

**5. DISPOSAL OF 755 SOMERSET STREET WEST TO THE SOMERSET WEST  
COMMUNITY HEALTH CENTRE**

**CESSION DU 755, RUE SOMERSET OUEST AU CENTRE DE SANTÉ  
COMMUNAUTAIRE SOMERSET OUEST**

**COMMITTEE RECOMMENDATIONS**

**The Council:**

- 1. Declare the property known municipally as 755 Somerset Street West described as Part of Lot 3 East of Lorne Avenue; Lots 1 and 2 North of Somerset Street; Lots 2 and 3 West of Empress Avenue; all on Plan 11285, as in NS 584, in the City of Ottawa and shown as Document 1, attached as surplus to the City's needs;**
- 2. Waive the requirement in Section 5 of the City's Real Property Disposal Policy requiring notification to the public of the pending sale of a City property;**
- 3. Waive the requirement in Section 1.2 of the City's Real Property Disposal Policy requiring all Real Property to be disposed of at market value and approve the sale of the lands known municipally as 755 Somerset Street West to the Somerset West Community Health Centre for the sum of \$1.00 pursuant to a Memorandum of Understanding between the City of Ottawa and the Somerset West Community Health Centre dated November 18, 2019;**
- 4. Delegate authority to the Director, Corporate Real Estate Office, to negotiate, conclude, and execute, on behalf of the City, the final documents required to complete this transaction, within the contractual and financial parameters set forth in this report.**

## RECOMMANDATIONS DU COMITÉ

Que le Conseil :

1. Déclare excédentaire aux besoins de la Ville la propriété dont l'adresse municipale est le 755, rue Somerset Ouest et décrite comme constituant une partie du lot 3 à l'est de l'avenue Lorne, les lots 1 et 2 au nord de la rue Somerset, les lots 2 et 3 à l'ouest de l'avenue Empress, toutes les parties du plan 11285, NS 584, se trouvant sur le territoire de la Ville d'Ottawa et indiquée dans le document 1 ci-joint;
2. Renonce à la disposition de l'article 5 de la Politique sur l'aliénation des biens immobiliers de la Ville exigeant la publication d'un avis annonçant la proposition d'aliénation d'une propriété municipale;
3. Renonce à la disposition du paragraphe 1.2 de la Politique sur l'aliénation des biens immobiliers de la Ville exigeant que les biens immobiliers soient aliénés à leur valeur marchande, et approuver la vente du terrain dont l'adresse municipale est le 755, rue Somerset Ouest au Centre de santé communautaire Somerset Ouest pour un montant de 1,00 \$, conformément aux dispositions d'un protocole d'entente conclu le 18 novembre 2019 entre la Ville d'Ottawa et le Centre de santé communautaire Somerset Ouest;
4. Délègue au directeur, Bureau des services immobiliers municipaux, le pouvoir de négocier, de conclure, de modifier et de signer, au nom de la Ville, les documents finaux requis aux fins de cette transaction, conformément aux paramètres contractuels et financiers énoncés dans le présent rapport.

## DOCUMENTATION/DOCUMENTATION

1. Director's report, Corporate Real Estate, Office Planning, Infrastructure and Economic Development Department, dated 23 January 2020 (ACS2020-PIE-CRO-0003).

Rapport du Directeur, Bureau des partenariats et du développement en immobilier, Direction générale de la planification, de l'infrastructure et du développement économique, daté le 23 janvier 2020 (ACS2020-PIE-CRO-0003).

