

DECLASSIFIED

Halifax Regional Council  
October 8th, 2002  
IN-CAMERA

*November 12, 2002*

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

*L. James Hobin*  
Jim Hobin, Chair, HRM Grants Committee

DATE: August 28, 2002

SUBJECT: **Property Matter: Sale of 385 Cow Bay Road, Eastern Passage to Eastern Passage United Baptist Church**

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**PRIVATE AND CONFIDENTIAL**

**ORIGIN**

In September, 1998, the HRM-owned property located at 385 Cow Bay Road, Eastern Passage was declared surplus and staff were authorized to enter negotiations with the long-term tenant, Eastern Passage United Baptist Church, for the sale of the property.

**RECOMMENDATION**

It is recommended that Regional Council:

1. Authorize the Mayor and Municipal Clerk to enter into an Agreement of Purchase and Sale whereby the property located at 385 Cow Bay Road, Eastern Passage be conveyed to the Home Mission Board of the United Baptist Church Convention of the Atlantic Provinces and the Eastern Passage United Baptist Church for the sum of \$43,560 plus cost of sale expenses estimated to be \$3,500, subject to the terms and conditions set out in the discussion section of this report.
2. Approve in principle to proceed to a public hearing.
3. Approve immediate release of this report to the general public.

**PLEASE RETAIN FOR PUBLIC HEARING**

## BACKGROUND

The former South East Passage School was used by the former Municipality of Halifax County as a Recreation office prior to vacating the premises in October, 1993. In November of the same year the property was leased to the Eastern Passage United Baptist Church for a sum of \$1/year for 10 years with the option to renew for a further 10 years. No property taxes have been collected because a church or "place of worship" is tax exempt under the Assessment Act.

At the meeting of Regional Council September 1, 1998, the property was declared surplus to the Municipality's requirements and staff were authorized to negotiate the sale of the property to the tenant. In July, 1999, the Eastern Passage United Baptist Church proposed a purchase price of \$15,000 based on their investment of capital to the value of \$95,000 and anticipated future capital expenditures for accessibility, repairs, paving of the parking lot, and interior decorating.

In negotiating a proposed selling price, staff have taken into consideration the following:

1. At the time the church assumed tenancy (1993) the building was in very poor condition and had numerous building code violations. The value of the building portion of the property is therefore a consequence of the capital investments made by the church not HRM.
2. An independent appraisal of the value of the land portion of the property is \$43,560.
3. The term of the tenancy (10 years with the option to renew for a total of 20 years).
4. Elimination of HRM's exposure to re-capitalization, release from further liability, and a reduction in HRM's leased portfolio.

## DISCUSSION

An appraisal conducted in 2002 for HRM by the Altus Group determined the property value to be \$150,000, and "highest and best use" was continued use by a church or community organization. The land portion of the property is valued at \$43,560 and the balance of the appraised value is in the building structure. Since their tenure began the church have invested approximately \$95,000 in repairs and capital upgrades. Documentation to support this investment has been provided as part of the negotiation process. The tenant assumed all operating expenses as per the terms of the lease.

Staff recommend a sale of the property to the present tenant based on (a) full compliance with the terms and conditions of the lease, (b) capital investment of \$95,000, (c) long-term tenancy, and (d) the demonstrated ability to operate the facility independent of the Municipality. The proposed sale price of \$43,560 is the appraised value of the land and has been secured by the Home Mission Board of the United Baptist Church of the Atlantic Provinces. Hence, in the Agreement of Purchase and Sale ownership shall appear in the names of both the Mission and the Eastern Passage United Baptist Church.

### **Key Terms and Conditions:**

#### **Cost of Sale Recovery:**

HRM Real Property Services shall be compensated for any expenses incurred in appraisal fees, legal fees, site survey etc as applicable. There shall be no cost for staff labour.

**Property Taxes:**

If used solely as a place of worship a church is not subject to property tax as per the Assessment Act (1998). Once title has been transferred, the Nova Scotia Assessment Services Division shall assess the property's tax classification.

**Zoning:**

The property is zoned P-2 (Community Facility) therefore the current use conforms with the present zoning. No zoning amendment is required.

