Report - Standing Policy Committee on Property and Development - June 8, 2004

Item No. 36 Extension of Lease - City-owned property located at 1390 Taylor Avenue - Manitoba Cardiac Institute (Reh-Fit) Inc.
File FI-2.2(32)

STANDING COMMITTEE RECOMMENDATION:

On June 16, 2004, 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 an extension to the ground lease in favour of the Manitoba Cardiac Institute (Reh-Fit) Inc. from December 31, 2027, to December 31, 2102, be approved, for the continued use of the City-owned property shown hatched on Misc. Plan No. 11074,under the same terms and conditions, which include an annual rental rate of $1.00 plus an amount equivalent to realty taxes on the building improvements, the said Agreement to provide for such other terms and conditions as are deemed necessary by the Director of Planning, Property and Development and the City Solicitor/Manager of Legal Services to protect the City's interests.

2. That the extension of the current lease term be subject to the construction and redevelopment of the facility commencing by August 1, 2004, or such other date as may be mutually agreed to.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Policy Committee on Property and Development - June 8, 2004

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 16, 2004, 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 RECOMMENDATION:

On June 8, 2004, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Re: Proposed Extension of Lease of City-owned Property located at 1390 Taylor Avenue – Manitoba Cardiac Institute (Reh-Fit) Inc.
City Centre Community
River Heights – Fort Garry Ward

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

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

Report date: May 28, 2004

Recommendation(s):

1. That Council consider the request for an extension to the ground lease in favour of the Manitoba Cardiac Institute (Reh-Fit) Inc. from December 31, 2027 to December 31, 2102, for the continued use of the City-owned property shown hatched on Misc. Plan No. 11074, attached, under the same terms and conditions, which include an annual rental rate of $1.00 plus an amount equivalent to realty taxes on the building improvements; the Agreement to provide for such other terms and conditions as are deemed necessary by the Director of the Planning, Property and Development Department and by the City Solicitor/Manager of Legal Services to protect the City's interests.

2. Subject to the approval of Recommendation 1, that the extension of the current lease term be subject to the construction and redevelopment of the facility commencing by August 1, 2004, or such other date as may be mutually agreed to.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

Key Issues:

At its meeting held on February 2, 1977, Council approved a 50 year ground lease of the City-owned property shown hatched on Misc. Plan No. 11074, attached, to the Manitoba Cardiac Institute (Reh-Fit) Inc. for the development of a Cardiac Rehabilitation facility (i.e., the Kinsmen Reh-Fit Centre).

The Manitoba Cardiac Institute (Reh-Fit) Inc. advises that it intends to construct a $6M extension and redevelopment of its facility and, in this regard, has requested that its current lease of the City-owned property shown hatched on Misc. Plan No. 11074, attached, be amended to allow for the continued use of the lands for a 99-year period on the same terms and conditions as the existing lease, which include City to continue to be responsible for the payment of the realty taxes associated with the land and the Kinsmen Reh-Fit Centre to continue to be responsible for the payment of realty taxes associated with the building improvement located on the site.

The Planning, Property and Development Department proposes that an extension of the current lease term, if approved, be subject to the construction and redevelopment of the facility commencing by August 1, 2004, or such other date as may be mutually agreed to.

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 Manitoba Cardiac Institute (Reh-Fit) Inc. has requested an extension to the term of its Lease (approved by Council on February 2, 1977) on the same terms and conditions (i.e. the Kinsmen Reh-Fit Centre to be responsible for the payment of realty taxes associated with the building improvement located on the site, and the City to continue to be responsible for the payment of the realty taxes associated with the land). The terms and conditions of the existing Lease Agreement are not consistent with the City's current policy dealing with the lease of lands to Non-Profit Organizations, passed by Council on October 31, 1990 (i.e. no ongoing operating subsidies from the City will be required over the life of the development). The realty taxes associated with the land could be considered an operating subsidy.

Environmental implications:

- [X] No
- [ ] Yes

Comment(s):

The City's standard terms and conditions of Lease include provisions to protect the City's interests in the event environmental contamination is discovered.

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):
Under the current Lease Agreement (approved by Council on February 2, 1977), the City is responsible for the payment of the realty taxes associated with the land until December 31, 2027. Approval of an extension to the Lease Agreement on the same terms and conditions will require the City to pay the realty taxes associated with the land until December 31, 2102.

