

Municipal Hall Lease versus Build: The Facts and Context



We know that the topic of District facilities, upgrades and expansions has been on the minds of residents and that there are many questions. Council continues to explore multiple scenarios to fund facilities and balance community needs, and we will continue to engage with key community partners and share information as it's available.

A series of articles and posts have been published about the District considering a lease for municipal office space to replace Municipal Hall. It is true that the District is considering a lease for municipal office space as part of an overall strategy to replace, expand or renovate over \$150M+ in built assets. Many of the assertions made in some posts are incorrect however, and we want to set the record straight with the following information.

There are three main points to clarify:

- 1:** The question is not: *"Should the District lease versus build municipal hall?"* The question is: *"How can the District afford to upgrade two firehalls, the Public Works buildings, Brennan Park (with a new rink, pool and wellness centre), expand the Squamish Public Library, and build new municipal offices?"* The District cannot afford to do all these projects in a timeframe that is needed. Leasing municipal office space is being analyzed as a way to afford all these projects over the next decade.
- 2:** No final decision has been made on lease versus build, no location has been selected, and no preferred developer has been identified or awarded a contract/agreement. The District advertised an Expression of Interest in February 2020 to identify private developer options/opportunities, and multiple proposals were received. A shortlist was prepared, and proposals will be evaluated against the cost of owning, before any final decision is made.
- 3:** The District has not discounted the possibility of either building/owning or leasing a new Municipal Hall, potentially in collaboration with other parties. No doors have been closed to any opportunity. Partnership opportunities identified to build/own will be weighed against the costs and benefits of a lease.

Read on for additional
background information:

The District has been analyzing its real estate and facilities needs at length since 2016. The recommendation to consider a municipal offices lease was a result of this work as part of the development of a *Real Estate and Facilities Strategy (REFS)* and subsequent *Real Estate and Facilities Master Plan (REFMP)* which provides a financial context and plan. The development of the REFS and REFMP spanned two Councils and were adopted to guide decision-making on the prioritization, timing and funding of investments into facilities and lands required to service the community.

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The REFS and REFMP documents identified:

- A lack of investment in planning and budgeting for reserves over decades has resulted in a required \$150M+ of facility upgrades to replace end-of-life buildings and improve municipal service delivery. ([Read the backgrounder](#) for additional context).
- A deficit of \$150M+ in built assets is a tremendous hurdle for any municipality and despite growing reserves for critical infrastructure and amenities, in the next five to 10 years, the District will have to strategically manage its cash, ability to generate proceeds from sale of surplus lands, and borrowing capacity to fund the necessary future facility investments.
- The replacement of Municipal Hall was identified as a critical priority in the REFMP. There are also community demands for improvements to facilities at both Brennan Park, including (in no particular order) a second pool, second rink and wellness centre, and the Library to serve the growing community.
- Leasing municipal offices would prioritize and increase the ability and reduce the timing to complete projects at the Brennan Park Recreation Centre and consider the Library space needs.
- Facility investments need to be determined in the broader context of all the District facility needs and overall capital needs (e.g. dikes, roads, Waste Water Treatment Plant, landfill, and other infrastructure). The District has developed and made public a 10-year capital plan to support the community in understanding the scope of work.
- A creative approach is required to afford all the community's needs within a reasonable timeframe. As a result, the REFS and REFMP both recommend that the District explore alternate forms of funding for facility investments, including partnering to reduce space needs, and leasing. Some facilities will be able to access grant funding from provincial or federal governments.
- The REFMP recommends that a 'Civic Block' be analyzed (i.e. co-locating the municipal offices with a library/community centre, other government/institutional agencies, a day-care and café, for example), but not override other identified facility needs.

In September 2021, the District shared with the community its intention to consider a lease for municipal office space in the next three to five years through a [Report to Council](#). The cost of a lease was included as a placeholder in the draft Five-Year Financial Plan, of which Council was seeking public input as part of the financial planning process. The intention is to further analyze the lease against other options prior to making a final decision.

A [backgrounder](#), [Frequently Asked Questions](#) and [public information events](#) were advertised, shared and held during the fall to help draw attention to the information and the budget process.

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Below are specific answers to some of the questions raised in the recent article(s):

Has the District signed a lease?

No, a lease has not been signed. A lease will be evaluated against the following opportunities the District continues to consider:

- Partnerships with other entities to share space.
- The potential to redevelop Municipal Hall on District land.

Is the District working with a specific developer, or has a developer and location been chosen?

No. A shortlist of private developer options was identified following an open call for [Expressions of Interest](#) in February 2020 that will be explored further and evaluated against opportunities on District land, or through partnering with the School Board or other public sector organizations, before a final decision on lease versus build is made.

Has the District been pushing this through in secret?

No, there has been no secretive work. Throughout the development of the REFS and REFMP (dating back to 2016), the District has been forthcoming with information and progress. The development of these guiding documents (REFS and REFMP) spans two Councils, and was discussed at a number of Council meetings with subsequent media coverage. [View the project page](#) for more information about these documents. An open call for [Expressions of Interest](#) was advertised in February 2020 to identify possible opportunities on developer-owned lands. We make every effort to provide citizens with transparent and accessible information in an open and forthcoming manner.

