

Nutrien Wonderhub Lease Renewal

ISSUE

The Children's Discovery Museum on the Saskatchewan Inc. (Nutrien Wonderhub) currently has a 10-year lease, expiring on July 31, 2029, with the City of Saskatoon (City), to occupy the majority of the City-owned property formerly known as the Mendel Building at 950 Spadina Crescent East. The lease includes the provision to renegotiate the base rent every five-years, therefore it can be renegotiated effective July 31, 2024. The lease outlines that base rent is not to be less than fair market value for the final five years of the lease term.

In negotiations to date with Administration on the next five-year term, Nutrien Wonderhub has requested lease/rent adjustments that are outside the approved terms of the lease. This report provides an update on the request from Nutrien Wonderhub, the current agreement and proposed next steps.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that:

1. An amendment to the Lease and Operating Agreement with Children's Discovery Museum on the Saskatchewan Inc., such that the overholding provision requiring a 150% increase in base rent is suspended until a future decision report is considered by City Council at the 2025 budget deliberations, be approved; and
2. 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

At the December 14, 2015 Regular Meeting of City Council when considering the [Offer to Lease - Mendel Building](#) report, City Council resolved:

- “1. That an Offer to Lease Agreement between the City of Saskatoon and the Children's Discovery Museum on the Saskatchewan Inc. for a portion of the Mendel Building based on the terms as set out in the following report be approved; and
2. That the City Solicitor be requested to prepare an appropriate agreement that is based on and consistent with the Terms and Conditions of the Offer to Lease Agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.”

Under the current lease agreement the base rent is to be considered as the annual Civic Building Comprehensive Maintenance (CBCM) Reserve contribution for the premises in accordance with the [Capital Reserve Bylaw 6774](#), which is 1.2% of the

appraised value of the building adjusted for Nutrien Wonderhub's proportionate use of the building. This base rent is placed into the City's CBCM reserve which is used to finance the cost of capital repairs to the City's buildings and structures. The base rent for the first year of the term was \$135,000 and has increased annually by \$5,000, reaching \$155,000 during the fifth year of the term.

The City currently provides \$25,000 to Nutrien Wonderhub in annual grant funding under the City's [Culture Grant Program](#) in the Cultural Partners funding category, and Wonderhub is provided an additional \$70,000 annual program services grant as approved by City Council in 2014 when approval was granted to proceed with the partnership with Wonderhub. The two grants have been subsequently rolled into one and accounted for within the Culture Grant Program. The amounts have remained at this same level since 2020.

DISCUSSION/ANALYSIS

The Administration has been negotiating with Nutrien Wonderhub over the past several months, regarding a revised base rent as required in the lease agreement for the final five years (August 1, 2024 to July 31, 2029) within the existing 10-year lease.

Based on recent building valuations the City received from its independent valuation assessor and applying the City's CBCM formula, the revised August 1, 2024 to July 31, 2025 base rent was calculated at \$164,900. This would be equivalent to a \$9,900 or 6.38% increase in base rent in year one of the new five-year base rent agreement and would be adjusted annually in the following four years based on expected increases in the building valuation.

Through negotiations and as seen in the correspondence from Nutrien Wonderhub (Appendix 1), they are requesting changes to the existing lease agreement and base rent calculation for the final five years of the 10-year lease agreement.

Nutrien Wonderhub is requesting that rent be reduced to \$82,450 for the 2024/2025 year, which is a 50% reduction of the amount outlined in the lease agreement based on recent building valuation estimates.

There are several options which Committee and City Council could consider in response to this request which could include adjusting the terms of the existing lease, adjusting existing grant funding, and maintaining the existing lease requirements. All of these options would have varying implications which could include property tax funding requirement and/or the sufficiency of the CBCM reserve to carry out necessary repairs and maintain the facility and will be identified in a future decision report.

In addition to the base rent negotiations, there are other matters pertaining to the lease that are also being discussed with Nutrien Wonderhub, regarding responsibilities for building insurance costs and some maintenance costs. The Administration and Nutrien Wonderhub have agreed to continue to discuss possible resolutions to those matters, in the spirit of the original agreement. These considerations will be included in the report

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to be brought to 2025 budget deliberations and will have varying financial implications depending on each option that is presented.

Overholding Lease Agreement Provision

In addition to the ongoing base rent negotiations above, the current lease agreement has an overholding provision, which essentially states that if new lease or base rent term is not agreed to as outlined in the agreement, and Nutrien Wonderhub remains on the premise, the base rent would be increased by 150% and continue on a month-to-month basis. If enacted, this would increase Nutrien Wonderhub's base rent from \$155,000/year to \$232,500/year immediately.

Considering all factors, the Administration believes that the best path forward is to continue discussions with Nutrien Wonderhub, and bring back a report for Committee and City Council's consideration during the 2025 budget deliberation process.

Therefore, the Administration is recommending suspending the overholding lease agreement provision and that the current base rent of \$155,000 apply until the future decision report is considered.

FINANCIAL IMPLICATIONS

There are no financial implications at this time. Future reporting regarding options will include financial implications for each applicable option.

NEXT STEPS

If approved, the Administration will continue to work with Nutrien Wonderhub in preparation of a future report at the 2025 Budget Deliberations regarding options for City Council's consideration.

APPENDICES

1. Nutrien Wonderhub Letter to Administration

REPORT APPROVAL

Written by: Clae Hack, Chief Financial Officer
Reviewed by: Andrew Roberts, Director of Recreation and Community Development
Angela Gardiner, General Manager of Utilities and Environment
Scott McCaig, Real Estate Manager
Celene Anger, General Manager of Community Services
Approved by: Jeff Jorgenson, City Manager