

COUNCIL REPORT

M&C No.	2019-190
Report Date	July 23, 2019
Meeting Date	July 29, 2019
Service Area	Finance and Administrative Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Lease Agreement with Saint John Arts Centre – Peel Plaza

CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	Acting City Manager
<i>Curtis Langille</i>	<i>Kevin Fudge/Ian Fogan</i>	<i>John Collin</i>

RECOMMENDATION

1. That Common Council adopt the following terms and conditions contained in this recommendation to be incorporated into a Lease agreement with the Saint John Arts Centre, which had previously expired on June 30, 2013 with all other terms and conditions remaining the same:
 - a) the term of the lease shall be ten (10) years commencing on August 1, 2019 and ending July 31, 2029;
 - b) the annual rent payable to the City of Saint John shall be as follows:
 - i) on August 1, 2019 \$10.00, plus HST (if applicable);
 - ii) as of August 1, 2020 an annual rent of \$111,632.00 to be paid in equal quarterly installments commencing on August 1st of each and every year during the term, pursuant to the payment schedule of the Greater Saint John Regional Facilities Commission with annual increases of one percent with the last year of the Term commencing on August 1, 2028 having an annual rent of \$120,881.00, plus HST ((if applicable);
 - c) the City will provide the Lessee with an Option to renew this lease for one additional term of ten years at the then prevailing market rate to be mutually agreed upon by both parties and the exercise of which shall be in writing delivered to the lessor not later than January 31, 2029;
 - d) in the event the lessee desires to encumber this Lease, assign or sublet all or any part of the premises or grant any licence, concession or other right of occupancy, the Lessee shall notify the Landlord in writing, attention Real Estate Services, City of Saint John, the name of the proposed assignee, sub lessee or other transferee and the terms and conditions of the proposed assignment, sublease or transfer;
 - e) the Lessee shall be responsible to pay all public utilities, electricity (including heating the premises), natural gas, water, sewerage, telephone and internet

- services (both fixed-line and mobile) with payments to be quarterly as detailed above in (1)(b)(ii); and
- f) the lessee shall pay real property tax for the premises with payments to be quarterly as detailed above in (1)(b)(ii).
2. that the City Solicitor be directed to prepare the lease reflective of the foregoing and that the Mayor and Common Clerk sign any documentation necessary to execute this agreement.

EXECUTIVE SUMMARY

A Lease agreement between the City and the Saint John Arts Centre (SJAC) for the use and operation of the Carnegie building had expired on June 30, 2013; the SJAC has been over-holding on a month to month arrangement since that date. This is a Regional Facility with expected cost sharing between the City and the three surrounding communities.

The Saint John Arts Centre Board has reviewed and supports approval of a new lease agreement with the City as per the terms and conditions stated in the recommendation contained in this report.

STRATEGIC ALIGNMENT

Staff aims to provide open, transparent and consistent internal process to facilitate investment and development, while maintaining City standards that align with the City's economic health priorities.

REPORT

The lease agreement with SJAC expired on June 30, 2013 and the arrangement between the parties has been on a month to month basis since that date with the financial arrangement remaining unchanged.

As per the Greater Saint John Regional Facilities Commission Act, the facility under the control and management of the Saint John Arts Centre Inc., called the Saint John Arts Centre, is a regional facility and should be managed accordingly with the financial responsibility shared by all four municipalities. In order to achieve this in a fair and equitable manner, a new lease between the SJAC and the City should incorporate into its terms and conditions that the Lessee be responsible for **all** public utilities, including heat and should also be responsible for property taxes and pay fair market rent.

The total floor area of the Arts Centre is 13,954 square feet. Staff considers a fair market rent for this building type; considering its location, amenities, etc. to be \$8.00 per square foot of leased space. This results in a fair market value rent of \$111,632.00 annually. As the budget has already been set for the upcoming year, it is proposed to commence fair market rents one year into this agreement with one percent added to the annual rent for the duration of the lease. Staff is in agreement with the lessee that the lessee be billed quarterly of each and every year during the term, pursuant to the payment schedule of the Greater Saint John Regional Facilities Commission.

In addition to receiving fair market rent, the lessee is agreeable to pay property taxes and all public utilities, including heat. These would also be billed quarterly. The proposed lease would include one ten (10) year term with an option by the proponent to renew for one additional 10 year term.

SERVICE AND FINANCIAL OUTCOMES

The Regional Facilities Commission provides for fair and equitable funding of operating budgets for its five regional facilities listed in its Act; the Saint John Arts Centre being one of them. These terms and conditions as recommended by staff are reflective of a lease between a landlord and its tenant whereby the tenant is expected to pay fair market rent and to be responsible to pay all operating costs associated with the space it leases.

Based on the formula used by the Greater Saint John Regional Facilities Commission, the City would budget for two-thirds of the operating costs with one-third being the responsibility of the outlying municipalities. This lease would allow the City to recover approximately \$47,000.00 annually from the other municipalities, which amounts to approximately \$500,000.00 over the proposed ten (10) year term.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Facilities Management was solicited for their input in the preparation of this report.

ATTACHMENT

Location Map