2. Extract of draft Minutes, Finance and Economic Development Committee, 4 February 2020

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 4 février 2020

**Report to  
Rapport au:**

**Finance and Economic Development Committee / Comité des finances et du  
développement économique  
February 4, 2020 / 4 février 2020**

**and Council / et au Conseil  
February 12, 2020 / 12 février 2020**

**Submitted on January 23, 2020  
Soumis le 23 janvier 2020**

**Submitted by  
Soumis par:  
Derrick Moodie  
Director / Directeur**

**Corporate Real Estate Office / Bureau des biens immobiliers municipal, Planning,  
Infrastructure and Economic Development / Services de la planification, de  
l'infrastructure et du développement économique**

**Contact Person / Personne ressource:  
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**Ward: SOMERSET (14)**

**File Number: ACS2020-PIE-CRO-0003**

**SUBJECT: Disposal of 755 Somerset Street West to the Somerset West  
Community Health Centre**

**OBJET: Cession du 755, rue Somerset Ouest au Centre de santé  
communautaire Somerset Ouest**

## **REPORT RECOMMENDATIONS**

**The Finance and Economic Development Committee recommend Council:**

- 1. Declare the property known municipally as 755 Somerset Street West described as Part of Lot 3 East of Lorne Avenue; Lots 1 and 2 North of Somerset Street; Lots 2 and 3 West of Empress Avenue; all on Plan 11285, as in NS 584, in the City of Ottawa and shown as Document 1, attached as surplus to the City's needs;**
- 2. Waive the requirement in Section 5 of the City's Real Property Disposal Policy requiring notification to the public of the pending sale of a City property;**
- 3. Waive the requirement in Section 1.2 of the City's Real Property Disposal Policy requiring all Real Property to be disposed of at market value and approve the sale of the lands known municipally as 755 Somerset Street West to the Somerset West Community Health Centre for the sum of \$1.00 pursuant to a Memorandum of Understanding between the City of Ottawa and the Somerset West Community Health Centre dated November 18, 2019;**
- 4. Delegate authority to the Director, Corporate Real Estate Office, to negotiate, conclude, and execute, on behalf of the City, the final documents required to complete this transaction, within the contractual and financial parameters set forth in this report.**

## **RECOMMANDATIONS DU RAPPORT**

**Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :**

- 1. Déclarer excédentaire aux besoins de la Ville la propriété dont l'adresse municipale est le 755, rue Somerset Ouest et décrite comme constituant une partie du lot 3 à l'est de l'avenue Lorne, les lots 1 et 2 au nord de la rue Somerset, les lots 2 et 3 à l'ouest de l'avenue Empress, toutes les parties du plan 11285, NS 584, se trouvant sur le territoire de la Ville d'Ottawa et indiquée dans le document 1 ci-joint;**

- 2. Renoncer à la disposition de l'article 5 de la Politique sur l'aliénation des biens immobiliers de la Ville exigeant la publication d'un avis annonçant la proposition d'aliénation d'une propriété municipale;**
- 3. Renoncer à la disposition du paragraphe 1.2 de la Politique sur l'aliénation des biens immobiliers de la Ville exigeant que les biens immobiliers soient aliénés à leur valeur marchande, et approuver la vente du terrain dont l'adresse municipale est le 755, rue Somerset Ouest au Centre de santé communautaire Somerset Ouest pour un montant de 1,00 \$, conformément aux dispositions d'un protocole d'entente conclu le 18 novembre 2019 entre la Ville d'Ottawa et le Centre de santé communautaire Somerset Ouest;**
- 4. Déléguer au directeur, Bureau des services immobiliers municipaux, le pouvoir de négocier, de conclure, de modifier et de signer, au nom de la Ville, les documents finaux requis aux fins de cette transaction, conformément aux paramètres contractuels et financiers énoncés dans le présent rapport.**

## **BACKGROUND**

The building and property commonly known as Dalhousie Community Centre, located at 755 Somerset Street West, comprises of a three- and one-half-storey building that was constructed in 1906 and further renovated in 1980 with an approximate site area of 2,101 square metres (22,615 square feet).

The former City of Ottawa purchased Saint-Jean Baptiste School from the Ottawa Roman Catholic School Board in 1977 at 755 Somerset Street West. The building was initially purchased for housing, in co-ordination with the Dalhousie Non-Profit Housing Co-operative, but due to the high cost of conversion, it was ruled out as a viable use for the building at the time.

Over the years, the City has offered community-based programming within the building. However, most of the building has been occupied by a number of not-for-profit organizations, such as Dalhousie non-profit Housing, Nanny Goat Nursery, The Door, and various other community-based groups.

