

P.O. Box 1749 Halifax, Nova Scotia B3J 3A5 Canada

Item No. 15.1.4 Halifax Regional Council April 25, 2023

SUBJECT:	Administrative Order 50 Disposal of Surplus Property – PID 40107138 9 Spring Street, Bedford
DATE:	April 13, 2023
SUBMITTED BT.	Denise Schofield, Acting Chief Administrative Officer
SUBMITTED BY:	Original Signed
то:	Mayor Savage and Members of Halifax Regional Council

ORIGIN

July 31, 2009 – Expression of Interest issued by HRM resulted in one offer to purchase 9 Spring Street, Bedford from the Hospice Society of Greater Halifax.

November 10, 2009 - Item 9.1. Moved by Councillor Outhit, seconded by Councillor Lund, that Regional Council:

- 1. Approve an Agreement of Purchase and Sale whereby the property located at 9 Spring Street, Bedford, be conveyed to the Hospice Society of Greater Halifax for the sum of \$1.00 and the \$5,000 offered by the Society be redirected into the fabrication of an outdoor interpretation panel of a minimum value of \$5,000 to be completed within two years of the date of sale; and
- 2. Should the buy-back clause be invoked by HRM, HRM shall compensate the Society capital less depreciation.

Motion Put and Passed.

September 20, 2016 – Item 16.2.1. Moved by Councillor Outhit, seconded by Councillor Walker, that Regional Council:

- 1. Approve an increase to the 2026/17 capital budget, requiring a new capital account for land repurchase, to be funded with a withdrawal of \$179,630 from the Capital Fund Reserve with repayment from the future proceeds of the re-sale of the property;
- 2. Authorize staff to exercise the Buy-Back Agreement registered with 9 Spring Street, as per the terms outlined in Table 1 of the private and confidential staff report dated July 19, 2016;
- 3. Following the repurchase of 9 Spring Street, declare it surplus to municipal requirements pursuant to Administrative Order 50; and

Recommendation on Page 3

4. That the private and confidential staff report dated July 19, 2016, not be released until the transaction has closed.

Motion Put and Passed Unanimously.

November 8, 2021 – Call for Submissions issued under the Community Interest category of Administrative Order 50 resulted in a submission by the Nova Scotia Salmon Association.

LEGISLATIVE AUTHORITY

The Halifax Regional Municipality Charter, S.N.S. 2008, c.39:

61. (3) The property vested in the Municipality, absolutely or in trust, is under the exclusive management and control of the Council, unless an Act of the Legislature provides otherwise.

Sale or lease of municipal property

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(1) The Municipality may sell or lease property at a price less than market value to a non-profit organization that Council considers to be carrying on an activity that is beneficial to the Municipality.

(2) A resolution to sell or lease property referred to in subsection (1) at less than market value shall be passed by at least a two thirds majority of the Council present and voting.

(3) Where the Council proposes to sell property referred to in subsection (1) valued at more than ten thousand dollars at less than market value, the Council shall first hold a public hearing respecting the sale.

(4) The Council shall advertise the public hearing at least twice, in a newspaper circulating in the Municipality, the first notice to appear at least fourteen days before the hearing.

(5) The notice of the public hearing shall include the date, time and place of the hearing, the location of the real property or a description of the tangible personal property, the estimated value of the property and the purpose of the sale.

Administrative Order Number 50¹ Respecting the Disposal of Surplus Real Property, subclause 2(2)(b) provides:

2. (2) The Municipality will dispose of real property Council determines is no longer required for the purposes of the Municipality. Staff will identify surplus properties by the following categories:

Community Interest

(b) Properties known to have potential for community use, in particular where:

(i) there has been a prior community or institutional use of the property; or

¹ Schedule 1 and Schedule 2 of Administrative Order 50 provide details with respect to Community Interest property disposal and transaction fees.

- (ii) by location or scarcity of available property the consideration would reasonably arise.
- 11. (1) A non-profit organization may make a request to purchase, by Direct Sale, a community interest property owned by the Municipality.

