

**Infrastructure Services Report to
Infrastructure and Planning Committee
2023 June 07**

**ISC: CONFIDENTIAL
IP2023-0631
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Proposed Lease Amendment (Manchester) – Ward 09 (5327, 5333, 5337 2 ST SW)

RECOMMENDATION:

Review By: 2025 August 01

That the Infrastructure and Planning Committee recommend that Council:

1. Authorize the Recommendations as outlined in Attachment 3; and
2. Direct that the Closed Meeting discussions, report, and attachments remain confidential pursuant to Sections 23 (Local public body confidences), 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* until the lease amending agreement has been executed.

**RECOMMENDATION OF THE INFRASTRUCTURE AND PLANNING COMMITTEE,
2023 JUNE 7:**

That Council:

1. Authorize the Recommendations as outlined in Attachment 3; and
2. Direct that the Closed Meeting discussions, report, and attachments remain confidential pursuant to Sections 23 (Local public body confidences), 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* until the lease amending agreement has been executed.

HIGHLIGHTS

- Alain's Shoe Repairs Ltd. o/a Stampede Boot & Clothing Co. (the "Tenant"), has been occupying the subject Property since 2006 operating a retail store and shoe repair service.
- Council authorized the recommendations (LAS2006-141) that were based on terms contained in the non-binding proposal to lease dated 2006 September 05 (the "Proposal to Lease") which included:
 - a ground lease on the portion of land that would not be required for future road widening;
 - an option to purchase that portion of land should it ever be deemed surplus; and
 - a license of occupation for the section of land that might be required for future road widening.
- In 2007, the Tenant constructed a retail building on the Subject Property with the understanding that the terms of the executed lease proposal would be incorporated into a binding lease agreement. Specifically, the Tenant was expecting it would have the first opportunity to purchase the Land at market value should it ever be declared surplus.
- A subsequent Land Report (MRER2016-87) was approved, and a lease was finally executed in 2016. The City and the Tenant entered into a ground lease for all three lots that did not include the option to purchase (the "Lease").

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- The initial Lease Term expired on 2021 November 30 and Tenant has provided notice that they would like to exercise their first option to extend the Lease for 5 years. The Tenant has also requested that the Lease be amended to include the option to purchase agreed to in 2006.
- “What does this mean to Calgarians?” Amending the lease to include the option to purchase would give the Tenant the security to continue to invest in this property.
- “Why does this matter?” The Tenant constructed the building on the Property and has invested into the Property over the past 16+ years and the City has generated revenue from rent and property taxes from what would otherwise be vacant land. The retail building has enhanced the appearance of that section of Macleod Trail and creates retail traffic which adds to the security and success of the area.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- The Subject Property is located at 5237, 5333 and 5337 2nd ST SW. It is made of up three adjacent lots totaling approximately 1,666.38 square metres (±17,936.70 square feet). These lots were purchased by the City in 1973 for the future Macleod Trail widening.
- The Subject Property is sloped which is not ideal for future development and should a portion of the site be required as determined by the 50th Avenue study then the developability of the land will be further impacted.
- The land was initially made available for lease and license through a public offering and the only Expression of Interest received was from the Tenant.
- The Tenant has occupied the Subject Property since 2006 and owns the adjacent land to the south.
- The Tenant operates is a family-owned business that has been serving the community since 1977.
- A lease proposal dated 2006 September 05 from the City was signed by the Tenant and a corresponding Land Report (LAS2006-141) was approved by Council with the following recommendations: a ground lease on part of the lands; a license of occupation for the section of the lands that might be required for future Macleod Trail road widening; and an option to purchase the leased portion should it be declared surplus.
- In 2007, the Tenant constructed a retail building on the site which was intentionally built recessed from Macleod Trail in anticipation for possible Macleod Trail road widening.
- A lease based on the 2006 recommendations and lease proposal was never executed.
- In 2016, a ground lease was finally executed by the City and the Tenant and for the full three parcels. It did not contain the Tenant’s option to purchase.
- The initial Lease Term expired on 2021 November 30 and the lease has been in over hold since.
- The Tenant would like to exercise its first option to renew the Lease for 5 years and would like the Lease amended to include the option to purchase as per the original terms and conditions of the Proposal to Lease from 2006.
- A Lease renewal is forthcoming subject to negotiations of a market renewal rate.

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- A new functional study is underway to determine future acquisition requirements, by finalizing the desired alignment for the 50th Avenue SE corridor (between Deerfoot Trail and Macleod Trail). The Subject Property lies within the study area, so no disposition is possible at this time.
- Administration recommends approving the amendment to the lease to give the Tenant the first option to purchase the Subject Property at market value should it ever be declared surplus.

ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

IMPLICATIONS

Social

None.

Environmental

Not Applicable.

Economic

If the Lease is amended to include an option to purchase at market value and the Subject Property is declared surplus, the Tenant may exercise the option and the City will receive revenue equivalent to the market value from the sale of the Property.

Service and Financial Implications

Currently, the lease generates annual revenue of \$73,500.00 +GST to existing operating funding – Base in Prg. #488 and Self-supported funding in the Revolving Fund Reserve for General Land Purchases

Proceeds from a sale of the property would also go to:

Existing operating funding – base in Prg. #488 and Self-supported funding in the Revolving Fund Reserve for General Land Purchases

RISK

Not amending the agreement would have the risk of reputational implications. This is a family-run business, and the Tenant has been investing heavily into this property since 2006 with the expectation that they would have the option to purchase should the Property every be declared surplus.

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ATTACHMENTS

- 1. Previous Council Direction, Background
- 2a. Context Map
- 2b. Site Map
- 3. Recommendations
- 4. Summary of Additional Property Information
- 5. Alberta Corporation/Non-Profit Search
- 6. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Michael Thompson, General Manager	Infrastructure Services	Approve
Campbell Berry, Director	Real Estate & Development Services	Approve

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