

EDMONTON PUBLIC SCHOOLS

April 29, 2008

TO: Board of Trustees

FROM: E. Schmidt, Superintendent of Schools

SUBJECT: Continuing Care Facility at North Edmonton School

ORIGINATOR: T. Parker, Assistant Superintendent

RESOURCE  
STAFF: Meredith Colgan, Josephine Duquette, Michael Ediger, John Nicoll,  
Lorne Parker, Dean Power

RECOMMENDATION

1. That the terms of a lease-to-purchase North Edmonton School by Excel Society, as represented in a Memorandum and Term Sheet in Attachment I, be approved.
2. That the declaration of the playing fields portion of the site as surplus to district need, be approved.

\* \* \* \* \*

Excel Society proposes to develop a designated assisted living facility at North Edmonton School. This creative reuse of the building exemplifies the Board's commitment to responsible use of resources and to the health and well being of the community. The innovative application of a lease to purchase the land and building has made it possible for the renovation and occupation of a historically significant building. The project will enable this landmark school to continue to serve the needs of the community (Appendix I). The community league and local associations are in support of this project.

The Project

The facility would serve seniors who are suffering from various forms of dementia and other individuals suffering from brain injuries. The project proposes to re-develop North Edmonton School through the conversion of the school into approximately 30 care units, serviced delivery areas, lounges, a library, spa and offices. The gymnasium will be retained and made available for community use. The largest portion of the project will be a link to a new free-standing wing containing 100 units of care housing. The population will consist of a blend of funded designated assisted living beds contracted from Capital Health, as well as private-pay units for seniors suffering from forms of dementia.

Background

The administration conducted a Request for Proposal (RFP) process for a head lease of the North Edmonton School over the summer of 2007. Information packages were sent out to groups who had expressed an interest in leasing the property. Included in the package was an

invitation to tour the building at an open house, which was held on July 26, 2007. Two groups attended the open house and three submissions to the RFP were received. An evaluation of the submissions was completed by the Planning Department following Purchasing Services guidelines and the criteria for evaluation published in the RFP. The Excel Society's proposal was selected and administration has negotiated with Excel Society to develop the basis for a lease to purchase agreement.

The lease would include the school building and use of a portion of the land for an addition to the building. The attached Discussion Memorandum & Term Sheet will be the basis for the Lease to Purchase Agreement. The business terms of the lease to purchase agreement include the following:

1. A 35 year lease term;
2. North Edmonton School site is 5.31 acres, having an appraised value of \$2.434M accruing from the land, the building being deemed to have nil present value;
3. The proposed lease area is 3.05 acres or 57.44 per cent of the site; the current value of the portion to be leased to the Excel Society is \$1.398M, a value which will serve as the purchase price until reappraised;
4. The lease rate will be set at 10 per cent of the value of the Excel portion of the land, per annum, totally carefree to the district;
5. Occupancy / Fit Up period of 18 months following execution at 50 per cent of lease rate;
6. Excel's lender can register on title;
7. All rent paid will be deducted from the purchase price, less interest which is retained by the district and calculated at prime plus 1.0 per cent;
8. Excel can prepay the purchase price at which time the lease shifts to nominal rate and disposition is initiated;
9. The purchase price is indexed for four years, reappraised, indexed for four years, reappraised, and continues with this cycle;
10. Purchase must be triggered prior to 10 years.