(2) If a request to purchase a community interest property by Direct Sale is received by the Municipality and the subject property has not been declared surplus and classified as a community interest property, the request must: (a) be included in the next review provided to Council pursuant to subsection 3(1) of this Administrative Order; or (b) be forwarded to Council with a report and recommendation respecting the property.

(4) For greater certainty, the property may only be sold by Direct Sale if the property is declared surplus by Council, is categorized as community interest property by Council in accordance with this Administrative Order, and sections 7, 8, 9, 11,12,13, and 14 are satisfied.

(5) If Council decides to proceed by Direct Sale, such decision must be made at the same meeting where the property is categorized as community interest property.

Direct Sale – General Procedure 12.

A Direct Sale shall be allowed as determined by Regional Council.

13. Unless Council directs otherwise, a Direct Sale may be considered without

- (a) a public advertising; and
- (b) a public meeting.

Administrative Order 2019-007-ADM Respecting Public Disclosure of Municipal Grants

Interpretation

2.

- (g) "Municipal Contribution" means any of the following or a combination thereof:
 - (ii) revenue forgone by the Municipality in the sale or conveyance of surplus real property at less than market value, and any municipal expenditures not recovered from the Purchaser pursuant to Schedule 2 of Administrative Order 50;

Reporting Threshold

4. Every Municipal Grant or Municipal Contribution in the amount of \$500.00 or above shall be reported to the public in accordance with this Administrative Order.

RECOMMENDATION

It is recommended that Halifax Regional Council:

- Declare Lot 19-R, 9 Spring Street, Bedford, currently represented by PID 40107138 (the "Property"), surplus and no longer required for the purposes of the Municipality pursuant to Administrative Order 50;
- 2. Categorize the Property as "Community Interest "property pursuant to Administrative Order 50;
- 3. Allow the Property to be disposed of by Direct Sale pursuant to s. 12 of Schedule 1 of Administrative Order 50;
- 4. Set a date for a public hearing to consider the sale of the Property to the Nova Scotia Salmon Association, as per the terms and conditions set out in Table 1 of this report; and
- 5. Subject to the outcome of the public hearing, approve the sale of the Property to the Nova Scotia Salmon Association and direct the Chief Administrative Officer to authorize the Mayor and Municipal Clerk to execute an Agreement of Purchase and Sale, a Buy-Back Agreement, and a Quit Claim Deed, and direct staff to complete the sale, all in accordance with the terms and conditions set out in Table 1 of this report.

BACKGROUND

Property Description: The Property is located at the intersection of Spring Street and Bedford Street, in close proximity to the Bedford Highway. The property is immediately behind the former Bedford Elementary School (now operated as a kindergarten by the Société de la Garderie Le Petit Voilier ("the Société"). The rest of the immediate neighborhood is primarily low-density residential housing serviced with municipal water and sewer services. Upon approval of the subdivision plan (Attachment 1) that is currently under review by HRM Planning & Development, the Property's land area will be approximately 10,049.19 square feet. The area of the building is approximately 2,482 square feet. The wood frame construction is situated on a concrete/rock poured foundation. The basement is unfinished due to the four-foot clearance. On-site parking is limited to one or two spaces at the front entry and there is negligible on-street parking in the immediate vicinity. Due to a burst water pipe, the interior has been partially gutted to the studs to remove damaged ceiling, wall, and flooring. Consequently, the building interior is essentially unfinished.

Public Access Easement: The Property land is encumbered by a public tennis court to the rear and because of current setback requirements and land use controls it cannot be subdivided. Consequently, the property is encumbered by a Public Access Easement to ensure continued access to the tennis court and any playground apparatus. The "gardens" per se also remain open to the public and only the building and the small parking pad would be 'private.'

Zoning: The property is zoned Institutional permitting a restricted range of uses. In the opinion of staff, the proponent's intended use as an office/meeting space complies with the permitted uses that include "private recreational facilities and clubs."

Property Valuation and Assessment: In 2021 HRM retained Kempton Appraisals Limited to provide an independent appraisal of the property's market value. Overall, the property would have poor utility for private ownership because it is encumbered by a public access easement, is zoned Institutional, and the building is in poor condition. The market value is estimated to be \$80,000. The property is currently assessed as Residential and valued at \$510,100 (AAN 10289602), but it is possible that this value has not been amended to reflect the property's limited utility or partial interior demolition. The assessed value is also based on the area of the Property measured prior to the February 2023 subdivision plan referred to above.

