

March 7, 2017

To: Members
Finance & Administration Committee

Re: Lease of City Property 850 Arcola Report

RECOMMENDATION

1. That the lease of the City owned property located at 850 Arcola Avenue to Schneider's Millwork and Contractor's Inc. be approved consistent with the terms and conditions stated in the body of this report.
2. That the Administration be authorized to finalize any other commercially relevant terms and conditions of the lease documents.
3. That the City Clerk be authorized to execute the Lease Agreement documents as prepared by the City Solicitor.
4. That this report be forwarded to the March 27, 2017 meeting of City Council for approval after the public notice has been advertised.

CONCLUSION

When considering the lease of City-owned land, standard procedure is for Administration to ensure that the land is made publicly available. In this case, the subject land is to be leased to Schneider's Millwork and Contractor's Inc. without any public offering which requires City Council approval. It is recommended that the highest and best use of the current land is to continue to lease it to the existing tenant. The purpose of this report is to facilitate the lease of this property to Schneider's Millwork & Contractors Inc.

BACKGROUND

Schneider's Millwork & Contractors Inc. has been a tenant of the subject property since the land along Arcola Avenue was purchased by the City in 1989 for the potential widening of Arcola Avenue.

Subsection 101 (1) of *The Cities Act* stipulates that "No Council shall delegate: (k) the sale or lease of land for less-than-fair-market-value and without a public offering". *The Regina Administration Bylaw 41* requires City Council approval if: a lease term, including renewals, exceeds ten years; a lease is less-than-market-value; or if the property has not been publicly identified for lease.

DISCUSSION

Schneider's Millwork & Contractors Inc. owns the building located on the subject land and is aware that upon confirmation of plans to widen Arcola Avenue, they will be required to remove or relocate their building. Since the building is the property of the tenant, making the land available for public offering would require the removal of the building, further consideration for a new tenant would be the uncertainty of tenure based on the future widening of Arcola Avenue. Because of this the land is unattractive for any business that would require a substantial capital investment to utilize the land.

The estimated market value of the land is \$401,620 and the annual market lease rate is set at 12 per cent, which would be \$48,194.40 or \$4,016.20 per month. As the lease will be increasing from the previous rate of \$2,130 per month to \$4,016 per month, administration recommends phasing the increase in over two years. The first 12 months of the new lease will be at \$3,100.20 per month, the remainder of the term will be at \$4,016.20 per month. The tenant will be responsible for GST and property taxes for the term of the lease.

The terms and conditions of the proposed Lease Agreement are as follows:

Subject Property:	Approximately .86 Acres
Tenant:	Schneider's Millwork and Contractor's Inc.
Leased Term:	Five years with an option to renew for a second five years
Net Annual Lease Rate:	First 12 months \$3,100.20 per month, remainder of the term \$4,016.20.
Lease Renewal Option:	Renewable at the discretion of the City of Regina for a second five-year term.
Other Terms:	Lessee shall be responsible for GST and the annual property taxes. Conditional upon the approval of City Council and the terms and conditions contained within the lease agreement.

RECOMMENDATION IMPLICATIONS

Financial Implications

The City will continue to realize revenues from this site until such time as it is required for the Arcola widening project. Annual revenue will be \$37,202.40 for the first year and will increase to \$48,194.40 for the remainder of the five year lease term.

Environmental Implications

Upon surrender of the premises, the tenant will be responsible to return the site to its previous condition, this will include the removal of building, all improvements and chattels.

Policy and/or Strategic Implications

Work related to the expansion of Arcola Avenue is targeted for 2026, the tenant has been made aware of this proposed timeline.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

A copy of this report will be provided to Schneider's Millwork and Contractor's Inc.

DELEGATED AUTHORITY

As provided in section 101 (1) (k) of *The Cities Act*, the lease of City-owned property without a public offering and a lease at less-than-fair-market-value rates cannot be delegated to the Administration and therefore requires the approval of City Council.

Respectfully submitted,



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Assessment, Tax & Real Estate

Respectfully submitted,



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