



**City of Kingston
Report to Council
Report Number 17-277**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Cheryl Hitchen, Social Policy & Strategic Community Development Manager
Date of Meeting: November 7, 2017
Subject: Seniors Association Kingston Region – Amendment to Lease Agreement

Executive Summary:

The City has had a long standing partnership with the Seniors Association Kingston Region (Seniors Association) through which the Seniors Association is the primary recreation services provider for older adults in Kingston and currently has close to 5,000 members. It provides a wide variety of programs and services at the Seniors Centre, located at 56 Francis Street, and more recently at satellite locations throughout the City. 56 Francis Street, the former Portsmouth Public School, is a City-owned building that was acquired by the City in 2000 from the Limestone District School Board. The City has had a lease agreement at 56 Francis Street and a purchase of service agreement for the delivery of recreation seniors programs with the Seniors Association since 2001.

The purchase price of 56 Francis Street was \$600,000 which was comprised of \$390,000 for the surrounding parkland and \$210,000 for the building. In order for the Seniors Association to be able to use the surplus school as a Seniors Centre, \$190,000 in leasehold and capital improvements were required to bring the facility up to current building code. This \$190,000, combined with the \$210,000 purchase price for the school itself, were to be recovered from the Seniors Association through a 20 year lease agreement with an 8% interest rate which commenced in 2001. The Seniors Association has paid back about \$274,000 (without interest) of the total \$400,000 loans through the lease agreement which now has an outstanding amount of \$129,576 and is scheduled to be paid in full in 2023.

Over the past years, a number of changes have been made to the lease agreement, including the reduction of interest rates and the reduction of the principle loan by re-allocating capital

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funding to the Seniors Centre. The City also established a number of other partnerships with the Seniors Association including the free use of City facilities for program delivery, expansion of the parking lot at 56 Francis Street in exchange for volunteer support at City Hall, and more recently, pre-opening funds for service delivery at Rideau Heights Community Centre.

The Seniors Association is supported annually by the City of Kingston through a purchase of service agreement of \$100,800 for the provision of recreation and social programs. They also receive an Elderly Persons Centre Grant (EPC) and collect donations in addition to the revenue received from memberships (\$40 per member per year) and program fees.

The Seniors Association has recently approached the City requesting additional support as the membership numbers and demand for services continues to grow. City staff reviewed the request submitted by the Seniors Association and met with some of its representatives to discuss additional support. A short term option to provide the Seniors Association with access to more cash flow on a yearly basis would be for the City to forgive the outstanding loan, as of 2018, which is being recovered in a form of a lease at a rate of \$24,792 per year including interest.

Staff have reviewed and confirmed that forgiving this outstanding loan would not have a significant impact on the City's budget or reserve funds. This option would provide the Seniors Association with an additional \$24,792 to reinvest into programs and services on a yearly basis.

As a long term support option, and to ensure the ongoing delivery of services and programs for Kingston area seniors, staff are recommending that the City continues to own and maintain the Seniors Centre building and that a new lease agreement be established to provide the Seniors Association with exclusive use to the City-owned building for \$1 per year. The Seniors Association will continue to cover all operational costs, including some minor repairs, related to the delivery of programs and services at 56 Francis Street.

Recommendation:

That Council forgive, as of January 1, 2018, the outstanding loan totalling \$129,576 owed by the Seniors Association Kingston Region, incurred for the acquisition and upgrade of 56 Francis Street in 2001; and

That the amount of \$129,576 be funded from the Working Fund Reserve; and

That Council terminate the existing lease dated December 15, 2000 and repeal By-Law Number 2013-96 effective January 1, 2018; and

That Council authorize the Mayor and the Clerk to terminate the existing lease and execute a new lease agreement with the Seniors Association Kingston Region to commence January 1, 2018 for a period of 20 years, for the base rent of \$1 per year, in a form satisfactory to the Director of Legal Services; and

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That as required by clause 6(1)(b) of Ontario Regulation 603/06, it be confirmed that the Seniors Centre at 56 Francis Street is a municipal capital facility to be entirely occupied for recreation purposes of the municipality and that it is operated for public use; and

That in accordance with Section 110(6) of the *Municipal Act*, 2001, the by-law attached as Exhibit A to Report Number 17-277, being a By-Law to Authorize an Agreement for the Provision of a Municipal Capital Facility at 56 Francis Street, Kingston, Ontario, be presented, it being understood that this by-law will provide an exemption to the property to which the Municipal Capital Facility Agreement applies, from taxation for municipal and education purposes, and will provide a \$129,576 grant to eliminate the principle on an outstanding loan to the City; and

That in accordance with Section 110(8) of the *Municipal Act*, 2001, the Clerk be directed to give written notice of the passing of the by-law to the local school boards having jurisdiction in the area in which the property is located and to the Municipal Property Assessment Corporation (MPAC).