History of Ownership and Use: The Pryor House was built in 1892 for Oswald and Isabella Pryor; the former residence is a two-and-a-half storey wood-framed Late Victorian Plain styled building and was known locally for its gardens. In 1932 the property was deeded to Edward Pryor, who subsequently sold the property to the Bedford Ratepayers Association in 1942. The Association rented the premises to teachers working in local schools. Hence, the property became known as "The Teachery." In 1980, title was conveyed to the former Town of Bedford which rented the upper floor for private accommodation and the lower floor for occasional meetings. At amalgamation, title ceded to HRM and the upper floor was rented as an apartment (a non-conforming use) and the lower level used for occasional meeting rentals.

Precedence: In 2009, HRM issued a Call for Expressions of Interest to solicit offers to acquire 9 Spring Street, Bedford. It was HRM's desire to sell the property in preference to leasing based on (a) limited staff resources to oversee leasing and (b) to leverage a new owner's ability to raise immediate and future capital funding towards restoration and/or to maintain a state-of-good-repair². Only one proposal was received, which was from the Hospice Society of Greater Halifax. The appraised market value was \$220,000 and was sold for \$1.00 (closed 2010). In 2016, the Buy-Back Agreement applied to the sale was exercised and

² Report to Grants Committee meeting of September 14, 2009 and Heritage Advisory Committee meeting of August 26, 2009, Property Matter: Less than Market Value Sale, 9 Spring Street, Bedford – Hospice Society of Greater Halifax, dated August 4, 2009.

HRM paid \$156,200 plus closing costs of \$23,400 for a combined cost of ~\$179,630³.

Encumbrance: It is important to note that the "Teachery" building is located on PID 40107138⁴ (Lot 19) and that HRM's tennis court is primarily on a separate PID 40108250⁵, with a portion encroaching onto PID 40107138. HRM is not selling the tennis courts (Lot 18). The Public Access Easement will ensure that the public can cross the entire Teachery property to gain access to the tennis court and playground.

Also, in May 2021, HRM entered into a less than market value license agreement (the "license") to license a portion of Lot 19 (9 Spring Street), for use as a play area, to the Société de la Garderie Le Petit Voilier ("the Société") which leases the former school property owned by HRM that abuts the subject Property and is located at civic 1326 Bedford Highway ("PID 40107211).

To eliminate the issues that would be caused by conveying the land to a purchaser while it is encumbered by the license over the play area, staff commissioned a surveyor to prepare the subdivision plan referred to above and shown in Attachment 1. Upon approval by HRM Planning & Development the play area will be subdivided from 9 Spring Street (Lot 19) and consolidated with the tennis court land (Lot 18) which is also owned by HRM. This will eliminate any association between the licensee and the prospective purchaser of the Property. The area to be declared surplus is only the Property as shown on the subdivision plan as Lot 19-R. The sale will be conditional upon subdivision approval.

DISCUSSION

As of the closing of the public Call for Submissions on March 21, 2022, there was one (1) proponent: the Nova Scotia Salmon Association.

Proponent Profile: Incorporated as a non-profit society in 1981 and a registered Canadian charity in 1994, the Nova Scotia Salmon Association assists affiliate angling and environmental organizations in conservation projects aimed at protecting and restoring species-specific habitat. Local affiliate organizations include the Eastern Shore Wildlife Association, Musquodoboit River Watershed Society, and the Sackville Rivers Association. Established programs include Adopt-a-Stream, Fish Friends, and watershed protection. Operations are sustained by provincial and federal government grants, fundraising and donations.

Proponent's Intended Use: The Association proposes conservation of the exterior of the building and restoration of the character-defining elements, improved energy efficiency, and major rehabilitation of the interior. As proposed, the first floor will be reconfigured for meetings (including a fish tank) and school/youth groups will be invited to view conservation work and what role they can play. The upper floor will be converted to small offices.

