

7. **LAND LEASE – 1770 HEATHERINGTON ROAD – BOYS AND GIRLS CLUB OF OTTAWA**
LOCATION DE TERRAIN – 1770, CHEMIN HEATHERINGTON – CLUB DES GARÇONS ET FILLES D’OTTAWA

COMMITTEE RECOMMENDATIONS

That Council:

1. **Approve the Land Lease Agreement for 4,751.7 square meters of land at 1770 Heatherington Road with Boys and Girls Club of Ottawa for a fifty-year (50) term for the total consideration of One (\$1.00) Dollar;**
2. **Delegate authority to the Director, Corporate Real Estate Office to negotiate, conclude, execute and amend on behalf of the City, the land lease agreement, within the contractual and financial parameters outlined in this report.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

1. **approuve l’entente de location du terrain de 4 751,7 mètres carrés situé au 1770, chemin Heatherington, conclue avec le Club des garçons et filles d’Ottawa, pour une durée de cinquante (50) ans pour un montant total d’un (1 \$) dollar;**
2. **délègue au directeur, Bureau des services immobiliers municipaux, le pouvoir de négocier, de conclure, de modifier et d’exécuter, au nom de la Ville, le contrat de location du terrain, conformément aux paramètres contractuels et financiers établis dans le présent rapport.**

DOCUMENTATION/DOCUMENTATION

1. Director's report, Corporate Real Estate Office / Infrastructure and Economic Development Department, dated June 24, 2021 (ACS2021-PIE-CRO-0009)

Rapport du Directeur Initiatives et Mise en valeur en immobilier, Direction générale de la planification, de l'infrastructure et du développement économique, daté le 24 juin 2021, (ACS2021-PIE-CRO-0009)

2. Extract of draft Minutes, Finance and Economic Development Committee, 6 July 2021.

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 6 juillet 2021.

**Report to
Rapport au:**

**Finance and Economic Development Committee / Comité des finances et du
développement économique
July 6, 2021 / 6 juillet 2021**

**and Council / et au Conseil
July 21, 2021 / 21 juillet 2021**

**Submitted on June 24, 2021
Soumis le 24 juin 2021**

**Submitted by
Soumis par:
Derrick Moodie
Director / Directeur**

**Corporate Real Estate Office / Bureau des biens immobiliers municipal, Planning,
Infrastructure and Economic Development / Services de la planification, de
l'infrastructure et du développement économique**

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Ward: GLOUCESTER-SOUTHGATE (10) File Number: ACS2021-PIE-CRO-0009

**SUBJECT: Land Lease – 1770 Heatherington Road – Boys and Girls Club of
Ottawa**

**OBJET: Location de terrain – 1770, chemin Heatherington – Club des garçons
et filles d'Ottawa**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council:

- 1. Approve the Land Lease Agreement for 4,751.7 square meters of land at 1770 Heatherington Road with Boys and Girls Club of Ottawa for a fifty-year (50) term for the total consideration of One (\$1.00) Dollar;**
- 2. Delegate authority to the Director, Corporate Real Estate Office to negotiate, conclude, execute and amend on behalf of the City, the land lease agreement, within the contractual and financial parameters outlined in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil :

- 1. d'approuver l'entente de location du terrain de 4 751,7 mètres carrés situé au 1770, chemin Heatherington, conclue avec le Club des garçons et filles d'Ottawa, pour une durée de cinquante (50) ans pour un montant total d'un (1 \$) dollar;**
- 2. de déléguer au directeur, Bureau des services immobiliers municipaux, le pouvoir de négocier, de conclure, de modifier et d'exécuter, au nom de la Ville, le contrat de location du terrain, conformément aux paramètres contractuels et financiers établis dans le présent rapport.**

BACKGROUND

The Investing in Canada Infrastructure Program (ICIP) is a federal program designed to create long-term economic growth, build inclusive, sustainable and resilient communities and support a low carbon economy. Through this program, the federal government is providing \$11.8 billion dollars in federal infrastructure funding to cost-share projects under the following four streams:

1. Public Transit
2. Green Infrastructure
3. Community, Culture and Recreation

4. Rural and Northern Communities

As part of the ICIP Program, the federal government created the COVID-19 Resilient Funding Stream to support the pandemic response and economic recovery. The program is in partnership with the provinces and territories. In Ontario, the program is being delivered, in part, through an allocation based Local Government Intake which will provide all of Ontario's municipalities with the ability to fund local projects that are eligible under the COVID stream to help stimulate local economies.