**Public Consultation:**

A public hearing before Regional Council shall be required.

**COMMUNITY IMPACTS**

Independent operations for a local church who want to make further investments in the property to attract new members to the congregation.

**BUDGET IMPLICATIONS**

A reduced liability for HRM and the generation of sales revenue to be deposited in the Sale of Land account.

**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 other relevant legislation.

Under Section 51 of the Municipal Government Act (1998) any sale of property for less- than- market value, exceeding \$10,000, must have the approval of two-thirds of Regional Council's voting members present. A public hearing is required.

**ALTERNATIVES**

Regional Council could:

1. Retain the property and continue to lease for an annual rental income of \$1/year. If renewed for a further 10 year term, as per the original lease agreement, the lease would expire in 2013.

This action is not recommended. The property realizes no rental income or property tax revenue. By divesting itself of the ownership HRM has provided a long-term tenant with the right of first refusal to purchase the property at a price commensurate with the value of the land. There has been no capital or operating investment by HRM.

2. Invite competing bids through a market sale.

This action is not recommended. The appraised value of \$150,000 includes the building which has increased in value exclusively as a result of the church's financial investment and market conditions. While HRM has the legal right to pursue a market transaction, staff recommend the right of first refusal be offered the present tenant based on their long-term tenure and responsible stewardship.

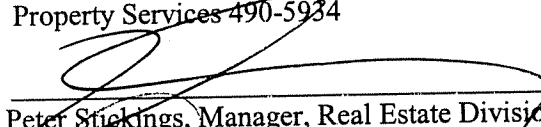
ATTACHMENTS

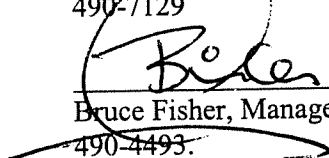
- A. Site Map
- B. Photographs

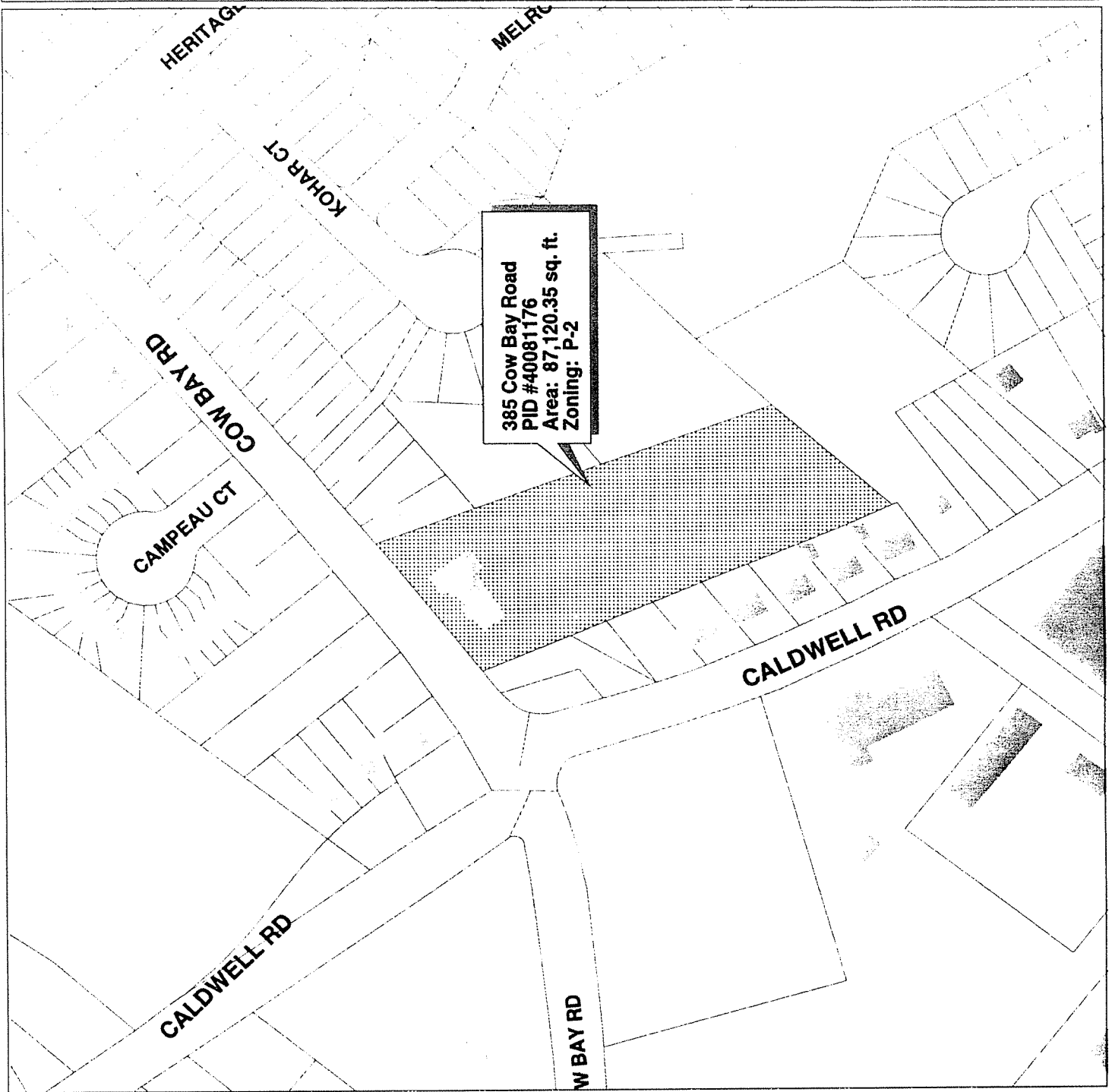
Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or Fax 490-4208.