Proponent's Terms and Conditions of Offer: The Association has offered a purchase price of \$1.00 plus \$9,000 towards closing costs.

Proponent's Proposed Capital Plan: The Association has engaged EXP Engineering, Architecture, Design and Consulting (Halifax) to support design and heritage conservation elements of the project.

³ Report to Audit & Finance Standing Committee meeting of September 19, 2018, Grant Request – Hospice Society of Greater Halifax, dated July 16, 2018. https://cdn.halifax.ca/sites/default/files/documents/city-hall/standing-committees/180919afsc1241.pdf

⁴ PID 40107138 has an assessment account number AAN 10289602

⁵ PID 40108250 has an assessment account number AAN 10296757.

Projected Capital Plan (2022)				
Category	Description – main elements	Projected Cost		
Interior Fit-up	New construction	\$345,000		
Exterior Conservation	Window replacement, exterior door repairs, painting, roof shingles, new roofing, miscellaneous	\$160,100		
Exterior Improvements	Localized demolition, new barrier-free accessibility ramp and porch improvements, localized regrading and landscaping, exterior signage	\$50,000		
Furnishings and Fixtures	Furnishings, equipment, interior signage	\$33,600		
Contract Services	General requirements	\$155,428		
Consultant Fees	Architectural and engineering	\$66,612		
Contingency	Design and construction contingency	\$144,326		
Projected Total	Excludes HST	\$955,066		

A contingency is considered prudent given the age and condition of the structure. However, some reduction in cost could be realized by applying for HST rebates: (1) as a registered Canadian charity, the Association could apply to Revenue Canada for a partial HST rebate on the federal portion of the tax and/or (2) the Nova Scotia Department of Communities, Culture & Heritage/Service Nova Scotia offer a partial rebate on the provincial portion of HST for materials (not labour) used to repair, improve, or restore the exterior of a registered heritage property⁶.

Proposed Operating Model: The projected annual operating costs include a modest mortgage of 50%-60% of the market value of the property. Although this represents a liability to the Association, their cash reserves are sufficient to cover this expense in combination with the reduction in rental costs previously incurred for office space. The Association has budgeted for property taxes.

As the primary non-governmental organization in Nova Scotia for the conservation of freshwater aquatic species, the Association has received consistent funding that includes the administration of funding/projects undertaken with other conservation groups throughout the province. Under some of these grant agreements, approximately 10%-15% of the approved funding is allocated for overhead independent of salary and direct project-specific costs.

Administrative Order 50 – Community Interest Category Staff Evaluation Results

An inter-departmental team was convened to evaluate submissions led by Finance: the team included Finance & Asset Management (Financial Policy & Planning/Accounting), Corporate Services (Real Estate), and Planning & Development (Heritage Planning). Staff evaluates submissions on four criteria:

- Content Compliance
- Viability
- Compensation
- Benefit to the Municipality

Key Findings:

1. Content Compliance - The proposal met most of the required elements of a formal submission.

⁶ Eligible projects must be approved by staff of the provincial Heritage Property Program or a municipal heritage advisory committee.

- 2. Viability The Association is well established with stable operations, has a positive net cash position, and reserves held in investments. Despite significant revenues that are primarily government grants and contracts for project-specific initiatives/staffing levels, the Association's fundraising and donation revenues are strong, consistent, and sufficient to maintain core operations to buffer fluctuations in grants or contract revenues. The Association's current rent payments can be reassigned to the operation of 9 Spring Street and annual operating costs moderated with the proposed energy efficiency upgrades. The potential for funding for the remediation of the property could also be pursued. For example, a partial provincial sales tax rebate for exterior heritage restoration (materials only), energy efficiency rebates or incentives, or accessibility upgrades.
- Compensation The sum of \$1.00 is below the appraised market value. However, if the Association realizes its' capital investment goals in the building, the value and utility of the premises will be restored and enhanced.

Of note, the Association's offer of \$9,000 for closing costs exceeds the maximum payment thresholds set out in current policy (Schedule 2 of Administrative Order 50). The terms and conditions attached to conveyance proposed by staff reflect current policy as shown in Table 1 and the Alternatives section of this report.