The City of Ottawa's allocation from this program has been confirmed at \$20.1 million. The City's Economic Recovery Task Force has engaged City departments to compile information on potential renewal and capital projects in anticipation of funding, including projects suggested by Councillors and those submitted through community-based organization.

One of the proposed projects by the City of Ottawa includes an investment of \$5,000,000 toward a joint project with the Boys and Girls Club of Ottawa to deliver a \$5,670,000 to \$6,500,000 new youth services facility in the Heatherington community.

Pursuant to a Council Motion, Report No. 46, Item 2, dated December 18, 2020, Council directed the General Manager of Planning, Infrastructure and Economic Development (PIED) to enter into and finalize a Letter of Agreement reflecting the City's partnership with the Boys and Girls Club of Ottawa for a youth services facility on lands known municipally as 1770 Heatherington Road prior to January 7, 2021 in order to comply with the program requirements. Council further authorized the GM of PEID to enter into a Lease Agreement with the Boys and Girls Club of Ottawa and to report back to the Finance and Economic Development Committee for Committee and Council approval no later than the second quarter of 2021.

DISCUSSION

Pursuant to the Council Motion, a [Letter of Intent](#) was entered into between the City of Ottawa (City) and the Boys and Girls Club of Ottawa (BGCO) dated January 6, 2021. In that Letter of Intent BGCO agreed to construct a new club house designed to accommodate appropriate social distancing and isolation measures to ensure the continuity of services to the vulnerable population of youth in the south-end of the City. BGCO agreed to be responsible for the design and construction of the project and for all project costs beyond any funding granted by the Federal and Provincial governments.

The City agreed to contribute land to the project by granting a 50-year lease to BGCO at a rental rate of One (\$1.00) Dollar subject to approval of the requested funding from the Federal and Provincial governments. Upon Council approval, Corporate Real Estate Office (CREO) staff will finalize the commencement and termination date of this 50-year lease agreement.

The COVID-19 Resilience Infrastructure Stream – Local Government Intake Program Guide sets out the timelines in order for a project to be eligible for funding. To be considered eligible, construction on projects must commence before September 30, 2021 and must be substantially completed (i.e. assets are ready for use) by December 31, 2021.

In an effort to meet the tight timeline, weekly project meetings were held with key stakeholders made up of City staff from various departments, BGCO staff, and Hobin Architecture Incorporated. These weekly meetings served to keep everyone apprised of individual requirements and timing to facilitate essential approvals. These meetings also allowed for the City to provide information related to the site and make background reports available; to discuss Environmental issues and the Record of Site Condition process; as well as advise on Site Plan and Zoning Approvals and timelines and Building Permit Applications.

To be able to commence construction as soon as possible, BGCO required access to the City lands in order to perform their pre-development due diligence. As the terms of the lease had not been negotiated yet, the City granted BGCO, their contractors and agents a Consent to Enter the subject lands from January 25, 2021 to June 30, 2021. The Consent to Enter was extended to the end of August 2021 to allow for the execution of the lease.

The City also granted a License of Occupation to the BGCO over a portion of the remaining lands owned by the City. The License of Occupation allows BGCO to use the City lands for staging in preparation of the construction of the clubhouse.

The City's Valuation Unit within the Corporate Real Estate Office (CREO) completed a review to provide an annual rental rate for a land lease based on the site's current estimated market value. To estimate the annual lease rate, a discount rate of 7.0 per cent was applied to the estimated market value of the City lands based on the highest and best use. Based on the findings and given prevailing market conditions, the subject property has been estimated to have a market value range as of May, 2021 of \$3,250,000 to \$3,750,000. Applying the discount rate noted results in an annual rental

rate in the range of \$227,500 and \$262,500 for the period of June 1, 2021 to May 31, 2022. Therefore, the City's contribution to this project over the 50-year term is in the range of \$11,375,000 to \$13,125,000.

Building Ownership

BGCO will retain ownership of the new clubhouse during the term of the lease and will be solely responsible for all operation, maintenance, repair and lifecycle costs of the building and its components. The tenant agrees to maintain at least \$100,000 in its reserve accounts to fund lifecycle activities during the term of the lease.

The Tenant further agrees to submit statements to the City on request to demonstrate the existence of this minimum balance in its reserve accounts. Upon the expiration or termination of the Lease, the clubhouse and any improvements constructed upon the leasehold parcel will become the absolute property of the City without compensation to the BGCO. Option to Purchase

As part of the Lease negotiations, BGCO requested that the lease set out an Option to Purchase the leasehold parcel for the nominal consideration of \$1.00. Given that such a disposal would require waiving sections 1.2 and 2.3 of the City's Disposal of Real Estate Policy, such a request should be considered separately and tabled to Committee and Council at the time of the actual request. Section 1.2 requires the City to dispose of land at market value and section 2.3 requires the City to provide public notice and to solicit offers for any potential sale of lands.