#### Next Steps

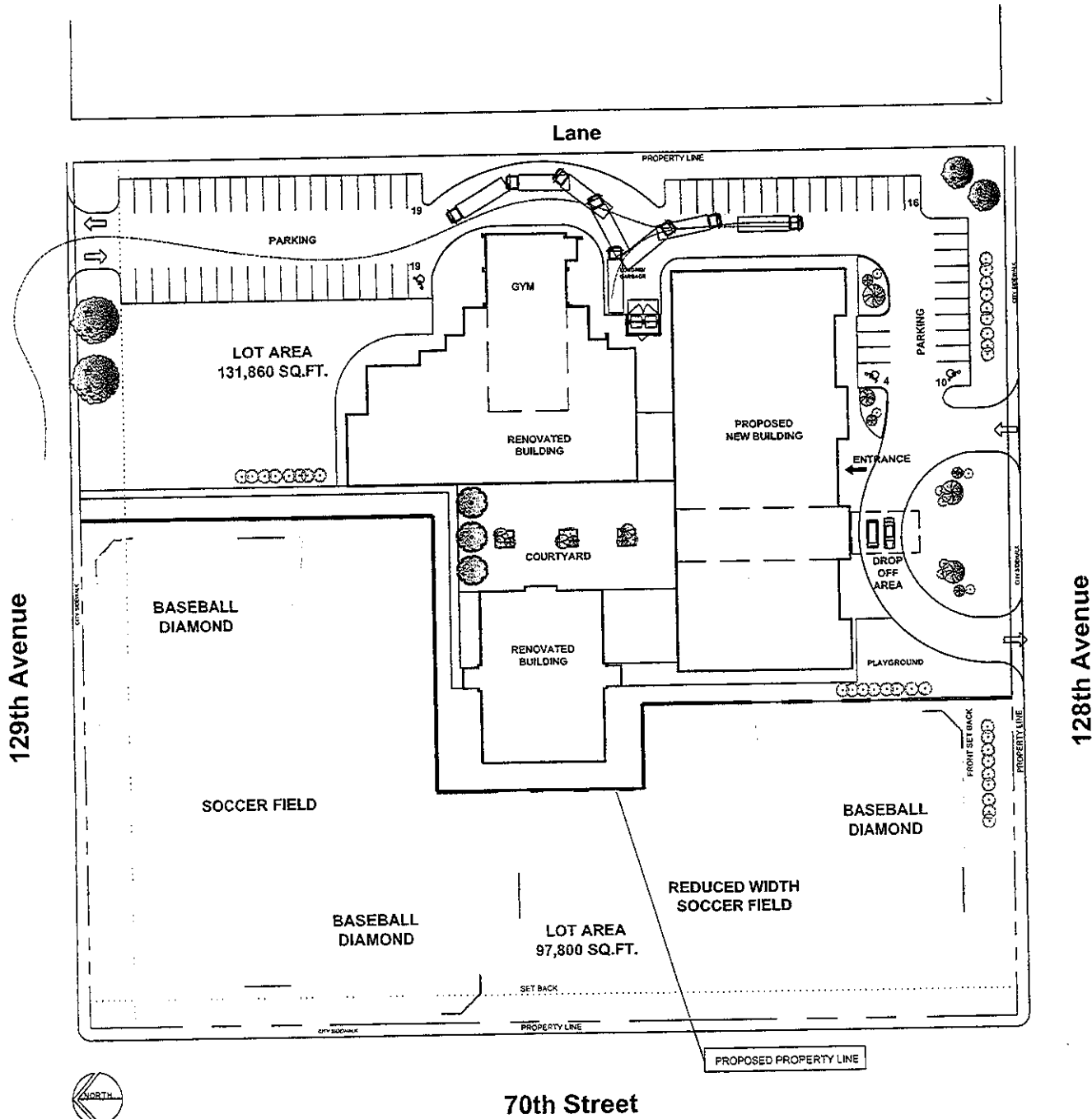
Pending approval of the Board of Trustees, the Excel Society and the City of Edmonton, in consultation with administration, will finalize the boundary between the lease to purchase area and the playing fields area. In earlier discussions the City had requested that the area not required by Excel Society be declared surplus to district needs so that the City can initiate their review and potential purchase in accordance with the terms in the Joint Use Agreement. This process can take up to 18 months and may result in the City purchasing the playing fields. Typically the City retains the playing fields on the property and continues to operate and maintain the fields.

Administration has requested that the City of Edmonton identify their intentions for the area occupied by the lease to purchase with Excel Society to avoid delays when the option to purchase is triggered by Excel Society.

JD:gm

Appendix I Site Plan

Attachment I Memorandum & Term Sheet Re: North Edmonton School



PERMIT HISTORY

Date	Particular
	Issued for Design Approval
	Issued for Pricing
	Issued for Building Permit
	Issued for Tender
	Issued for Construction
	Issued As-Built

No.	Date	Particular

69th Street

128th Avenue

129th Avenue

70th Street

Interscope  
Interior design  
11625 105 Avenue  
Edmonton, AB T6E 1E1  
www.interscope.ca  
Fax: (780) 488 3400  
phone: (780) 488 3400

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This Memorandum is dated for reference and made as of the \_\_\_\_\_ day of April, 2008.

Between:

**THE BOARD OF TRUSTEES OF  
THE EDMONTON SCHOOL DISTRICT NO. 7  
("EPSB")**

- and -

**EXCEL RESOURCES SOCIETY  
("Excel")**

**DISCUSSION MEMORANDUM & TERM SHEET  
RE: NORTH EDMONTON SCHOOL**

Excel has entered into negotiations with EPSB for the long term lease and acquisition of the North Edmonton School buildings and a portion of the surrounding lands for the purposes of the development of a congregate care style housing development to care and support seniors with assisted living (the "Project"). The Project will provide individuals with their own apartments together with supportive services. The Project involves the complete renovation of the existing School Buildings and the construction of additional buildings and improvements. This Memorandum is intended to assist in the identification and discussion of relevant issues and concerns and in the refinement and finalization of appropriate terms and conditions for the proposed transaction.

