Report - Standing Policy Committee on Property and Development - June 5, 2003

Item No. 1 Proposed Agricultural Lease Rate for 2003 and Proposed Delegation of Authority to Approve Future Agricultural Lease Rates
File FI-2.1

STANDING COMMITTEE RECOMMENDATION:

On June 18, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, and submits the following to Council:

1. That the Chief Administrative Officer be delegated the authority to approve the future rental rates for the rental of City-owned agricultural lands.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing including submission of a suitable amendment to the City Organization By-law.

Report - Standing Policy Committee on Property and Development - June 5, 2003

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 18, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, and submitted the matter to Council.

STANDING COMMITTEE DECISION:

On June 5, 2003, the Standing Policy Committee on Property and Development concurred in the administrative recommendation number 1, and ratified the Planning, Property and Development Department's decision to establish a rental rate of $30.00 per acre for the lease of the City-owned agricultural lands for the year 2003.

STANDING COMMITTEE RECOMMENDATION:

On June 5, 2003, the Standing Policy Committee on Property and Development concurred in the administrative recommendation numbers 2 and 3, and submitted its recommendation to Executive Policy Committee and Council.

Re: Proposed Agricultural Lease Rate for 2003 and Proposed Delegation of Authority to Approve Future Agricultural Lease Rates

For submission to: **Standing Policy Committee on Property and Development**

Original report signed by: **Director of Planning, Property and Development**

Report date: April 30, 2003

Recommendation(s):

1. That the Planning, Property and Development Department's decision to establish a rental rate of $30.00 per acre for the lease of the City-owned agricultural lands for the year 2003, be ratified.

2. That the Chief Administrative Officer be delegated the authority to approve the future rental rates for the rental of City-owned agricultural lands.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing including submission of a suitable amendment to the City Organization By-law.

REPORT SUMMARY

Key Issues:

- On April 11, 1997, the Committee on Finance and Administration authorized the Director of the (then) Land and Development Services Department or his designate to approve and execute agreements on behalf of the City for the rental of agricultural property for a three year term and at a rental rate of $30.00 per acre, all as described in the then administrative report.
- There are at this time only ten agricultural sites available for lease. These lands are frequently impacted by poor drainage conditions.
- Given timing considerations, the Planning, Property and Development Department has already advised its agricultural tenants as to the required rental rate for 2003. Accordingly, the Department is by this report requesting ratification to the establishment of the agricultural rental rate for 2003.
- To expedite and streamline the management of the city-owned agricultural lands, the Department is recommending that the Chief Administrative Officer be delegated the authority to henceforth establish the applicable rental rate.

Implications of the Recommendation(s):

General implications:

X	**None**
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s):

-

Policy implications:

	No
X	**Yes**

Comment(s):

- The recommendations of this report will both establish the City's policy on the rental rates for agricultural lands for the year 2003 and will also delegate the authority to the Chief Administrative Officer to subsequently approve these rental rates.

Environmental implications:

X	**No**
	Yes

Comment(s):

-

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required

Comment(s):

-

REASON FOR THE REPORT:

By this report the Department is requesting the Standing Policy Committee on Property and Development to ratify the Department's decision to establish the agricultural rental rate for 2003. The Department is also requesting Council to grant the Chief Administrative Officer the delegated authority to approve these rental rates henceforth.

HISTORY:

On November 28, 1984 Council authorized the Director of the then Land Surveys and Real Estate Department or his designate to approve and execute agreements on behalf of the City for the rental of agricultural City land in accordance with certain criteria. By-law 3879/84 was passed on December 19, 1984 empowering the Director or his designate to execute the rental agreement.

Current City policy continues to require the Department to seek the approval of the Standing Policy Committee on Property and Development to approve the proposed agricultural rental rates. Pursuant to this policy, the rent rates have been amended from time to time in the intervening years.

DISCUSSION:

In 1996, the Real Estate Division secured an independent market analysis of agricultural lease rates. The analysis indicated that the rental rates charged by the City were at the upper end of the market rental range. The majority of the leases were around the $30 per acre rate as shown on the attached copy of Schedule "A". Discussions with farmers at that time, concluded that they would not be interested in leasing land at rates any higher than the $30 per acre market rental due to their increased cost for herbicides, fertilizer and fuel.