REASON FOR THE REPORT:

The Manitoba Cardiac Institute (Reh-Fit) Inc. has requested that its current lease of the City-owned property shown hatched on Misc. Plan No. 11074, attached, be amended to allow for the continued use of the lands for a 99-year period. As the proposed term regarding the payment of realty taxes is not consistent with the City's current policy dealing with the lease of lands to Non-Profit Organizations, Council approval is required.

HISTORY:

At its meeting held on February 2, 1977, Council approved a 50 year ground lease of the City-owned property shown hatched on Misc. Plan No. 11074, attached, to the Manitoba Cardiac Institute (Reh-Fit) Inc. for the development of a Cardiac Rehabilitation facility (i.e., the Kinsmen Reh-Fit Centre).

The terms and conditions of the existing Lease Agreement are for a 50-year term (24 years remaining on the term) at an annual rental of $1.00, plus the payment of realty taxes associated with the building improvement located on the site. The Lease Agreement also provides that all of the improvements (buildings) are to be owned by the City at the expiration of the lease or upon its termination.

Details of the leased property are as follows:
Location: 1390 Taylor Avenue, South side, West of Waverley Street
Legal Description: Parcels A/D, Plan 14508 & Parcels C & F, Plan 33883
Realty Roll Number: 12053043400, 1205304500 & 12053043200
Assessment: $1,821,600.00
Realty Taxes: Kinsmen Reh-Fit Centre Portion - $27,072.00
City Portion - $17,396.00
Zoning: "MP-S" Industrial District
Site Size: 19,448.0 m² (209,344.0 ft² or 4.8 ac)
Building Size: 3,774.0 m² (40,620.0 ft²)
Building Description: The subject property is improved with a single storey metal frame building, which was constructed in 1979 and is in good condition.

DISCUSSION:

Kinsmen Reh-Fit Proposal:

By way of letter dated December 23, 2003, the Kinsmen Reh-Fit Centre advised the City that as part of its 25th Anniversary, it would be undertaking a redevelopment program designed to better deliver its existing programs and services to meet the growing needs of the community at large. The overall cost of the proposed project, including the proposed extension and redevelopment of the facility at 1390 Taylor Avenue, is anticipated to be approximately $6 million (see the attached drawings). Construction of the building extension and redevelopment of the facility is expected to commence this summer with the objective of having the exterior components completed by November 2004. The Kinsmen Reh-Fit Centre has secured a $2.6 million infrastructure commitment made by the Federal and Provincial Governments. This will be supplemented by funding of at least $3 million from the Albrechtsen Foundation and a Public Fundraising Campaign with a target goal of $1.7 million.

As part of the proposed expansion project, the Kinsmen Reh-Fit Centre has requested that the City contribute by selling (at $1.00) the City-owned property currently under lease and provide relief from realty taxes for a period of 50 years.

Planning, Property and Development Department Analysis:

The Planning, Property and Development Department, Real Estate Division, has fully reviewed the proposal made by the Kinsmen Reh-Fit Centre, which involves converting an existing "Non-Profit" 50-year ground lease (24 years remaining on the term), to a sale at a price of $1.00. It should be noted that the existing lease did not contemplate a future sale of lands, and that all of the improvements (buildings) were to be owned by the City at the end of the lease or upon termination. The present assessed value of the land and the building is approximately $1.8 million.

The Real Estate Division has determined that if the City were to terminate the existing lease and sell the subject lands to the Kinsmen Reh-Fit Centre, an easement would be required in favour of the City for all of the lands lying to the West of the straight production Southerly of the Eastern limit of Ash Street for the continued maintenance of a sewer and watermain. Furthermore, Manitoba Hydro presently has an interest in the most Southerly 20 feet of the entire City property for the maintenance of electrical services and as such an easement would also be required.

In addition, the City-owned lands under lease currently provide ingress/egress to the privately owned lands to the East, on terms and conditions between that private owner and the Kinsmen Reh-Fit Centre, which the City has consented to. If the City were to consider selling its land, some type of arrangement/agreement would need to be further negotiated to protect the interests of the current and any future owner(s) of the privately owned lands.

