

DATE OF MEETING December 20, 2021

AUTHORED BY NANCY SKEELS, PROPERTY AGENT, REAL ESTATE

SUBJECT LEASE DISPOSAL TO LOAVES AND FISHES COMMUNITY FOOD BANK – 1861 EAST WELLINGTON ROAD

OVERVIEW

Purpose of Report

To seek Council approval to issue a 30-year lease to Loaves and Fishes Community Food Bank at City-owned property at 1861 East Wellington Road.

Recommendation

That Council approve the disposition of a 30-year lease of City-owned lands at 1861 East Wellington Road to Loaves and Fishes Community Food Bank, effective 2022-FEB-01.

BACKGROUND

Loaves & Fishes Community Food Bank (“L&F”) has been in operation in Nanaimo since 1996. The existing L&F depot (the “Central Warehouse”) is located at 210 Fry Street, and since 2008, L&F have opened an additional 11 satellite depots to serve over 15,000 people in more than 30 communities across Vancouver Island. To continue to operate as a provincial leader in food recovery and to successfully operate the Food 4U Recovery Program, L&F needs to increase the size of their warehouse space, as the Central Warehouse has become too small to serve all the public’s needs.

At the 2021-MAR-17 Finance and Audit Committee Meeting, L&F requested financial support from the City of Nanaimo to build a larger food recovery warehouse to better serve the people of Nanaimo. L&F prepared a plan to build a 25,000sq.ft. food recovery warehouse on a vacant industrial parcel located at 1861 East Wellington Road.

Council directed Staff to support in principle the acquisition of 1861 East Wellington Road with an option to lease back to Loaves and Fishes and direct Staff to report back to Council with an update on deliberations.

1861 East Wellington Road (the “Property”, Attachment A) is 0.54ha (1.34 acres) in size, rectangular shaped, and is located adjacent to the Canada Post Distribution Centre on East Wellington Road. The Property is zoned I3 (High Tech Industrial), which supports the proposed warehouse use. The Property is currently a vacant lot and is being used by L&F as an outdoor storage for their Empties 4 Food program.

Staff completed deliberations with the property owner, and Council approved the acquisition of 1861 East Wellington Road and provided approval in principle to enter into a 30-year lease of the Property to L&F. The Property purchase has completed and transferred to the City on 2021-NOV-30 at a cost of \$1,300,000.

Staff are seeking Council's approval to enter into a 30-year lease of the Property with L&F.

A Notice of Disposition was placed in the local newspaper as per Section 26 of the *Community Charter* for two consecutive weeks. Section 24 of the *Community Charter* requires the Notice of Disposition to include the market value of the land and the nominal rent associated with the property. The market value of the land is \$1,300,000, which equates to a market rent of \$65,000.00 per annum, assuming a discount rate of 5%.

DISCUSSION

Council is being asked to grant a 30-year lease to L&F to complete the previous commitments to L&F. The following are the keys terms of the proposed lease:

- Lessee: Loaves and Fishes Community Food Bank
- Commencement Date: 2022-FEB-01
- Term: 30 years
- Rent: \$10.00 for the term
- Use: Food Bank operations (warehousing and distribution), office space, and associated related social enterprises that comply with local bylaws.
- Construction Commitment: Following commencement of the lease, within five years, construction of the buildings will take place. If commencement does not occur, the City has the right to terminate the lease. Within two years of construction, the buildings have to be substantially completed.
- Costs: The Lessee will be responsible for all utilities, construction, repairs, maintenance, operation, and required permits.
- Property Taxes: The Lessee will be responsible for property taxes (unless approved for a Permissive Tax Exemption).
- Works and Services: Development of the Property will trigger works and services on Hansen Road and East Wellington Road. The owner of 200 Hansen Road has agreed to enter into a cost-sharing agreement with City for the works along Hansen Road. The City has allocated \$100,000 from the 2021 Property Acquisition Fund for these frontage works and services.
- Assignment and Sub-Let: Upon approval by the City.

Should Council approval be received, Staff will have the City's solicitor register the lease on 2022-FEB-01.

OPTIONS

1. That Council approve the disposition of a 30-year lease of City-owned lands at 1861 East Wellington Road to Loaves and Fishes Community Food Bank, effective 2022-FEB-01.

- Advantages: The lease disposition aligns with Council's commitment to focus on food security. The City acquisition enables L&F to focus on the fundraising efforts for the new building only. City ownership of the land provides long-term certainty to L&F. Should development on the site not occur in a timely manner and meet the construction commitments, the City can rescind the lease and repurpose or sell the Property.

- Disadvantages: If approval to the lease is provided, L&F will occupy the Property for the next 30 years and the City will not have the opportunity to use the Property for other City purposes should Council wish to do so.
 - Financial Implications: The City has budgeted \$100,000 to be put towards the works and services required along Hansen Road from the 2021 Property Acquisition fund. By entering into a lease with L&F and providing assistance towards the rent, the City will not receive \$65,000 per annum of potential market rent for the Property. The City will incur \$10,000 in estimated legal costs to prepare the lease agreement. This cost can be funded from the 2021 legal budget.
2. That Council deny the disposition of a 30-year lease of City-owned lands at 1861 East Wellington Road to Loaves and Fishes Community Food Bank.
- Advantages: Council could choose to use the Property for other City uses.
 - Disadvantages: L&F will continue to operate out of the Central Warehouse and they may not be able to continue to operate as a provincial leader in food recovery, to serve all the public's need, and to efficiently operate their Food 4U Recovery Program. Not providing approval would be inconsistent with Council's commitment to focus on food security. Staff will need to identify a new tenant or another City use, and the Property will remain vacant during that time.
 - Financial Implications: The City will need to budget for maintenance and upkeep for the Property.

SUMMARY POINTS

- Loaves & Fishes Community Food Bank ("L&F") has requested financial support from the City of Nanaimo to build a larger food recovery warehouse. The existing L&F depot at 210 Fry Street has now become too small to operate their Food 4U Recovery Program.
- Council directed Staff to support in principle the acquisition of 1861 East Wellington Road with an option to lease back to Loaves and Fishes and direct Staff to report back to Council with an update on deliberations.
- Staff completed deliberations with the property owner and Council authorized the acquisition of 1861 East Wellington Road and provided approval in principle to enter into a 30-year lease of the Property to L&F.
- The Property transferred to the City on 2021-NOV-30 at a cost of \$1,300,000.
- Staff are seeking Council's approval to enter into a 30-year lease of the Property with L&F. Approval of the lease will support their goal of developing a new food distribution warehouse to expand the Food 4U Recovery Program.

ATTACHMENT:

ATTACHMENT A: Location Plan |

Submitted by:

Bill Corsan
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Concurrence by:

Laura Mercer
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