

Lease of City Property at 1700 Elphinstone Street

Date	December 9, 2020
To	Executive Committee
From	City Planning & Community Development
Service Area	Office of Executive Director (City Planning & Community Development)
Item No.	EX20-39

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Approve the proposed 40-year lease agreement between the City of Regina and McDonald's Restaurants of Canada Limited as outlined in the body of this report.
2. Authorize the City Manager, or his designate, to resolve and approve the final terms and conditions of the lease agreement as outlined in the report.
3. Authorize the City Clerk to execute the lease agreement documents after review by the City Solicitor.
4. Approve these recommendations at its December 16, 2020 meeting, after giving the required public notice in accordance with *The Public Notice Policy Bylaw, 2020*.

ISSUE

At its July 29, 2020 (CR20-66) meeting, City Council approved the discretionary use application for development of a Restaurant, Food and Beverage located at 1700 Elphinstone Street, being a portion of block FF, Plan No. 84R29489 Ext 1, in Evraz Place. To allow for McDonald's Restaurants of Canada Limited (McDonald's) to occupy the site, the City of Regina (City) must enter into a lease agreement with McDonald's.

IMPACTS

Financial Impact

McDonald's will be responsible for the cost of any new, or changes to existing, infrastructure that may be required to directly or indirectly support any proposed development, in accordance with City standards and applicable legal requirements. The City will retain ownership of the land. Land lease payments of \$5,000 per month will be owed to the City. Minimum land lease payments will increase every five years. Regina Exhibition Association Limited (REAL) will collect and be entitled to retain all or a portion of the lease payments, in consideration of its engagement as property manager for the site.

Administration estimates that the building will have a value of \$2,312,400. Using the 2020 model, the municipal portion of the property tax is estimated to be \$23,431.54 in new property tax revenue which the City of Regina will receive. The library portion of the property tax is estimated as \$2,098.38 and the school portion as \$14,498.74.

Policy/Strategic Impact

As per section 41 of *The Regina Administration Bylaw*, the City Manager is authorized to approve leases of City owned property, with some exceptions:

- *41. Subject to any policy established pursuant to section 40.1, the City Manager, or his or her delegate, is authorized to approve and enter into agreements for the transfer, sale, option to sell, or lease of City owned property, other than the sale or lease of park land or dedicated lands, provided:*
 - *a) the transaction is at fair market value;*
 - *i) the terms and conditions of the agreement are terms and conditions generally available within the industry and do not represent concessions provided by the City;*
 - *ii) the terms and conditions of the agreement and the transaction comply with the provisions of The Tax Enforcement Act, if the agreement involves property where the transaction is subject to that legislation;*
 - *iii) where the agreement is a lease, its term does not exceed 10 years, including any renewal periods;*
 - *iv) the agreement does not provide a first right of refusal to purchase the property; and*
 - *v) the agreement results from a tender process or proposal call initiated by the City, or the property had been publicly identified as being for sale or lease.*

In this instance, Council approval is required because the proposed lease is longer than 10 years and the lease of the land was not procured through a tender process by REAL.

The proposed development is consistent with policy 12.6 of *Design Regina: The Official Community Plan Bylaw 2013-48* in Section D10 Economic Development Goal 2 – Economic Growth:

- 12.6 Collaborate with community economic development stakeholders across the region to leverage shared economic advantages and tourism opportunities, including but not limited to:
 - 12.6.4 Maximizing potential linkages and leveraging special economic assets such as Innovation Place, the Global Transportation Hub, Regina International Airport, the University of Regina and other specific lands and land uses with high linkage/spinoff potential.

Evraz Place is the largest civic and sport resource in the city. This development is consistent with REAL's Strategic Plan for Evraz Place, which was previously supported by City Council. It supports the continuing financial vitality of Evraz Place by increasing activation of the site and provides an additional opportunity for services to residents, users of Evraz Place and the travelling public. The development expands the Evraz Place campus to support its place as an important community destination point and institution.

There are no other impacts related to this report.

OTHER OPTIONS

Council has the option to not enter into a lease with McDonald's.

An alternative option is to direct Administration to work with REAL to consider changes to specific terms and conditions that are of concern.

COMMUNICATIONS

Pursuant to section 6 of *The Public Notice Bylaw, 2020* and section 102 of *The Cities Act*, public notice of Council's intention to consider this matter was published on Regina.ca, the City's public notice board and in the December 5, 2020 edition of City Page in *The Leader Post*.

A copy of this report will be provided to McDonald's Restaurants of Canada Limited and REAL, as the City's property manager for the site.

DISCUSSION

In February 2020, the Regina Exhibition Association Limited (REAL) presented to the Priorities and Planning Committee with its renewed Strategic Plan. REAL undertakes the care and management of City owned lands and facilities located at Evraz Place. REAL is a non-profit corporation whose voting memberships are owned entirely by the City of Regina.

As the property owner, the lease interest in the subject property will be granted by the City (as Landlord), through separate agreement, REAL will continue to operate and manage the property as the City's property manager. Because of the long-term nature of the interest being granted, subdivision approval is also required and will be a condition of the lease and will be completed and approved under a separate process.

REAL has arranged and negotiated commercial terms for the proposed lease further to its overall role in managing, operating and administering Evraz Place. The key business terms of the proposed lease are outlined below:

- **Leased Premises & Use** – A leasehold interest is granted to McDonald's Restaurants of Canada Limited ("McDonald's") in a portion of the lands commonly known as Evraz Place. The leased area is comprised of approximately one acre as outlined in dash-lined on the attached Schedule "A". The leased premises may be used solely for the purpose of operating a McDonald's restaurant.
- **Term** – The lease is granted for an initial term of 20 years, with an option for McDonald's to extend the term for two subsequent terms of 10 years each. The full term, if all options are exercised, is 40 years.
- **Rent** – Rent escalates over the term in five-year increments, increasing by approximately 8 per cent each period and ranging from \$60,000 per annum in the first five-year period to \$102,830 per annum in the final five years of the 40-year term. The rental rates were established by Colliers International and determined to be commercially competitive. Arrangements for REAL to retain the land lease payments in consideration of acting as the City's property manager will be addressed in a property management agreement between the City and REAL, currently being developed.
- **Taxes** – McDonald's is responsible for payment of the applicable property taxes assessed to the leased premises.
- **Tenant Improvements/Work** – McDonald's is solely responsible, at its own cost, for construction of its building and other improvements on the leased premises in accordance with architectural specifications, drawings, and signage plans submitted and approved in advance. They are also responsible for obtaining all applicable permits and authorizations necessary for such construction, including the payment of any related development costs or servicing charges.
- **Other** – McDonald's is granted license rights across other areas of the Evraz Place lands for the purpose of access to and from the leased premises and will pay an amount in addition to rent reflecting a contribution to the cost of maintaining and repairing those access roads.

DECISION HISTORY

On April 29, 2020 (CR20-24), City Council approved Material Alterations to Evraz Place which provided authorization for subsequent development applications to be received on the Evraz Place site.

On July 29, 2020 (CR20-66), City Council approved the discretionary use application for Restaurant, Food and Beverage located at 1700 Elphinstone Street, being block FF, Plan No. 84R29489 Ext 1, in Evraz Place.

Respectfully Submitted,



Executive Director,
City Planning & Community Development

Respectfully Submitted,



Chris Holden
City Manager

Prepared by: Libbey Morin, Coordinator, Integration & Stakeholder Relations

ATTACHMENTS

Appendix A-1 - McDonald's Site Map
Appendix A-2 - McDonald's Site Map
Appendix B -Schedule A Lease Area