Furthermore, the request made by the Kinsmen Reh-Fit Centre that City waive the collection of realty taxes for a 50-year term is not possible and does not fall within the criteria of the City's Non Profit policy.

Current Status:

Recent discussions between representatives of the Kinsmen Reh-Fit Centre and the Planning, Property and Development Department have resulted in a change in the position taken by the Kinsmen Reh-Fit Centre. As a result of those discussions and the review of the issues identified with respect to the request for title to the current leased lands, a revised proposal was submitted by the Kinsmen Reh-Fit Centre on April 2, 2004. The proposal made by the Kinsmen Reh-Fit Centre now requests a long-term extension of its current lease until December 31, 2102. In essence, it proposes that it be granted the continued lease of the lands for a further 99-year term, effective January 1, 2004.

The Kinsmen Reh-Fit Centre has indicated that the requested extension to the existing lease term would serve as a prime objective in better securing its interest in the Taylor Avenue site as a condition precedent to proceeding with the proposed expansion.

The Manitoba Cardiac Institute (Reh-Fit) Inc. has requested an extension to the term of its lease that was previously approved by Council (February 2, 1977), on the same terms and conditions (i.e., the Kinsmen Reh-Fit Centre to be responsible for the payment of realty taxes associated with the building improvement located on the site, and the City to continue to be responsible for the payment of the realty taxes associated with the land). In this regard, the Kinsmen Reh-Fit Centre has been a benefit to the community and will continue to meet the growing needs of the community at large. In addition, by securing funding commitments from both the Federal and Provincial Governments, the Kinsmen Reh-Fit Centre has demonstrated the merits of its proposed project.

The Planning, Property and Development Department would propose that any approval of an extension of the current lease term be subject to the construction and redevelopment of the facility commencing by August 1, 2004, or such other date as may be mutually agreed to.

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

No consultation was required in the preparation of this report.
This report submitted by:

Planning, Property and Development Department
Division: Real Estate Division
Prepared by: John S. Zabudney
PPD File #: 2598 (c)-1

Document name: o:\reports directive\real estate\leasing\(jz)manitoba cardiac institute (reh-fit) inc.doc

Financial Impact Statement

Date: May 28, 2004

Project Name:

Proposed Extension of Lease of City-owned Property located at 1390 Taylor Avenue - Manitoba Cardiac Institute (Reh-Fit) Inc.

