

Update – SHA South Caswell Park N’ Ride Lease of City-owned Parking Lot

ISSUE

Since City Council approved a lease agreement for 232 and 240 Avenue C North between the City of Saskatoon (City) and Saskatchewan Health Authority (SHA) on September 27, 2023, SHA has indicated the financial model where SHA pays all the property taxes is not feasible and that a revision to the approved lease terms between the City and SHA is required for the park n’ ride lease arrangement to proceed.

RECOMMENDATION

1. That an amendment to the lease agreement terms for 232 and 240 Avenue C North with a six-month termination option between the City of Saskatoon and Saskatchewan Health Authority be approved as outlined in this report; and
2. That the City Solicitor be requested to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.

BACKGROUND

A report titled: [Temporary Lease of City-owned Parking Lot to Saskatchewan Health Authority for a Park N’ Ride – South Caswell Hill](#) was presented to the September 6, 2023 meeting of the Standing Policy Committee (SPC) on Finance. The report recommended that Committee approve a lease agreement for 232 and 240 Avenue C North with a five-year term and six-month termination option between the City and SHA be approved. SHA had approached Administration looking for a centrally located parking lot that could be leased to support the SHA initiative of providing a park n’ ride service for the staff at the hospitals in Saskatoon and the Avenue C parking lot was identified as an acceptable location. It was moved that the item be referred to City Council for decision and that Administration be directed to attend the upcoming Caswell Community Association meeting to provide information and answer questions about the proposed temporary lease and its alignment to the South Caswell Redevelopment project.

A report titled: [Temporary Lease of City-owned Parking Lot to Saskatchewan Health Authority for a Park N’ Ride – South Caswell Hill](#) was presented to the September 27, 2023 meeting of City Council and approved:

- “1. That a lease agreement for 232 and 240 Avenue C North with a five-year term and six-month termination option between the City of Saskatoon and Saskatchewan Health Authority be approved as outlined in this report; and
2. That the City Solicitor be requested to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.”

The approved City Council report indicated that Administration had been in discussion with SHA regarding a lease agreement for SHA use of the 84-stall surface parking lot and the following notable lease terms would apply:

- A five-year lease term commencing October 1, 2023 and ending September 30, 2028;
- Provided SHA is not in default of any of the lease terms, an additional five-year renewal term (subject to rent) would be included;
- Annual rent would be \$40,320.00 and paid in monthly instalments;
- The City would be responsible for improving the site lighting;
- SHA would be responsible for lot maintenance and property taxes; and
- Upon six-months’ notice, the City or SHA may terminate the lease.

DISCUSSION/ANALYSIS

The general terms of the agreement were in place between SHA and City Administration prior to going to SPC on Finance, however a signed agreement was not yet in place as the SHA and the City were both working to address the SHA desire to have the lot operating as soon as possible. Upon being advised of the annual property tax charge of (\$17,300), SHA approached Administration and indicated that the property tax amount on top of the current lease charge of \$40,320 would not be financially viable and that the Park N’ Ride lease would not be able to proceed. SHA has also requested a two-year term instead of a five-year term and a few other lease term revisions.

Given the above, the Administration has considered the SHA requests and negotiated the following revised lease terms for City Council approval:

- A two-year term commencing March 1, 2024 and ending February 29, 2026;
- Provided SHA is not in default of any lease conditions, an additional two one-year renewal terms (subject to rent) would be included;
- Annual rent would be increased to \$48,996.00 (from \$40,320) inclusive of property taxes;
- City would be responsible for property taxes, which would be paid out of the rent revenue;
- Updated indemnification and insurance wording to reflect SHA standard wording. The indemnification wording update agrees to the parties indemnifying the other party. The updated insurance wording has both parties maintaining a Commercial General Liability policy with the SHA policy adding the City as an Additional Insured with respect to the lease; and
- All other terms as previously indicated would remain.

FINANCIAL IMPLICATIONS

Annual lease revenues estimated at \$48,996.00 would be allocated to the City’s General Revenue account. The revised rent would represent a monthly stall rate of \$49 which is considered to be fair market value based on the location of the property and demand for parking in this area.

Site improvements and lighting/electrical costs are projected to increase by \$3,000 to \$8,000 as temperature controls would be installed at the electrical panels. The electrical plug controls would activate once a set temperature is achieved thus reducing power consumption when outside temperatures do not warrant plugging in of vehicles. The SHA is willing to contribute \$1,500 towards the electrical improvements. The cost for site improvements would be deducted from the lease revenue.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

If approved, Administration would monitor the area for any potential impacts to the neighbourhood and ensure the lease terms are being adhered to. The lease may be renewed at the end of the original three-year term for two more one-year terms if the site is not yet needed for redevelopment as part of South Caswell Redevelopment project.

REPORT APPROVAL

Written by: Scott McCaig, Manager, Real Estate Services
Reviewed by: Frank Long, Director of Saskatoon Land
Approved by: Clae Hack, Chief Financial Officer