1. **Subject Property** – North Edmonton School is located on the lands more particularly described in Schedule "A" hereto (the "Lands"). Excel will lease from EPSB the buildings (the "School Buildings") and that portion of the Lands identified by EPSB and Excel working together and taking into consideration the requirements of the City of Edmonton (the "Leased Lands"). The term "Demised Premises" means both the School Buildings and the Leased Lands.

2. **Acquisition Proposal** – Excel made its proposal to lease the Demised Premises for the purposes of the Project in response to a request for proposal issued by EPSB as No. P.5705 on July 26, 2007. Preliminary discussions are based on a long term lease with an option to purchase transaction.

3. **Lease** – Excel wishes to enter into a long-term lease agreement (the "Lease") with EPSB pursuant to which it will be entitled to take exclusive possession of the Demised Premises and substantially renovate the School Buildings and construct additional buildings and improvements on the Leased Lands. The basic terms of the Lease are as follows:

- (a) Term – the Lease will be a term of 35 years (the “Term”), subject to earlier termination in the event that Excel exercises the Option to Purchase referred to in Section 4 below;
- (b) Carefree – the Lease will be an absolute carefree lease in favour of EPSB, with EPSB having no obligations with respect to the Demised Premises, whatsoever;
- (c) Base Rent – Excel shall pay a per annum base rent (“Base Rent”) equal to 10% of the fair market value of the Leased Lands adjusted upwards every 4 years as contemplated in paragraph 5 below with the Base Rent for the first 4 years being \$139,749.00 per annum based on a value for the Lands of \$1,397,489.00. Base Rent shall be absolutely carefree to EPSB;
- (d) Operating Costs, Taxes, Etc. – In addition to the Base Rent, Excel shall pay all other costs and expenses, whatsoever, including taxes and insurance, associated with the ownership, operation, occupation, maintenance and repair of the Demised Premises, including the existing School Buildings and all improvements made thereto and additional buildings and improvements now or hereafter located or built on the Leased Lands;
- (e) Assignment or Subletting – Excel shall not be permitted to assign the Lease for any reason whatsoever. Excel shall not be permitted to sublet any portion of the subject premises without the prior written consent of EPSB, which consent may be unreasonably withheld unless EPSB is satisfied that the proposed subletting is of a relatively minor portion of the subject premises and is necessary to achieve the goals of the Project. A change of the not-for-profit status of Excel or a material change in the nature of the activities or of the Project goals will be considered a material default under the Lease. The Lease will contain appropriate covenants and assurances to that effect;
- (f) Commencement Date – The commencement date of the Lease will be June 1, 2008 (the “Commencement Date”) or such other date as may be agreed upon by the Parties; and
- (g) Fixturing – Excel shall be entitled to a fixturing period ending on the earlier of the date of substantial completion of the Project improvements, or that date which is 18 months from the Commencement Date (the “Fixturing Period”). During the Fixturing Period the Base Rent shall be 50% of the amount set out in subparagraph (c) above, however, Excel will pay all operating costs, etc. as set out in subparagraph (d) above.

4. **Purchase of Demised Premises** – Given the extensive nature of the required renovations to the School Buildings and the construction of new Project buildings and improvements, Excel shall purchase the Demised Premises within 10 years of the Commencement Date.

5. **Purchase Price** – The purchase price (the “Purchase Price”) for the Demised Premises shall be the sum of \$1,397,489.00 up to the first anniversary of the Commencement Date. Thereafter, on each annual anniversary date of the Commencement Date, the Purchase Price shall be increased by the greater of: (i) 4.5%, or (ii) the change from the previous year in the “all items consumer price index” for Edmonton expressed as a percentage, multiplied by the Purchase Price in effect up to that particular annual anniversary date. Further, the Purchase Price for the Demised Premises shall be increased to the fair market value of the Leased Lands based on independent appraisals obtained every 4 years if that fair market value is greater than the Purchase Price then in effect as established by the formula set out above.

6. **Credit towards Purchase Price** – For the purposes of payment of the Purchase Price, Base Rent will be considered to be a blended payment of interest and principal using a floating rate of interest which is equal to 1% above the prime lending rate of the Canadian chartered bank designated by EPSB, calculated monthly, not in advance, amortized over 35 years. That portion of the Base Rent payment attributable to principal which is paid up to the closing date of the purchase transaction shall be credited towards the Purchase Price.