The property has been identified as being of cultural heritage value and may be eligible for designation under Part IV of the *Ontario Heritage Act*. The current zoning is TM [112]H(16)Traditional Mainstreet which allows for a number of uses; however, the proposed agreement with Somerset West Community Health Centre (SWCHC) limits the use to community-based programming within the building.

An internal circulation was undertaken on the property in January 2019. There were no objections to the disposal of the building, Somerset Street West is identified as a spine route in the ultimate cycling network. A right of way of 20 metres is provided along Somerset Street frontage, should redevelopment occur.

The property is shown on Document 1 attached to this report and is legally described as Part of Lot 3 East of Lorne Avenue; Lots 1 and 2 North of Somerset Street; Lots 2 and 3 West of Empress Avenue; all on Plan 11285, as in NS 584, in the City Ottawa.

## **DISCUSSION**

The subject property having a gross building area of 2,092 square metres (22,528 square feet) and a gross leasable area of 1,774 square metres (19,096 square feet) is an underused City asset that has recently undergone significant lifecycle work. Part of the work was required to preserve the stone facades of the building, which amounted to \$3,446,000 in 2017 and 2018. Lifecycle work to the building over the past four years is approximately \$4,000,000.

Currently, Nanny Goat Nursery is the only paying tenant in the building. The nursery school pays an annual rent of \$27,829.00 for approximately 758.9 square metres (2,490 square feet) of space. Two non-paying tenants also occupy the building, including The Door (youth drop in) and Rec Link (social recreation organization). These tenants occupy approximately 900 square metres (2,950 square feet) of space. Nanny Goat Nursery, which is funded through operations of SWCHC, will remain in the building. Rec Link, which is funded through Ottawa Community Housing Foundation, will approach SWCHC to determine options or arrange for alternative space arrangements.

The City has been operating, an adult drop in program “Open Door”, which occupies approximately 70 square metres (760 square feet) within the building. The program is staffed by the City and will relocate to the City managed McNabb Community Centre.

The centre is 500 metres from the current location and has space available for the program, as well as support related services.

City staff will not be affected by the disposal. The staff will be used more efficiently in other buildings that have additional staffing requirements.

The building is used as rental space to community user groups through the Class booking system. On average, it has only generated \$6,000 a year in revenue. McNabb Community Centre has similar space available for user groups that may require this type of rental space.

In summary, over the past several years, capital repairs to maintain the building have cost roughly \$4,000,000 and annual operating costs of the building have exceeded the revenues. On average the City is subsidizing the operations in the building with an additional \$100,000 each year in operating costs. Fifty percent of the building is not occupied or used for any purpose at this time.

Additional to the circulation performed in January 2019, Corporate Real Estate Office (CREO) staff met with representatives of Recreation, Culture and Facility Services as well as Community Social Services to determine if either department had a strategic use for the building. Neither department was able to identify a use for the vacant space within the building.

Since a City use could not be identified from either process, CREO staff identified two options for the future of the building. The first option would be to dispose of the building, within that choice, two scenarios have been explored:

- Sell the building on the open market. Given the historical designation of the property and the desire for the building to be used for community focused purposes, this option would not generate optimal revenue.
- The next scenario for disposing of the property would see a community-based organization purchase the building for a nominal amount. Such an organization would then be able to focus its financial resources on maintaining the building and community programming. This scenario would protect the City's underlying interests and remove the capital and operating cost requirements from the City's budget.



The second option would be to lease out the entire building to one entity. This would not alleviate the City from future capital cost obligations. Furthermore, finding tenants for a space that is configured to a school layout, with wide hallways and stairwells would be difficult.

Considering all the factors, the scenario to sell the building for a nominal amount to a community-based organization, is determined to be the most viable option and best interest of the City. CREO staff have approached Somerset West Community Health Services (SWCHC) to discuss the option of taking ownership of the building. Currently, SWCHC is the only rent paying tenant who occupy the building through the operation of Nanny Goat Nursery School.

