

Q 4. What are the Town's costs to lease space in the new Community Learning Centre building under the 25-year lease agreement it has signed?

The Town's costs associated with the 25-year lease agreement include:

- **A lease rate of \$25 per square foot**, which totals \$700,000 annually in lease costs for the Town's entire leased space (up to 28,000 square feet). A portion of that lease cost would be offset by the sublease to be paid to the Town by Campus Alberta Central (CAC) for a 5,000-square-foot learning site planned on the main floor of the facility.
- **The Town's lease rate** is fixed for the first 10 years. The lease then provides for three five-year renewal periods that give the Town the option of renewing the lease in five-year increments at an adjusted lease rate based on the fair market rental rate for premises of similar quality (excluding leasehold improvements).
- **A Buy-Out Option** that gives current and future Town Councils the flexibility to purchase the building at fair market value, to be determined by taking the average of two independent appraisals, one of which would be paid for by the Town, in addition to paying normal legal fees to transfer ownership of the property to the Town.
- **The Buy-Out Option** can be exercised *without penalty* at any time during the 25-year lease. There is *no two-year waiting period* for the Buy-Out Option, as was previously discussed during lease negotiations. The Buy-Out Option is available at *any time* throughout the entire 25-year-lease.
- **A decision to exercise the Buy-Out Option** and purchase the building would require a new borrowing bylaw and could be financed through the Alberta Capital Finance Authority which currently offers interest rates of about 3.2 per cent on a 25-year loan (as of July 15, 2017).
- **Tenant Improvements (TI's)** to finish the interior of the building, which are commonly assigned to tenants in commercial leases, would be borne by the Town and its tenants. While the actual cost of TI's is not yet known, the Town has set aside \$1.3 million in reserves and provincial grant funding to cover those costs from the Civic Building Development Reserve which was established in previous years to rebuild Town Hall, and from available MSI (Municipal Sustainability Initiative) grant funding.
- **The Town's portion of TI costs** would be used for improvements to space in the building that is utilized by the Town and the Library. Campus Alberta Central would also contribute to funding for TIs proportionate to the space they are subleasing and the TI costs required to finish that space. The Library will also contribute some funding toward TI's from its budget. The Town would award TI contract(s) through a competitive procurement process which will determine the actual cost of TI's to be borne by the Town.
- **Operating Costs** which are already budgeted for the existing Town Hall will be redirected to cover operating costs for the new building. Actual operating costs for the new building won't be known until the facility is completed and occupied by the Town.