7. **Board Approval** – The Lease and Option to Purchase transaction is subject to final approval by the Board of Trustees of The Edmonton School District No. 7.

8. **Joint Use Agreement** – Portions of the School Buildings and the Leased Lands will remain subject to the Joint Use Agreement made between the City and EPSB and others, dated April 17, 1996 as amended or replaced from time to time (the “Joint Use Agreement”).

9. **Ministerial Approval** – The approval of the Minister, pursuant to section 200 of the *School Act* and the “Disposition of Property Regulation” passed thereunder, is required and is a condition precedent to the completion of the anticipated transaction.

10. **City of Edmonton** – There may be a number of issues or other dealings with the City including the following:

- (a) Rezoning;
- (b) The transaction will be subject to all of the rights of the community and the access and other relevant provisions of the Joint Use Agreement;
- (c) A subdivision of the Lands will be required in order to permit the completion of the sale of the Demised Premises to Excel as contemplated herein. While such subdivision will not be completed at the time of entering into the Lease, it is contemplated that the City, EPSB and Excel will have clearly and definitively identified the Leased Lands;
- (d) Obtaining development and building permits.

All costs and expenses of satisfying any of the above requirements are the sole responsibility of Excel.

11. **CMHC** – As CMHC is providing financing or assisting in the provision of financing to Excel for the Project, the parties acknowledge that CMHC will have to approve the form of the Lease or at least the major terms and conditions thereof. It is further acknowledged that the known requirements of CMHC may have to be clarified or renegotiated in order to satisfy the needs of EPSB, Excel and CMHC.

12. **Historical Designation** – Some portions of the School Buildings have been identified as a historical resource and have historical significance and Excel, in completing its renovations and construction, has to be in full compliance at all times with the requisite historical guidelines or requirements.

13. **Security for the Performance of Excel** – Given the extensive renovations contemplated to the School Buildings and the construction of new buildings and improvements on the Leased Lands, Excel shall provide security to EPSB in the amount of \$500,000.00 by way of letter(s) of credit or performance bond(s) to ensure that the renovation and construction obligations of Excel are fully and properly completed.

14. **Approval of Plans** – Prior to the commencement of any renovation and/or construction, EPSB must approve the detailed plans, specifications, blueprints and construction arrangements proposed by Excel, provided that such approval shall be on the basis that EPSB shall act on a reasonable commercial basis and not arbitrarily.

15. **Due Diligence** – Excel may require a period of time to complete, at its cost, certain due diligence and other investigations including:

- (a) Structural and other investigations of the School Buildings;
- (b) The financial feasibility of the entire Project;
- (c) Determining any City requirements.

16. **Transaction Closing Date** – The closing of the acquisition transaction, whether by the execution and delivery of “lease to own” documents or other closing arrangements, the parties will have to identify an appropriate closing and possession date which would occur after completion of the due diligence and other investigations and satisfaction of any conditions precedent, including the satisfaction of any City requirements.


17. **Formal Documentation** – It is understood that in order to complete the transactions contemplated herein, appropriate formal documentation will have to be negotiated, executed and delivered.

18. **Non-Binding** - At this point it is understood and agreed that this Discussion Memorandum reflects the intention of the parties to enter into the Acquisition Transaction described above and that it does obligate or bind either party.

**THE BOARD OF TRUSTEES OF THE  
EDMONTON SCHOOL DISTRICT NO. 7**

**EXCEL RESOURCES SOCIETY**

Per \_\_\_\_\_

Per 

Per \_\_\_\_\_

Per \_\_\_\_\_



**SCHEDULE "A"**

**THE BOARD OF TRUSTEES OF THE EDMONTON  
SCHOOL DISTRICT NO. 7**

**NORTH EDMONTON SCHOOL**

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**Legal descriptions of the lands on which the North Edmonton School is located**

**Parcel One:**

**DESCRIPTIVE PLAN 922 1498  
BLOCK 8  
LOT 10A  
EXCEPTING THEREOUT ALL MINES AND MINERALS**

**Parcel Two:**

**PLAN 1497 AE  
BLOCK 11  
LOTS 1 TO 30 INCLUSIVE  
EXCEPTING THEREOUT ALL MINES AND MINERALS**

**Parcel Three:**

**PLAN 1497 AE  
BLOCK 11  
ALL OF THE NORTH SOUTH LANE  
EXCEPTING THEREOUT ALL MINES AND MINERALS**

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[End of Schedule]