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

Lanie Hurdle, Commissioner, Community Services

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Desirée Kennedy, Chief Financial Officer & City Treasurer



Denis Leger, Commissioner, Corporate & Emergency Services



Mark Van Buren, Acting Commissioner, Transportation & Infrastructure Services Not required

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Options/Discussion:**Background**

In the mid 1970's there were two longstanding organizations, the Kingston and Area Senior Citizens' Council and the Kingston Seniors Day Centre. Shortly before the City's amalgamation, these two organizations amalgamated to form the Seniors Association Kingston Region (Seniors Association) in 1997.

At the time of the City's amalgamation, the Seniors Association operated out of the former Artillery Park Aquatic Centre where they rented an office space and utilized some program space. They received a small annual operating grant of approximately \$18,000 from the former City of Kingston to help offset the rent they were paying for City-owned space.

In 2001, the Seniors Association moved from Artillery Park to the former Portsmouth Public School (56 Francis Street) following the City of Kingston acquisition of the property from the Limestone District School Board. The purchase price of \$600,000 was comprised of \$390,000 for the surrounding parkland and \$210,000 for the building. In order for the Seniors Association to be able to use the surplus school as a Seniors Centre, \$190,000 in leasehold and capital improvements were required to bring the facility up to current building code. This \$190,000, combined with the \$210,000 purchase price for the school itself, were to be recovered from the Seniors Association through a 20 year lease agreement with an 8% interest rate which commenced in 2001.

Growth of the Older Adult Population and Membership of the Seniors Association

Since 2001, when the Seniors Association relocated, the population of those over the age of 55 in Kingston has increased by 32% from 27,705 to 40,760. In keeping with this demographic shift, the number of memberships to the Seniors Association has also grown from 1,650 in 2006 to 4,888 in 2016. This represents approximately twelve percent of the older adult population in Kingston.

Purchase of Service Agreement with the City of Kingston

Following the move to 56 Francis Street, the Seniors Association entered into an annual Purchase of Service (POS) agreement with the City in recognition of their ability to expand their programs to the community (Report C089). In 2009, the POS agreement was increased from \$90k annually to \$101k annually. This agreement helps the Seniors Association provide more than 260 recreational, cultural and wellness programs in its three main locations (Francis Street, Boys & Girls Club West and Edith Rankin Church).

Lease Agreement with the City for Former Portsmouth School

Since 2000, the original agreement with the Seniors Association has been amended several times in recognition of the Seniors Association growth and contribution to the community as well as the care and work it has done to maintain this municipal facility.

In the original lease agreement from 2001, the Seniors Association paid \$100 in annual rent, paid principal and 8% interest on the building loan of \$210,000 and construction loan of \$190,000, and paid municipal and education property taxes.

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This lease agreement was amended in 2007 (Report Number 07-194) to reduce the interest rate to 5%, reduced annual rent to \$2, and added all arrears of rent to the total loan amounts amortized over 15 years to 2021. In addition that year, Council approved a grant of \$8,722 to offset building fees, development charges and impost fees for a building expansion to add storage space onto the gym.

In 2013, further amendments were made (Report Number 13-105) to reduce the interest rate on the loan to 2% per annum, adjusted the loan date from 2021 to 2023, designated the building as a municipal capital facility thereby making it exempt from taxation, provided a \$21,000 grant to reduce principal on loan, and exempted the Seniors Association from paying fees and charges for rental of municipal facilities.

In 2015, Council approved a partnership through which the City covered the cost of \$60,000 to expand the parking lot at 56 Francis Street in exchange for volunteer support for programs at City Hall.

Current Situation and Recommended Support

As the population of older adults continues to grow, the demand for the provision of programs across the community also grows. In the last couple of years, the Seniors Association has tried to address this through the addition of programs in the west end and Loyalist Township. The Seniors Association will also be providing programs at the new Rideau Heights Community Centre in 2018.

The current lease agreement for the Francis Street building will end in 2023; therefore, staff have been meeting with representatives from the Seniors Association for the past several months to discuss options for the continued use and upkeep of the facility and the financial situation of the Seniors Association in relation to the facility. In addition, a Building Condition Assessment was completed in June 2017 to assess the work needed to maintain the building and identify any critical issues.

The Seniors Association also commented on its need to have access to more cash flow in order to continue to support the growth in programs and services. City staff have met and worked with the Seniors Association to come up with some recommendations that would provide the Seniors Association with access to more cash flow on an annual basis to reinvest in programs in the short term and would also secure the long term use of 56 Francis Street at no cost.

The following recommendations have been determined based on those discussions:

- As of January 1, 2018, the balance of the loan totaling \$129,576 with the City be forgiven;
- The City will maintain ownership of the property and agree to conduct the necessary major repairs/replacements going forward, utilizing information from the Building Condition Assessment report to inform spending priorities and timing;
- The Seniors Association will continue to pay all heat, utility and snow removal costs; and
- A new lease agreement at \$1 per year for base rent for the next 20 years will be established reflecting the above changes.

