the Canada Games Centre. Based upon our Interim Agreement with HRM the CGC Society is not able to enter into any lease or contract affecting the CGC with a term of in excess of 90 days on behalf of HRM, unless HRM has provided prior written approval of such agreement. We are seeking to enter into a 5 year lease with CSCA; therefore we need approval from HRM as stated above.

Dedicated leased space was included in the plans for the Canada Games Centre (CGC), once it was decided that the facility would become a Canada Games legacy facility within HRM. The CGC currently has three tenants within: Subway Atlantic, Lifemark Health, and 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. The lease with the CSCA is an integral part of our operation not only for revenue sources but for the opportunity to have our best athletes train in the Centre and interact with our members and users on a daily basis. These athletes provide inspiration for our members young and old.

Since the athletes have been training at the Canada Games Centre there has been an increase in podium performances and higher placing's from its athletes in the Canada Games, sport specific National and international events from a wider variety of sports than in the past.

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 as a not for profit entity 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 Halifax in 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.

FOR CONSIDERATION

The recommended 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.

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 generating additional \$10,000 - \$12,000/ year revenue based upon the first 3 years of CSCA being a tenant. The additional rentals provide extra revenue for the CGC on top of the lease agreement being recommended. The CSCA has a hybrid of office and fitness space within the CGC to support its operation and support of high performance athletes.

In the initial lease the CSCA paid \$12 per sq. foot with an increase tied to the Municipal Price Index (MPI)

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

Lease Term:	Five (5) years
Commencement Date:	January 1, 2014 – December 31, 2018
Sq. ft Rented:	+/- 5,306 sf gross rentable area
Annual Rent:	2014 - \$14.00 sqft; 2015 - \$16.24 sqft 2016 - \$16.48 sqft; 2017 - \$17.72 sqft 2018 - \$17.98 sqft
Payment Frequency:	Monthly
Gross Rent over term:	\$437,019
Parking:	Parking lot available onsite
Cleaning:	Fee for service provided by CGC at present at a rate of \$22.00/hr for 7.5 hours per week

Recommendation: The Canada Games Centre Society (Halifax) Board of Directors recommends the financial terms of the lease be approved by HRM Regional Council as per the terms and conditions of our Interim Agreement.

If you require further information please contact me at your earliest convenience.