The property is presently zoned IG1, General Industrial Zone. Pursuant to report [ACS2021-PIE-PS-0033](#), Council approved an Amendment to Zoning By-law 2008-250 for 1770 Heatherington to permit "community centre" and "urban agriculture" as permitted uses.

RURAL IMPLICATIONS

There are no rural implications associated with the recommendations of this report.

CONSULTATION

As part of Council Motion, Report No. 46, Item 2, dated December 18, 2020, Council directed staff to enter into and finalize a Letter of Agreement for the BGCO to use the subject lands for a new club house. Given that direction, an internal and utility circulation was not undertaken as would normally be required by the City's Real

Property Disposal Policy approved by City Council on 28 March 2012 and revised on February 26, 2018. CREO staff did consult with Recreation, Culture and Facility Services, Infrastructure Assessment Building and Park Assets Unit, Legal Services, Development Review Branch, Building Code Services and the Affordable Housing Branch in the completion of this lease.

COMMENTS BY THE WARD COUNCILLOR

Ward 10 – Gloucester-Southgate – Councillor Deans is aware of the recommendations made in this report.

LEGAL IMPLICATIONS

There are no legal impediments to the implementation of the report recommendations. The Corporate Real Estate Office worked closely with Legal Services during the drafting and negotiation of the lease agreement to be entered into with the Boys and Girls Club of Ottawa.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with the recommendations of this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with the recommendations in this report.

FINANCIAL IMPLICATIONS

Finance has reviewed the report and approved the financial comments within the report. Specifically, the subject property has been estimated to have a market value range as of May, 2021 of \$3,250,000 to \$3,750,000. Applying the discount rate noted results in an annual rental rate in the range of \$227,500 and \$262,500 for the period of June 1, 2021 to May 31, 2022. Therefore, the City's contribution to this project over the 50-year term is in the range of \$11,375,000 to \$13,125,000.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with the recommendations of this report.

ENVIRONMENTAL IMPLICATIONS

The 3.2 hectare property located at 1770 Heatherington Road has been owned by the City of Ottawa since 1959 and historically operated as municipal works yard from the mid-1960s until it was decommissioned in early 2010s. Environmental investigations were initiated at the site beginning in mid-2000s which identified soil impacted with petroleum hydrocarbons (PHCs), metals, polycyclic aromatic hydrocarbons (PAHs) and pH, and PHC and volatile organic compound (VOC) impacts in groundwater. VOC and PHC impacts were primarily located in the vicinity of the former works garage at the northeast portion of the site and were attributed to a former underground fuel oil tank and dry well. Widespread impacts across the site related to salt storage and handling were also identified which included sodium adsorption ration (SAR) and electrical conductivity (EC) in soil and sodium (Na) and chloride (Cl) in groundwater. Remedial excavations were completed at the site in 2012 and 2014 to address soil and groundwater impacts for all contaminants of concern other than those related to salt contamination.

To support development of the new Boys and Girls Club clubhouse, the City has completed updated Phase One and Two Environmental Site Assessments along with a Modified Generic Risk Assessment to address the residual salt impacts remaining on the site. Once the risk assessment is approved by the Ontario Ministry of Environment, Conservation and Parks (MECP), the Certificate of Property Use (CPU) will be registered on title which will outline the conditions associated with the approved risk management plan and the Record of Site Condition will be filed. Risk management measures including installation of hard and soft caps are being incorporated into the construction of the BGCO clubhouse and on-going compliance with these measures is a condition of the lease.

TERM OF COUNCIL PRIORITIES

This report's recommendation supports the following strategic priorities of City Council:

- Financial Responsibility (FS): Practice prudent fiscal management of existing resources and make sound long-term choices that allow City programs and services to be sustainable.
- Healthy and Caring Communities (HC): Help all residents and visitors enjoy a good quality of life and a sense of community well-being by providing healthy, safe, secure, accessible and inclusive places and services.

- Thriving Communities (TC): Promotes safety, culture, social and physical wellbeing for residents. By investing in recreation infrastructure, communities have access to affordable recreational facilities and programs.

DISPOSITION

Upon approval by Council, Corporate Real Estate Office, in consultation with Legal Services will complete the necessary documentation for the Lease.