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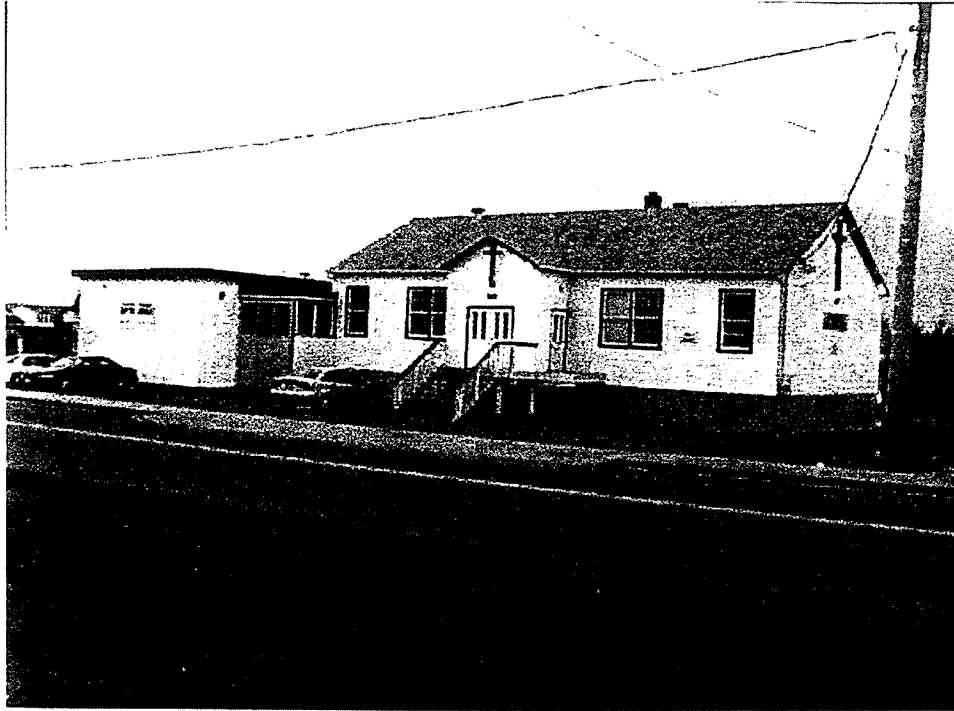
Approved By:

  
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**ATTACHMENT "B"**  
**385 Cow Bay Road, Eastern Passage**  
**SITE PHOTOGRAPHY**



Front View of 385 Cow Bay Road



Rear View of 385 Cow Bay Road