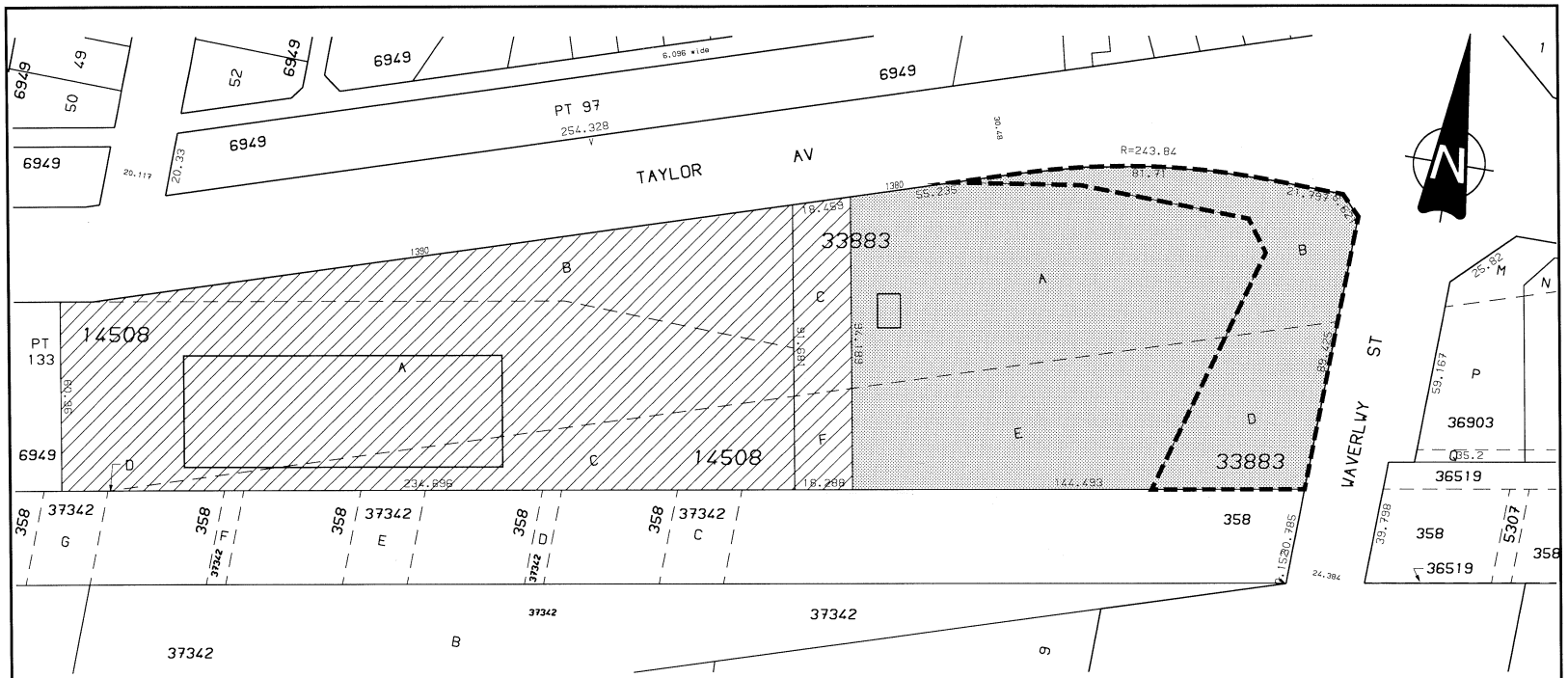
First Year of Program 2004

	2004	2005	2006	2007	2008
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
External	-	-	-	-	-
Grants (Identify)	-	-	-	-	-
Reserves, Equity, Surplus, Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 17,396	$ 17,396	$ 17,396	$ 17,396	$ 17,396
Less: Incremental Revenue/Recovery	27,580	27,580	27,580	27,580	27,580
Net Cost/(Benefit)	$ (10,184)	$ (10,184)	$ (10,184)	$ (10,184)	$ (10,184)
Less: Existing Budget Amounts	(10,184)	(10,184)	(10,184)	(10,184)	(10,184)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The Net Benefit of $10,184 in the 2004 program year is comprised of an annual rental of $1 plus the collection of municipal realty taxes in the net amount of $10,183. Recoveries of $10,184 in years 2005 through 2008 represents annual rental of $1 and municipal realty taxes and assumes no increase in the assessed value of the property nor any change to the Municipal Mill Rate. Certainly, once the Lessee completes its proposed expansion of the facility, the Net Benefit to the City will escalate due to the increase in the assessed value of the building.

"Original signed by"
Mike McGinn, CA
Manager of Finance



CITY LANDS LEASED TO MANITOBA CARDIAC INSTITUTE INC.

SHORT GAME CORP. LANDS
AREA: ±15447 SQ.M. (±166,265 SQ.FT.)

LAND REQUIRED FOR STREET PURPOSES
AREA: ±4270 SQ.M. (±45957 SQ.FT.)

All dimensions are approximate.
No warranty is expressed or implied regarding the accuracy of such information.

