

**STATUS UPDATE - LEASE POLICY FOR NON-PROFIT ORGANIZATIONS IN CITY-OWNED BUILDINGS INTENDED FOR FUTURE DEMOLITION**

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**EXECUTIVE SUMMARY**

Council has requested a policy update on the Lease Policy for Non-Profit Organizations in City-Owned Buildings Intended for Future Demolition. This policy, approved in 2012, enables non-profit organizations to lease certain City-owned buildings at below market rates. Since the policy was adopted, non-profit organizations have expressed limited interest in the available buildings and no buildings have been leased in accordance with the policy.

**ADMINISTRATION RECOMMENDATION(S)**

That Land and Asset Strategy Committee recommend that Council receive this status update for information.

**RECOMMENDATIONS OF THE LAND AND ASSET STRATEGY COMMITTEE, DATED 2013 DECEMBER 12:**

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That Council:

1. Receive this status update for information;
2. **Direct Administration to assess the cost analysis of any property for policy (Lease Policy For Non-Profit Organizations) purposes; and**
3. **Direct that a Report on the Lease Policy For Non-Profit Organizations in City-Owned Buildings return annually to the Land and Asset Strategy Committee for review.**

**PREVIOUS COUNCIL DIRECTION / POLICY**

At the 2010 May 17 Regular Meeting of Council, Council approved LAS2010-31, directing Administration to develop a policy in consultation with the Calgary Arts Development Authority (CADA) and other community stakeholders that would provide additional assistance to non-profit organizations to address rents and operating costs and report back to City Council through the SPC on Community and Protective Services no later than 2010 December.

At the 2011 January 10 Combined Meeting of Council, Council approved CPS2010-64, directing Administration to Report back no later than the 2011 June meeting of the SPC on Community and Protective Services with a draft policy; and while the policy is under development, Administration is to work with CADA to initiate two pilot buildings for the Arts.

At the 2011 June 29 SPC on Community and Protective Services, the Committee referred CPS2011-35 to Administration to further consult with Stakeholders and return to the SPC on Community and Protective Services no later than 2011 December 07.

At the 2011 December 7 SPC on Community and Protective Services, the Committee approved CPS2011-59, a deferral request from Administration that provided CADA with additional time to complete due diligence investigations on two specific City-owned buildings.

Approvals: GM Brad Stevens concurs with this report. Author: Campbell Berry  
City Clerk's: J. Dubetz

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At the 2012 June 6 Regular Meeting of Council, Council approved the Lease Policy for Non-Profit Organizations in City-Owned Buildings Intended for Future Demolition as outlined in CPS2012-0283. Council directed Administration to report back with a Policy update through the Land and Asset Strategy Committee, no later than 2013 December.

### **BACKGROUND**

The City of Calgary acquires properties for future municipal purposes such as transportation infrastructure. These properties may include buildings that will eventually need to be demolished to make way for roads, LRT lines or other municipal uses. From time to time, The City receives inquiries from non-profit organizations seeking space for their operations. It was determined that buildings acquired by The City might be of benefit to non-profit organizations, during the interim period prior to their demolition. The Lease Policy for Non-Profit Organizations in City-Owned Buildings Intended for Future Demolition was prepared in 2012 to address this situation. The policy provides leasing guidelines, eligibility requirements and application procedures that enable The City to fairly and equitably lease buildings to a range of non-profit organizations.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Since the policy was adopted, two buildings have been identified for future demolition and available for lease. The City has received very few inquiries to lease these buildings. This lack of interest is due in part to the degraded condition of the buildings and the policy stipulation that buildings are available on an “as is where is” basis, with the non-profit organization leasing the building bearing responsibility for all necessary upgrades.

While CADA, the Calgary Sports Council and Calgary Chamber of Volunteer Organizations were notified of the new policy, only CADA has expressed any interest in leasing the buildings. CADA has conducted preliminary investigations on both available buildings but thus far, has concluded that the cost of further investigation and potential renovation expenses are prohibitive. No non-profit organizations have expressed a willingness to invest in and occupy these buildings, at this time.

### **Stakeholder Engagement, Research and Communication**

CADA, the Calgary Sports Council and Calgary Chamber of Volunteer Organizations were consulted as part of the original policy development process and notified that the policy was approved. These particular organizations were engaged because they act as “umbrella organizations” that represent and work with many non-profit groups.

### **Strategic Alignment**

The lease policy aligns with previously approved Council policy pertaining to social recreation leases, community associations, and public use.

### **Social, Environmental, Economic (External)**

There is community benefit from having non-profit organizations locate in City buildings identified for future demolition. The immediately local community gains from having an active

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user of a building that may otherwise be vacant. An active tenant and building can animate an area and contribute to keeping neighbourhoods safer and more productive.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

The policy identifies that all operating costs are to be the responsibility of the non-profit organization, as tenant.

#### **Current and Future Capital Budget:**

Should a non-profit organization lease a building intended for future demolition, there would be no capital budget requirements as the non-profit organization, as tenant, would be responsible for all costs.

Building demolition costs are to be incorporated into the specific capital project budget, as prepared by the business unit requiring the site.

### **Risk Assessment**

In this policy risk is mitigated by ensuring that current City real estate processes are adhered to in all lease preparations. The risk associated with the MGA requirement to lease property at market rates is addressed by limiting the application to non-profit organizations only, and by Council having a policy on lease rates.

In order to ensure that a building and associated lands are available when required for municipal purposes, limited lease terms will be negotiated. The length of the term would be based on the likely timing of the municipal requirement. Lease agreements may also include a termination clause specifying a time frame for The City's vacant possession, should the property be required for a municipal purpose sooner than initially anticipated.

#### **REASON(S) FOR RECOMMENDATION(S):**

The recommendation fulfills previous Council direction to report back with an update on the Lease Policy for Non-profit Organizations in City-owned Buildings intended for Future Demolition.

### **ATTACHMENT(S)**

1. Lease Policy for Non-Profit Organizations in City-Owned Buildings Intended for Future Demolition