4. Benefit to the Municipality – A significant capital investment in rehabilitating the Pryor House will enhance the streetscape and prevent any further deterioration associated with retaining a vacant building. The programs delivered by the Association align with HRM's interest in environmental stewardship and outdoor recreation.

This property is one of only six registered heritage properties in the Bedford area, and as such, is of significance in relation to the former Town of Bedford.

In summary, the submission scored 88/100 based on the information provided by the applicant. The extensive rehabilitation of the building will optimize its functionality despite the constraints imposed by a public tennis court to the rear of the premises and limited on-site parking.

Buy-Back Agreement

In 2014, Regional Council approved a policy with respect to the use of Buy-Back Agreements in property sales to nonprofit organizations⁷. The policy states that a Buy-Back Agreement shall have an initial term of 25 years followed by an automatic review by Regional Council to consider continuation, amendment, or release. The Buy-Back Agreement usually forms a first option on the property in favour of the Municipality and is in priority relative to any financial encumbrance granted to the Purchaser after the sale closes. During the term of the Buy-Back Agreement, the owner may apply to the Municipality's Chief Administrative Officer for postponement of the Buy-Back Agreement to secure financing of up to 65% of the property's market value as of the date of the request. The purpose of the Buy-Back Agreement is to uphold the intent of a less than market value sale with respect to the purchaser's proposed intended use of the property being actualized and continuing to have a public benefit.

It is recommended that a Buy-Back Agreement be applied to this proposed conveyance to ensure:

- the registered heritage status of the property is protected;
- public access to the tennis court is maintained in accordance with the access easement; and
- use of the premises is compatible with the residential neighborhood and will continue as proposed by the purchaser as a not for profit use having a public benefit.

⁷ Report to Regional Council dated June 23, 2014, Use of Buy-Back Agreements in Property Sales to Non-Profit Organizations, approved at the June 22, 2014 meeting of Regional Council.

	Table 1.KEY TERMS AND CONDITIONS (PROPOSED)
Civic Address	9 Spring Street, Bedford
Area	Building: 1,168 sf first floor/1,095 sf second floor
	Land: , 10,049.19sf +/-
Zoning	SI – Institutional
Assessed Value	\$510,100 - 2023
Appraised Value	\$80,000 - 2021
Tax Status	Residential Exempt by virtue of municipal government ownership of a vacant holding
Proposed Purchase Price	\$1.00
Terms of Offer	The Association shall be responsible for all operating and capital costs including
	annual real property tax.
Proposed Use	Office and meeting space to support delivery of environmental, recreational, and public education programming.
Conditions of Sale	The Property will be sold subject to the Public Access Easement reserved to Halifax Regional Municipality which is registered on title and which provides access across the property to the lands and public amenities located on the abutting lot owned by HRM (PID 40108250) and partly located on the site (tennis court, playground, pathways and play area).
	Any substantive alterations to the building configuration or exterior shall be subject to approval in accordance with the Heritage Property Program's <u>Alteration</u> <u>Building Conservation Standards for Heritage Properties</u> , including signage and landscaping.
	The gardens shall be retained and maintained by the Purchaser as integral to the heritage property and streetscape, excluding the public tennis court which is to be maintained by HRM Parks & Recreation. The playground area under the license agreement will become part of HRM's Lot 18 upon subdivision approval.
	The Property would be sold in an "as is" condition.
Buy-Back Agreement	A Buy-Back Agreement shall provide HRM with (a) the right of first refusal should the society cease operations, change mandate or programming, or elect to sell the property or (b) the right to invoke acquisition by the Municipality in the event of a municipal operational requirement in association with property abutting the site (PID 40107211).
	The owner shall relinquish the right to de-register the heritage designation or to demolish the building.
	The purpose of the property donation shall be for the purpose of establishing an office and outreach capacity to support the Association's conservation work and promotion of recreational angling.
Closing Date	The closing will be subject to subdivision approval and the public hearing, and a closing date is to be determined following the requisite approvals.