Since the City has approached SWCHC, which has a long-standing program history within the building, it is being requested that Recommendation number two, be adopted, requesting Council waive the requirement of Section 5 of the City's Real Property Disposal policy requiring notification to the public of the pending sale of a city property.

SWCHC is a non-profit, community-governed organization that provides primary health care, health promotion and community development services. It is a well-known Community Health Centre (CHC) and a leader in offering a wide range of community-building activities and advocacy programs.

SWCHC owns and operates two buildings in the City, one located at 30 Rosemount Avenue and the other at 55 Eccles Street. They are well established to take on the financial and administrative logistics of owning and operating 755 Somerset Street West. It will provide them with additional required space and the ability to stream line operations.

Since the programs and services offered by SWCHC are community-based services and in line with City of Ottawa programs, staff are requesting Council waive the requirement in Section 1.2 of the City's Real Property Disposal Policy requiring all real property to be disposed of at market value. It is being recommended that ownership to the property be transferred to the SWCHC for \$1.00 under recommendation number three. Pursuant to Section 1.3 of the City's Real Property Disposal Policy, City Council may, unless prohibited by the *Municipal Act*, authorize the disposal of real property at less than market value if, in its opinion, it is in the best interests of the City to do so.

An external appraisal was completed in May 2019. A subsequent internal appraisal was also completed to support the estimated value. The property was appraised based on a Restrictive Covenant and the property being available to a community-based organization. The market value estimate is \$3,380,000. The Highest and Best use of the subject property would be the continuation of the existing institutional type use.

All other policies and procedures with regard to disposal of a City asset have been followed.

The City and SWCHC have executed a conditional Memorandum of Understanding attached as Document 2, which provides the framework for an Agreement of Purchase and Sale to be executed by the parties. Pursuant to the Memorandum of Understanding (MOU):

1. SWCHC will agree that the property will not be used for any purpose other than the programs offered and operated by SWCHC. The City will have an option to repurchase the property under the Use Restriction Covenant, if it is determined SWCHC is not providing community-based programming within the building. SWCHC will be able to Lease out portions of the property to community organizations.
2. SWCHC will grant the City an option to repurchase the property for a purchase price of One Dollar (\$1.00) free and clear of all encumbrances other than the mortgage allowance noted below. The option to repurchase shall be exercisable by the City upon default by SWCHC of the Use Restrictions, SWCHC will further agree not to market the Property nor accept any offer to purchase the property without first offering to sell to the City for a purchase price not to exceed the mortgage allowance noted below.
3. SWCHC will agree to not encumber the property with a mortgage exceeding \$1,500,000. The mortgage monies are to be used only towards maintaining and improving the facilities.
4. SWCHC will accept the assignment of a five-year Lease agreement, which the City and The Door will have executed, prior to execution of the Agreement of Purchase and Sale. The City will agree to a onetime payment to SWCHC of \$125,000, to offset operating costs for the remaining period of the Lease.

In the event SWCHC defaults on the Use Restriction Covenant, the Financing Restriction Covenant, or any other covenant in connection with the Agreement set out in the MOU, the City will have the option to repurchase the building for a purchase price being the outstanding mortgage amount, not to exceed \$1,500,000. Monies will be paid to the mortgage holder free and clear of any other encumbrances.

The MOU contemplates a Purchase and Sale Agreement being executed by the City and SWCHC. Other transaction models were considered such as care free ground Lease, these types of agreements still require capital investment from the City. The City has successfully completed similar agreements with community-based organizations.

The City has owned and operated this property since 1977, after review of the tenancies', the low occupancy, and the financial requirements to operate and maintain the property, the option to dispose of the property to SWCHC, is a mutually beneficial transaction.

Based on the Cities use of Restrictive Covenants, requiring SWCHC to preserve the building, and use it for community based programming, provides the City with assurance the property will continue to be used for community programming. SWCHC will benefit with efficient use of space and expanding services. Staff is recommending that Council approve the sale to SWCHC as identified in Recommendations 1 through 4 in this report.

## **RURAL IMPLICATIONS**

There are no rural implications associated with this report.

