

Request to Enter Market Lease in Saskatoon Land Neighbourhood for Community Organization

ISSUE

Administration was directed to move forward with a pilot process for the lease of a serviced parcel in one of Saskatoon Land's development areas. The potential lease offering would be directed towards not-for-profit groups or community groups at market lease rates. This report requests Standing Policy Committee on Finance approval to proceed with a proposal call to pilot a land lease offering in the Evergreen neighbourhood.

RECOMMENDATION

1. That Administration be authorized to receive proposals from not-for-profit organizations, indigenous organizations, registered charities, affordable housing providers and community organizations to lease Parcel JJ, Plan 102137633, ISC Surface Parcel # 202844729 through a pilot open market with criteria call for proposals;
2. That Administration be authorized to negotiate lease terms and conditions with the proponent that submits the highest scoring proposal during the offer period on the subject property as set out in this report;
3. That if an acceptable proposal is not received through the original offer period, proposals continue to be received on a first come, first served basis subsequent to the offer period closing;
4. That if an acceptable lease proposal is not received within one year, the parcel will be returned into inventory and placed back over the counter for sale on a first come, first served basis in alignment with the standard process for land sales;
5. That Administration provide an information report on the notable terms that were negotiated with the successful proponent; and
6. That the City Solicitor be requested to prepare the appropriate agreements and that her Worship the Mayor and the City Clerk be authorized to execute the lease agreements under the Corporate Seal.

BACKGROUND

At its meeting held on [January 25, 2023](#), City Council resolved:

“That the Administration report back outlining a pilot process for offering a serviced land parcel in a Saskatoon Land development area for potential lease by a Not-for-Profit group at market value rates. The pilot process should explore financial implications of leasing to these groups and provide a transparent evaluation criterion to weigh community benefit offered by interested parties.”

While the original intention of the resolution was to facilitate the ability for community or religious organizations to create new spaces which benefit the community, in order to maximize the information gathered through this pilot process, the Administration is recommending to explore lease options for additional not-for-profit organizations or affordable housing providers to construct affordable housing on the parcel as well.

DISCUSSION/ANALYSIS

Administration has received varying interest from community groups and non-profits to gain access to serviced land parcels in Saskatoon Land development areas. Under its current mandate to deliver return on investment (ROI) identified in development proformas, Saskatoon Land has not pursued or entertained the lease of land to meet ROI objectives to date.

This pilot lease project is being developed at the direction of City Council to:

- Test market interest for the lease of lands for community-oriented development projects;
- Determine financial impacts of the long-term lease of land parcels vs outright sale; and
- Inform on the potential development of a new procedures regarding the market lease of serviced, city-owned lands within a Saskatoon Land development area for both investment return and community benefit.

Site Selection - Parcel JJ Evergreen

Administration has selected Parcel JJ in the Evergreen Neighbourhood (Appendix 1) as the site for the pilot process of offering a serviced land parcel. The parcel is 3.048 acres (1.234 hectares) in size and is currently zoned RMTN. Parcel JJ was originally brought to market through a public offering in 2018 and Administration has received varying interest on this site over this time period. In November of 2024 the parcel was removed from available inventory for use in the land lease pilot.

The RMTN zoning district currently applied to the parcel does not outright permit community centres; however, they are allowed with discretionary use approval from City Council. Depending on the intended land use, the successful organization may need to apply and be granted discretionary use approval to be able to proceed with the construction of their planned project on the site.

Parcel JJ is currently located in close proximity to a number of multi-unit parcels that have been fully developed and contain a mix of dwelling unit types that may benefit from proximity to a community-oriented use being located nearby.

Alternatively, affordable housing providers may also be interested in the Parcel JJ land lease option to increase the supply of affordable rental housing in Saskatoon. Potential incentives for affordable housing (or affordable housing units within mixed-market developments) may be available through the City of Saskatoon (City), including capital

grants, tax abatements and permit rebates. Further reporting and approval by City Council would be required to authorize these incentives.

Land Lease Explained

In simplified terms, a ground or land lease is a long-term lease agreement where a tenant rents land from a landlord and is permitted to develop or improve the land under certain agreed-upon terms and conditions. Appendix 2 provides several frequently asked questions regarding land/ground leases.

Organization Selection and Evaluation Criteria

Applicants for this public offering must be not-for-profits, indigenous organizations, registered charities, affordable housing providers and/or community organizations.