METRIC

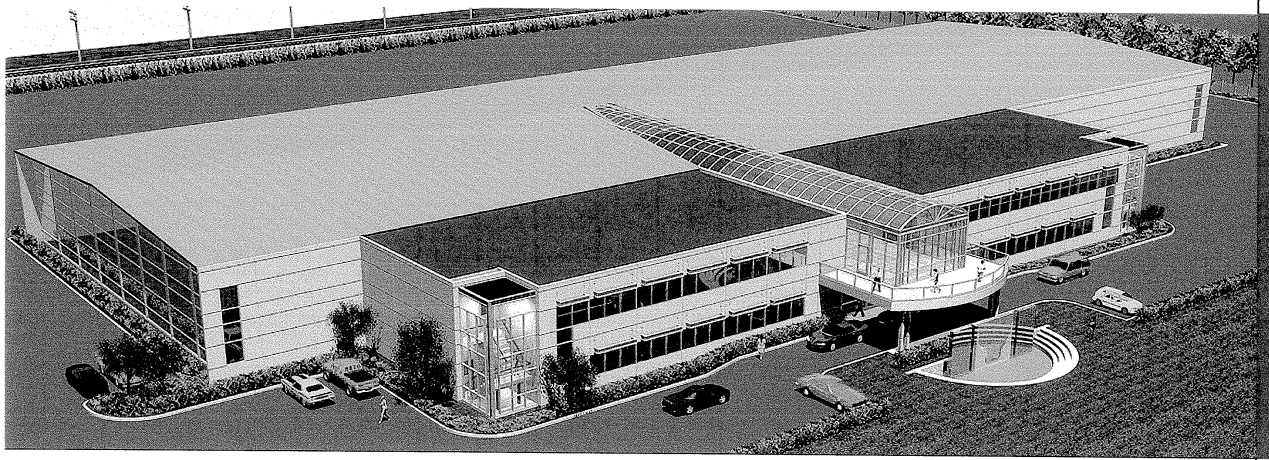
CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.

SCALE: 1:1500	DATE: 01-FEB-02	DISTRICT: CC
ATLAS: J11A2	FILE: 5176	

MISC. PLAN No.: 11074

(LIB) BAR

REH-FIT CENTRE



BLUEPRINT
FOR A NEW
REH-FIT
CENTRE

AERIAL VIEW

REH-FIT CENTRE



BLUEPRINT FOR A NEW REH-FIT CENTRE

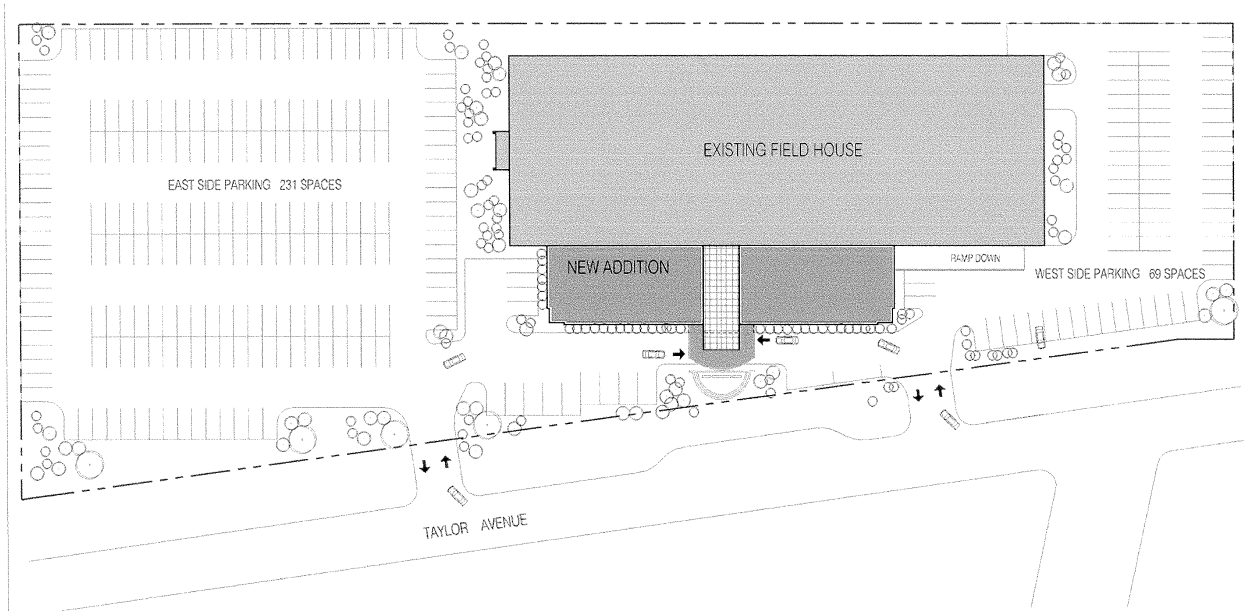
VIEW FROM NORTH EAST

REH-FIT CENTRE



BLUEPRINT
FOR A NEW
REH-FIT
CENTRE

FRONT ENTRY



REH-FIT CENTRE

BLUEPRINT FOR A NEW REH-FIT CENTRE

SITE PLAN