## **CONSULTATION**

In accordance with the City's Real Property Disposal Policy approved by City Council on March 28, 2012, the availability of the property was circulated to all City departments, including the Housing Branch, Planning, infrastructure and Economic Development and as well the Ward Councillor, to determine if the property was required for a City mandated program.

There were no objections expressed by any department at the time of the circulation, January 25, 2019. If the site were ever to be redeveloped the requirement for a road widening and site triangle would be explored at time of site plan.

## **COMMENTS BY THE WARD COUNCILLOR**

The Ward Councillor is aware of this report.

## **LEGAL IMPLICATIONS**

There are no legal impediments to implementing the recommendations in this Report.

## **RISK MANAGEMENT IMPLICATIONS**

There are no risk management implications associated with this report.

## **ASSET MANAGEMENT IMPLICATIONS**

The recommendations documented in this report are consistent with the City's [Comprehensive Asset Management \(CAM\)](#) Program objectives.

The sale of this site will reduce a building, which is currently under used, in need of upgrades and continued maintenance from the City's asset management list. This proactive sale is consistent with the CAM objectives by recognizing that the asset is no longer needed and proactively finding a solution to remove it from the City's inventory and thereby reduce costs to the City now and in the future.

## **FINANCIAL IMPLICATIONS**

The City will forgo one-time revenues estimated at \$3.38M by waiving Section 1.2 of the Real Property Disposal Policy; however, the City will benefit from not having to continue to fund ongoing lifecycle and maintenance costs.

## **ACCESSIBILITY IMPACTS**

There are no accessibility impacts associated with this report.

## **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

## **TERM OF COUNCIL PRIORITIES**

This project addresses the following term of Council Priorities:

- Thriving Communities; collaborating with SWCHC to ensure the community continues to have affordable access to programs and facilities in a seamless manner.

Sustainable Infrastructure:

- City assets are effectively managed through evidence-based decisions to prioritize investment decisions.