Proposed Terms and Conditions of Conveyance

Cost of Sale	The Purchaser shall pay up to \$5,000 ⁸ in closing costs for property migration, deed
Recoveries	fees, and appraisal plus HST

FINANCIAL IMPLICATIONS

If approved, the proposed terms of conveyance recommended by staff constitute a less than market value sale because the solicitation of offers has been restricted to only nonprofit proponents. Using a market value of \$80,000 and a sale price of \$1.00 the combined value of HRM's donation is \$81,199:

- (a) the opportunity cost of a discounted purchase price based on the 2021 appraisal is \$79,999; and
- (b) the deed transfer tax opportunity cost to HRM is \$1,200.

Proceeds from the sale would be a contribution to Capital Reserve Q526.

Opportunity Reserve – Capital Fund Reserve Q526

The reserve is funded by the sale of land in HRM, other than Business/Industrial parks or sale of land conveyed to HRM for parks, playgrounds, or similar public purposes. Several other large properties are now excluded from deposit to this reserve and are being redirected to the Strategic Initiative Reserve Capital (Q666). The Capital Fund Reserve is governed by the Halifax Regional Municipality Charter, Section 120(1)(3) and (4). Withdrawals from the reserve are for capital expenses for which the Municipality may borrow.

Conveyance of the property will necessitate a change in the property's current property tax classification from Residential to Commercial and an assessment of the property's 'new' value by Property Valuation Services Corporation. The Purchaser may make separate application for assistance with property tax under the Tax Relief for Non-Profit Organizations Program (Administrative Order 2014-001-ADM) and in accordance with the program's eligibility criteria.

RISK CONSIDERATION

Low. Although the Association's revenues are primarily derived from government contracts and grants, their fundraising and net cash position is strong. The heritage integrity of the building is secured through a Buy-Back Agreement and a prohibition on demolition or substantive alterations.

COMMUNITY ENGAGEMENT

A public information meeting was held on November 4, 2021 at the LeBrun Centre, Bedford. The meeting was publicized in a newspaper advertisement on October 23, 2021. The purpose of the meeting was to inform members of the public on the legislative process to purchase surplus municipal property and details about 9 Spring Street, Bedford. Three members of the public attended the meeting.

A Call for Submissions was issued November 8, 2021 with an application deadline of March 21, 2022. A site visit was conducted on March 21, 2022.

On June 6, 2022, staff from Corporate Real Estate and Parks & Recreation met on-site with representatives of the Association to discuss the license agreement and the public access easement. At that time, the

⁸ A maximum value of \$5,000 in closing costs is in accordance with Schedule 2 of Administrative Order 50.

Association expressed their preference to address these issue(s) in advance of proceeding further with the acquisition process. The consolidation of the play area with Lot 18 will address the license agreement. However, the public easement must remain on title, as it provides access to the public tennis courts on Lot 18.

ENVIRONMENTAL IMPLICATIONS

In December 2018, HRM retained the services of Pinchin LeBlanc Environmental to conduct a Hazardous Building Materials Assessment of the building. The results indicated the presence of lead paint and asbestos containing materials. In January, a frozen water pipe burst resulting in damage to walls, ceiling and flooring believed to contain asbestos. In February, following a further asbestos assessment, a significant portion of wall, ceiling and flooring material was removed from the premises and an air quality test conducted. The total cost to HRM was \$31,257. However, the removal of interior cladding materials improves access to any lead materials used in the original plumbing system and provides access for electrical and communications installation.

ALTERNATIVES

1. Regional Council could increase the purchase price or direct staff to pursue a market value sale.

<u>This option is not recommended:</u> HRM's Call for Submissions elicited only one response which is believed to be indicative of the zoning restrictions and Public Access Easement which negate or restrict subdivision or development options. Further, the premises have been vacant for an extended period and a timely sale is recommended to prevent further deterioration of the building.

2. Regional Council could choose not to pursue the sale and the Municipality could continue its ownership of 9 Spring Street, Bedford.

This option is not recommended: The property is not required for a municipal purpose, and the extensive remediation of the building is not included in the 2023/24 capital budget.