In 2001, the Real Estate Division contacted the same appraiser who conducted the previous market analysis to enquire if the market for agricultural lands had changed at all. He advised that the then current rental rates were not any higher than in previous years, and if anything the market was forcing rental rates lower due to the higher fuel cost, the almost doubled fertilizer costs and the fact that the price of grain was not matching the increase in cost incurred by the farmers.

In 2002, the same appraiser advised that a rate of $40 per acre could be applied to better and more uniform quality acres and a lower rate of $15 to $20 per acre could be applied to hay lands.

Proposed Rental Rate For Agricultural Lands For 2003

Much of the City-owned lands experience drainage problems due poor grading and increased rainfall over the last few years. Because all of the acres are not useable, the Department is of the opinion that the previously utilized rate of $30 per acre would continue to be a fair market rent for the City's lands. Given the increased costs for herbicides, fertilizers and fuels and the drainage problems experienced with the lands, farmers continue to be uninterested in leasing the City's lands at the $40 per acre rate.

The Department has already been approached by its agricultural tenants who needed to commence their farming operations immediately and who needed an immediate agreement to

commence the farming of the land. As a result, the Department made an administrative decision to continue to utilize the previous rate of $30.00 per acre and has advised its tenants accordingly. The Department is now asking the Standing Policy Committee on Property and Development to ratify that decision.

Proposed Delegation of Authority

Recognizing that there are only a few agricultural leases (i.e. only 10 as at this date) and that the revenue is relatively minor (i.e. only an approximate gross revenue of $85,000 for 2003 based on the recommended rental rate), the Department is recommending that the Chief Administrative Officer be delegated the authority to henceforth establish the applicable rental rate. The Department will then request the Chief Administrative Officer to further delegate this authority to the Director of the Department. In so doing, the Department will be able provide its agricultural tenants with a more responsive service and will be able streamline the management of the city-owned agricultural lands.

In implementing this proposed delegated authority the Department undertakes to review the prevailing market place every three years and to report to the Standing Policy Committee of Property and Development on the exercise of this delegated authority as part of the Department's quarterly reporting process.

The attached Schedule "A" reflects the proposed agreements for the sites to be leased for 2003.

Financial Impact Statement

Date: April 30, 2003

Project Name:

Proposed Agricultural Lease Rate for 2003 and Proposed Delegation of Authority to Approve Future Agricultural Lease Rates

First Year of Program 2003

	2003	2004	2005	2006	2007
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	85,050	85,050	85,050	85,050	85,050
Net Cost/(Benefit)	$ (85,050)	$ (85,050)	$ (85,050)	$ (85,050)	$ (85,050)
Less: Existing Budget Amounts	(85,050)	(85,050)	(85,050)	(85,050)	(85,050)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Assuming that all ten sites are leased as per Schedule A, the potential gross rent revenue for the proposed ten leases, based on $30.00 per acre, will be $85,050.00 commencing in the year 2003. The gross rentals will be subject to change in subsequent years by reason of then current market conditions.

Gord Courage, Manager
Support Services Division

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

No consultation was required.

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Real Estate
Prepared by: Christine Osborne
PPD File #: 5099/D

Document name: o:\reports directive\real estate\leasing\(co) agricultural rates.doc

SCHEDULE "A"

PROPOSED 2003 AGRICULTURAL RENTAL RATES

File Number	Location	Lessee	Size (Acres)	Rate per Acre	Annual Rental Rate
W-1-2	Charleswood Lagoon Site	Erb	470	$30	$14,100
W-16	North End Sludge Drying Beds	Brandt	186	$30	$5,580
W-67-1	S.E.W.P.C.C.	A & A Farms	575	$30	$17,250
32/5647	S.E. Navin & Plessis	Roeland	305	$30	$9,150
4343/1	North Perimeter Park	Brandt	45	$30	$1,350
4559/1(d)	District 6 Landfill	Van Regal Farms	560	$30	$16,800
4559/1(f)	District 6 Landfill	Van Regal Farms	302	$30	$9,060
4559/1(h)	Waverley - No. 3951	McMullan	211	$30	$6,330
5099/4	District 2 Landfill	Shipley	19	$30	$570
5113/8-1	Niakwa & Murdoch	James Farms	162	$30	$4,860
	TOTAL		**2,835**		**$85,050**