**SUPPORTING DOCUMENTATION**

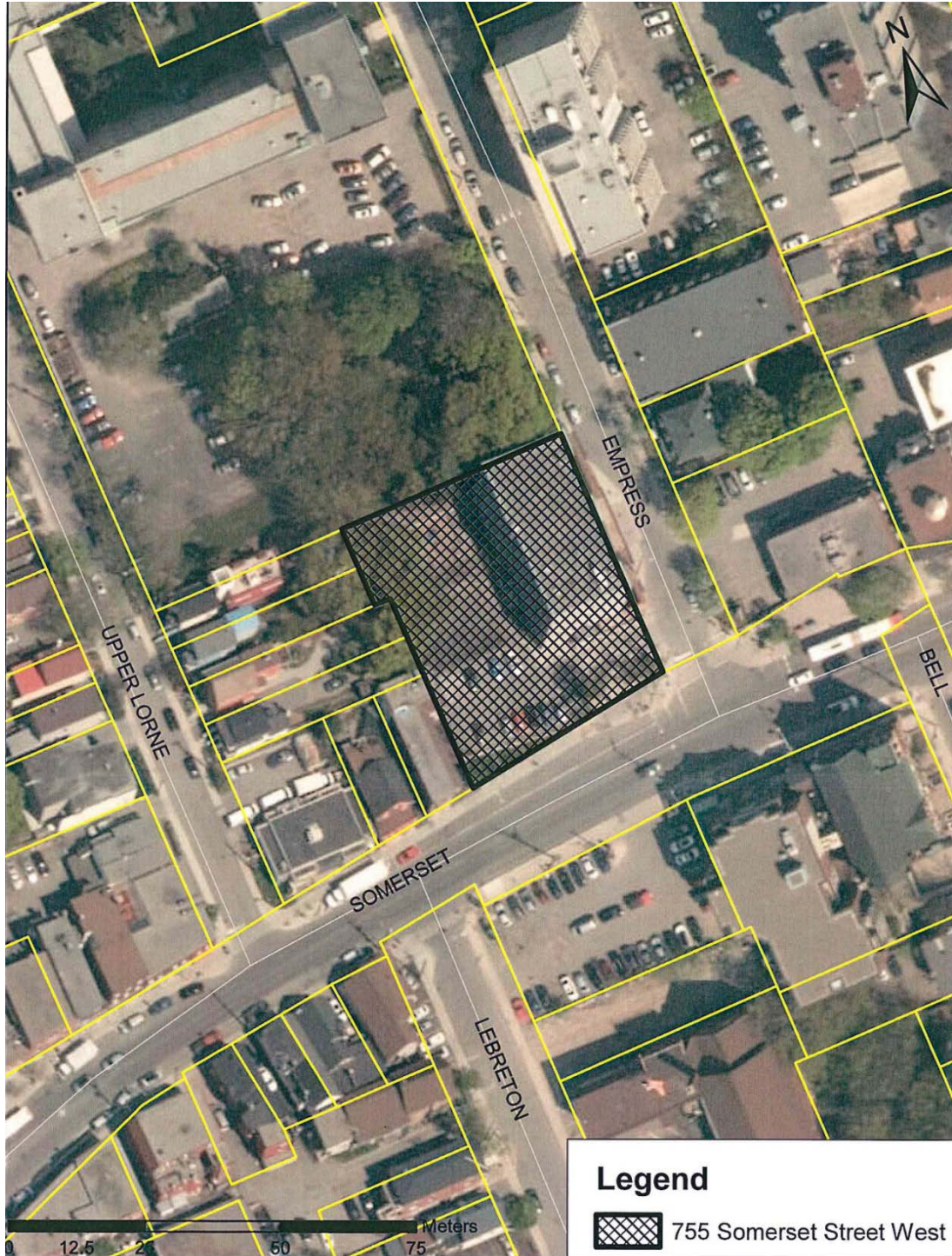
Document 1 Location Map

Document 2 Copy of Executed Memorandum of Understanding

**DISPOSITION**

Upon approval, Realty Initiative and Development Branch in conjunction with the City's Legal Department will finalize and complete the transaction.

Document 1 – Location Map



## Document 2 – Copy of Executed Memorandum of Understanding

### MEMORANDUM OF UNDERSTANDING

This memorandum of understanding is made between:

City of Ottawa (“City”)

-and-

Somerset West Community Health Centre (“SWCHC”)

**RE: 755 Somerset Street West, Ottawa (the “Property”)**

This memorandum of understanding shall serve as an arrangement and summarize the fundamental terms and conditions upon which the Somerset West Community Health Centre (as Purchaser) will enter into an Agreement of Purchase and Sale (the “Agreement”) with the City (as Vendor) for the purchase and sale of the Property.

The general terms and conditions are as follows:

- Property:** Shown on the attached Schedule “A”, including the land with the building and improvements thereon. Part of Lot 3 East of Lorne Ave. Lots 1 and 2 North of Somerset Lots 2 and 3, West Empress Ave on Plan 11285 as in NS 584, municipally known as 755 Somerset Street West.
- Completion Date:** Thirty (30) days following the Due Diligence Condition Date or such other date as may be mutually agreed upon by the parties in writing.
- Purchase Price:** One Dollar plus HST.
- Purchaser’s Due Diligence:** The Agreement shall contain a conditional period of Thirty (30) days following the execution of the Agreement by both parties (the “Due Diligence Condition Date”) for:
- SWCHC to satisfy itself with the environmental condition of the Property, a building inspection report for the building on the Property and the Due Diligence Deliveries.
- This condition is for the benefit of SWCHC and may be waived by SWCHC by written notice to the City, failing which the Agreement shall be terminated, be null and void and of no further force or effect and SWCHC and the City shall be relieved from all obligations or liabilities thereunder.
- Due Diligence Deliveries:** The City has provided SWCHC with copies of reports as requested by SWCHC in respect of the Property.
- “As Is” Transaction:** Subject to the condition in favour of SWCHC set out in the section entitled “Purchaser’s Due Diligence”, the Property will be transferred to SWCHC on an “as is, where is” basis.
- Use Restriction Covenant:** SWCHC will agree that the Property will not be used for any purpose other than the programs offered by and operated by SWCHC and the right of SWCHC to lease portions of the Property to community organizations for community

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programming. On closing, SWCHC will agree to the registration on title of a restrictive covenant with respect to this section.