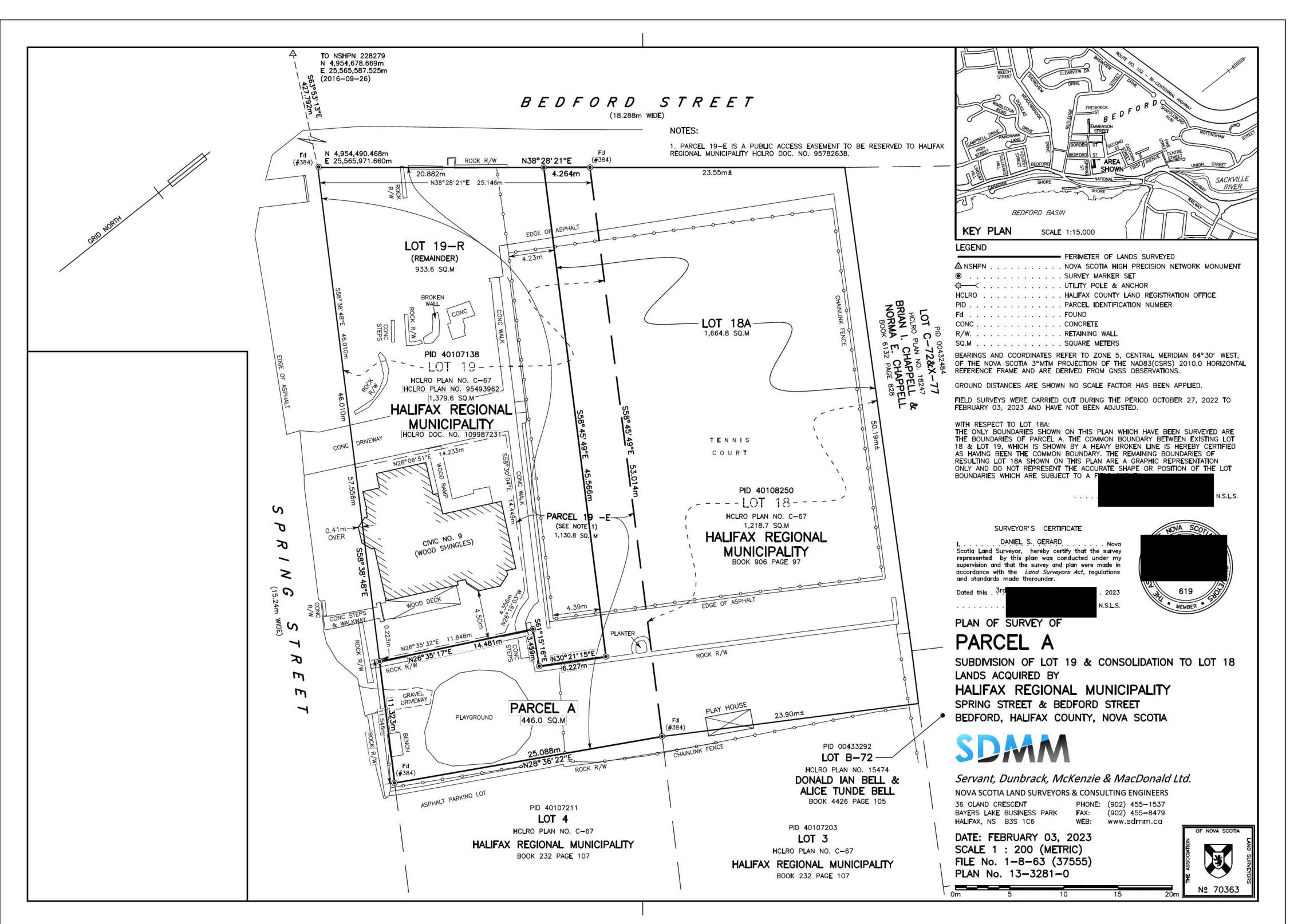
ATTACHMENTS

Attachment 1 - Subdivision Plan Attachment 2 – Property Photos

A copy of this report can be obtained online at <u>halifax.ca</u> or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by:

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Attachment 1

Subject Property 9 Spring Street, Bedford