Interested proponents would need to provide a comprehensive business plan for the project, clearly identifying how they would fulfill a community need and benefit with their project. The organization would need to demonstrate financial viability through the preparation of a financial pro-forma for their project.

To solicit potential tenants for lease of this parcel, Administration has identified the following criteria which will be used to evaluate submitted proposals from interested parties:

- Status of Organization (non-profit, indigenous, etc.);
- How the planned project will be of benefit to the community;
- Development/construction experience;
- Ability to leverage financial support;
- Partnerships (financial, operating, etc.);
- Project details including site plan, building architecture and business plan;
- Project proforma including long-term operating strategy; and
- Proposed lease payment (annual rent).

Final score weighting on each of the above-mentioned categories will be further refined as the market offering release package is compiled.

Lease Structure and Terms

Administration will request interested proponents submit proposals identifying the planned improvements they would construct on the parcel and the amount of rent they would offer to pay. Due to the wide variety of community-oriented projects that could be received on the site, detailed terms of the final lease agreement will be subject to further negotiation between the highest scoring proponent and Administration. Generally speaking, the lease agreement will include, but not be limited to, the following terms:

- Annual rental rate, reevaluated in five-year increments or as agreed in negotiations;
- Term length of minimum range of 20-50 years to match the expected life of constructed improvements and other requirements on the parcel;
- Build commitment to initiate planned improvements within one year of Agreement effective date;
- Tenant to be responsible for annual property taxes owing on the site;
- Maintenance of the property;
- Liability and Insurance requirements;
- Environmental compliance requirements;
- Alterations and improvements allowed on the parcel;
- Subleasing and assignment; and
- Default and termination conditions.

Long-term land or ground lease agreements are significantly more complicated than fee simple sale agreements and will require negotiation of most terms with tenants to address liability and risk for the City as the landlord.

Information on the outcome of this proposal call, including the notable terms negotiated with the successful proponent, will be made available in a future information report to the Standing Policy Committee on Finance.

FINANCIAL IMPLICATIONS

Annual revenue from the land lease is unknown at this time and subject to negotiation with the highest scoring proponent. Administration's estimate of annual potential revenue from the lease based on a flat rental rate is \$195,000 per year, it should be noted that there are several ways to charge rent for land leases depending on the nature of the planned improvements and the type of organization leasing the parcel.

The Administration's plans to direct the annual revenue received from the lease under the pilot to the Saskatoon Land Operating Account to be used to cover overhead and operating costs associated with Saskatoon Land. Historically, Saskatoon Land's operating costs have been funded through a 6% administration charge on all land sales. Utilizing the lease revenue Saskatoon Land operations has two benefits:

1. It provides stable ongoing funding to ensure the sustainability of Saskatoon Land where land sales and the associated Admin fees can be more sporadic in nature; and
2. As the land lease program grows, it has the potential to reduce the current 6% Administration charge, which would leave more Neighbourhood Land Development Funds to be allocated to City Projects through declarations.

If the land lease program grows beyond the annual needs of Saskatoon Land's operational requirements, future reporting would be brought back to Committee on how

these additional funds would be allocated which could include contributions directly towards the City's operating budget or dedicated towards capital projects.

OTHER IMPLICATIONS

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

NEXT STEPS

If approved, Administration will proceed with a public offering of the parcel identified for the pilot process through a Call for Proposal to identify potential not-for-profit or community group projects that would be well suited for this parcel. Once a successful group is identified, Administration will carry out the necessary negotiation to complete the lease agreement. If there is no interest or Administration is unable to agree to the key terms and conditions for a long-term lease with a not-for-profit group, the parcel identified for the pilot will be returned to Saskatoon Lands inventory and will be marketed for sale in line with the standard processes for land sales.

Pending the outcome of the pilot lease offering, Administration will use lessons learned to develop policy and procedures for the leasing lands in Saskatoon Land development areas.

APPENDICES

1. Lot Information Map of Parcel JJ Evergreen
2. FAQ on Land Leases

REPORT APPROVAL

Written by: Matt Noordhof, Finance and Sales Manager
Reviewed by: Frank Long, Director of Saskatoon Land
Jeremy Meinema, Senior Financial Business Partner
Approved by: Clae Hack, Chief Financial Officer