**Lease Assignment:** The Agreement will require that SWCHC accept the assignment of a five (5) year lease, which the City and the Door will have executed (the "Lease") prior to execution of the Agreement. All terms and conditions to remain as described in the Lease.

**Financing Restriction Covenant:** SWCHC will agree that the Property will not be charged, mortgaged or granted as security or otherwise encumbered other than by a mortgage on the Property having a maximum principal amount at any time of one million five hundred thousand dollars (\$1,500,000). The mortgage monies are to be used only towards maintaining and improving the facilities of the Property. SWCHC shall advise the City in writing of its intention to make application for any such mortgage and, after registration of any such mortgage, or amendment thereof, on title, SWCHC shall provide copies of such registered documents to the City. On closing, SWCHC will agree to the registration on title of a restrictive covenant with respect to this section.

**Operating Cost Payment:** The City will agree to a onetime payment to SWCHC of one hundred twenty five thousand dollars (\$125,000) which is to be used for the operating costs of the tenancy of the "Door" for the remaining period of the Lease.

**Option to Repurchase:** In the event that SWCHC defaults on the Use Restriction Covenant, the Financing Restriction Covenant or any other covenant of SWCHC to the City in connection with the Agreement or the Property, the City shall have an option to repurchase the Property for a purchase price being the outstanding mortgage amount, not to exceed one million five hundred thousand dollars (\$1,500,000), free and clear of all encumbrances. On closing, SWCHC will agree to the registration on title of an Option to Repurchase with respect to this section.

**Approval Conditions:** This memorandum of understanding is conditional until December 13, 2019 on the approval of the terms of this memorandum of understanding and the nature of this transaction by the Council of the City. The foregoing condition is included for the benefit of the City and the satisfaction of it will be effected by written notice to SWCHC on or before December 13, 2019.

This memorandum of understanding is conditional until ten (10) business days following the execution of this



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memorandum of understanding by both parties on the approval of the terms of this memorandum of understanding by the board of directors of SWCHC. The foregoing condition is included for the benefit of SWCHC and the satisfaction of it will be effected by written notice to the City on or before ten (10) business days following the execution of this memorandum of understanding by both parties.

In the event either of the foregoing conditions are not satisfied on or before the applicable expiry dates, this memorandum of understanding shall be terminated, be null and void and of no further force or effect and SWCHC and the City shall be relieved from all obligations or liabilities hereunder. If on the applicable expiry date, the relevant written notice has not been provided such condition shall be deemed not to have been satisfied.

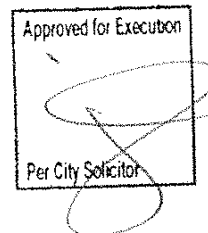
**Contract of Sale:**

Following the satisfaction of both conditions under the heading "Approval Conditions" above, the City shall prepare the Agreement on the City's standard form which will incorporate all of the terms and conditions set forth in this memorandum of understanding. SWCHC shall execute the Agreement not later than ten (10) business days following delivery of the Agreement by the City to SWCHC, failing which this memorandum of understanding shall be terminated, be null and void and of no further force or effect and SWCHC and the City shall be relieved from all obligations or liabilities hereunder.

The City and SWCHC hereby agree with the terms outlined in this memorandum of understanding.

Date of Execution: Nov 18<sup>th</sup> 2019  
City of Ottawa

Robin Souchen  
Name: Robin Souchen  
Title: Acting Director, Corporate Real Estate Office  
I have authority to bind the corporation.



Date of Execution: NOVEMBER 8 2019  
Somerset West Community Health Centre

NAINI CLOUTIER  
Name: NAINI CLOUTIER  
Title: EXECUTIVE DIRECTOR  
I have authority to bind the Corporation.

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SCHEDULE "A"

Property