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The termination of the existing lease will automatically deem the Municipal Capital Facility By-Law 2013-97 to be repealed. It must be replaced with a new by-law to give effect to the new direction of Council to continue the tax exemption status and to authorize the grant of \$129,576 to retire the principle owing as of the date of the new lease, January 1, 2018. The exemption from paying fees and charges for the rental of municipal facilities for the provision of recreational services for seniors approved by Council in 2013 will continue.

Existing Policy/By-Law:

Not applicable

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

The Seniors Association's outstanding loan with the City of Kingston as of the end of 2017 is calculated to be \$129,576. It was scheduled to be repaid by 2023 through annual lease payments in the amount of \$24,792, including yearly interest. Staff are recommending that the City forgive the loan as of January 1, 2018; therefore increasing the Seniors Association cash flow by \$24,792 per year. Staff have confirmed that forgiving the loan would not have any significant impacts on the City's budgets and reserve funds.

Funds will be included in the Recreation & Leisure Services 15 year capital budget to cover the asset management costs related to 56 Francis Street.

Contacts:

Lanie Hurdle, Commissioner, Community Services 613-546-4291 extension 1231

Cheryl Hitchen, Social Policy & Strategic Community Development Manager 613-546-4291 extension 4806

Other City of Kingston Staff Consulted:

Alan McLeod, Senior Legal Counsel, Legal Services

Lana Foulds, Manager, Financial Planning

Kathy Gray, Property Specialist

Speros Kanellos, Director, Facilities Management & Construction Services

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Luke Follwell, Director, Recreation & Leisure Services

Others External Individuals Consulted:

Don Amos, Executive Director, Seniors Association Kingston Region

Exhibits Attached:

Exhibit A A By-law to Repeal By-Law Number 2013-97 and to Authorize an Agreement for the Provision of a Municipal Capital Facility at 56 Francis Street, Kingston, Ontario

By-Law Number 2017-XX**A By-Law to Repeal By-Law Number 2013-97 and to Authorize An Agreement for the Provision of a Municipal Capital Facility at 56 Francis Street, Kingston, Ontario****Passed:** [Meeting Date]

Whereas Section 110(1) of the *Municipal Act, 2001*, “hereinafter called the “Act”, provides that the Council of a municipality may enter into agreements for the provision of a municipal facility for recreational purposes to operate for public use by any person and may pass by-laws to provided financial assistance or other assistance at below market rates or at no cost and exempt from property taxation for municipal and school purposes land, or a portion of it, on which municipal capital facilities are located; and

Whereas paragraph 16 of section 2 of Ontario Regulation 603/06 prescribes municipal facilities related to recreational facilities as eligible municipal capital facilities; and

Whereas the Council has approved that the City of Kingston (the “City”) enter into a new lease (the “Lease”) with the Seniors Association Kingston Region (the “Seniors”) for the use of the premises particularly described in Schedule “A” hereto (the “Premises”) for the provision of a recreational municipal capital facility; and

Whereas Council is desirous of entering into an agreement with the Seniors for the provision of municipal facilities at the Premises;

The Council of the City of Kingston Hereby Enacts as follows:

1. The City of Kingston is authorized to enter into an agreement under section 110 of the *Municipal Act, 2001* with the Seniors for the provision of a municipal facility used for recreational purposes and operated for public use at the Premises, in accordance with O.Reg. 603/06 (the “Agreement”).
2. The Premises occupied by the Seniors are exempt from taxation for municipal and school purposes.
3. The base rate of rent shall be One Dollar (\$1.00) per annum.
4. The giving of One Hundred Twenty Six Thousand Eight Hundred Ten Dollars (\$126,810) to the Seniors for the elimination of the outstanding principle on the initial capital loan at no cost to the Seniors.
5. The fees for rental of the City facilities to be used for the provision and delivery of recreational services by the Seniors, may be exempt from the payment of fees and charges that may otherwise be imposed by the City’s Fees and Charges By-Law Number 2005-10 as may be amended from time to time.

6. This by-law shall be deemed repealed:
- (a) If the Owner ceases to own the Premises without having assigned the Agreement to the new owner of the Premises;
 - (b) If the Seniors or its successor in law ceases to use the Premises for recreational purposes;
 - (c) When the Lease, or any renewal or extension of the Lease, expires;
 - (d) If the Lease, or any renewal or extension of the Lease, is terminated, for any reason whatsoever; or
 - (e) If the Agreement is terminated for any reason whatsoever.
7. (a) Sections 1, 2, 5 and 6 of this by-law shall come into force on the day that the by-law is passed.
- (b) Sections 3 and 4 of this by-law shall come into force on the day that is the latter of:
- i. The day the Agreement is entered into by the City and the Seniors; and
 - ii. The day the new lease is entered into by the City and the Seniors.
8. This by-law shall come into force and take effect on the date it is passed.

Given First and Second Reading [Meeting Date]

Given Third Reading [Meeting Date]

John Bolognone
City Clerk

Bryan Paterson
Mayor