Has there been any official notice from the District regarding the idea of a lease?

Exploring leasing was referenced in both the REFS and REFMP as a means to afford the District's many facilities needs. In fall 2021, the District formally shared information about the intention to consider a lease through a Report to Council and the subsequent Financial Plan public engagement. Public education materials were developed and a public information night was held about future facilities investments. This followed the open and advertised call for Expressions of Interest in 2020 for developers to come forward with possible scenarios for providing municipal offices.

Why would the District consider a lease for Municipal Hall when the community won't own anything at the end of the lease?

Based on the funding shortfalls identified in the REFS/REFMP, leasing Municipal Hall may be the trade-off required to replace both firehalls, the public works facility and increase the success of advancing projects at Brennan Park Recreation Centre and a new or expanded Library in a reasonable timeframe. Of the remaining facilities to be built, the municipal offices are the only practical option to be leased. Most other facility investments are purpose-built for District operations and situated on District-owned land making them less suitable for leasing. Leasing for the short-term does not preclude building and owning down the road. When we have worked through the replacement or expansion of facilities the District will be in a position to re-examine whether leasing should continue or whether a facility could be constructed.

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What would the benefits of a lease be?

The difference between leasing and owning costs to the taxpayer is only a 0.2% difference. This is a small saving that may mean a big difference when the lease runs out, so why is the District considering the lease over owning?

A lease preserves the limited cash available and borrowing capacity to increase the likelihood that the District can advance the Brennan Park Recreation Centre projects, and a new or expanded Library.

A lease does not prevent the District from owning the leased municipal offices in the future. The District would include an option to purchase leased space when/if sufficient cash and borrowing capacity is available once other priority projects are completed.

The decision comes down to the District's capital borrowing ability. In order to identify funding options for municipal offices, three options were shortlisted. As shown in the table below, the leasing option has a projected similar tax increase to owning (2.4% vs. 2.6%) yet has a lower impact on the District's borrowing capacity and its limited dispositions available.

The table's green shading represents favourable or highest rated, yellow represents an area of concern, orange represents significant concerns.

OPTION	FINANCIAL PLAN				NON-FINANCIAL
	Tax increase %	Average Residential Tax Increase	Borrowing Capacity	Land Dispositions Required	Trade Offs
Municipal Offices - lease	2.4%	\$62	None	None	Limited
Municipal Offices - own	2.6%	\$68	1.3%	\$18M	Choose between Library or portions of Brennan Park in near term.
Municipal Offices - joint facility with Library	5.2%	\$136	3.2%	\$20M+	Prioritizes Library over Brennan Park (delayed)

As a result, the biggest benefits are that a lease frees up borrowing capacity in the short term to complete Brennan Park and Library projects, projects that we believe the community has prioritized. We also know we need arts, culture and heritage assets and want to work with community partners to support these aspirations. We will also need a new transit facility to support electrification of the bus fleet, and the District wants to be able to deliver this asset with BC Transit.

Has the District discussed sharing space and therefore offsetting costs with the School District, other agencies, or a public private partnership?

Yes, and this work continues. If the District and other partners can develop a viable opportunity to partner (and one that significantly reduces the amount of capital and borrowing required by the District), it will be evaluated against the lease option to determine the optimal path forward.

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Is the District simply trying to skirt the Alternative Approval Process (a legislated process that would be required for the community to approve debt-financing for a capital project) by entering into an operating lease?

No. The operating lease is being considered purely due to the need to free up limited capital borrowing capacity for the other projects. It is true that operating leases are funded through taxation and not borrowing, and that the legislation is clear that an Alternative Approval Process (AAP) is not required. Conversely a capital debt (to borrow to build a facility) would be subject to an Alternative Approval Process. There is still, however, the opportunity for public engagement as part of an operating lease. This is undertaken as part of the annual Financial Plan/Budget engagement of which the District engages in every fall.

The District is also aware of an article with links to a “counter petition” pseudo-AAP forms. The public should be aware that this is misleading and incorrect. Only a local government can run a counter-petition or an AAP, and only for specific matters. The District is concerned that these “forms” may detract from the AAP currently being undertaken for this year’s borrowing and loan authorization bylaws. For more information, please contact the District directly. (In addition to all of the materials being available on the District’s website, this current AAP was extended by several weeks to accommodate the December holiday season, Municipal Hall closure and potential pandemic impacts. Two supplementary notices ran in the Chief in addition to the two statutory ads required by the legislation).

Why won’t the District engage in a collaborative planning and visioning process for a downtown building to house multiple agencies and/or services?

An important consideration in undertaking a collaborative planning and visioning process for a downtown building (i.e. a Civic Block or a Precinct) is the expectation of the public on an outcome or end goal. If the District undertakes a visioning exercise with a broadly interested public, and a vision is created, we are still faced with the reality of a funding shortfall. The District is concerned that a vision will be created that there will be no ability to follow through on in the timeframe required to obtain municipal offices, which is the immediate priority in three to five years.

Notwithstanding the financial challenges identified above, there is however the opportunity to engage the community on the visioning of a phased grouping of (separate) facilities, identified as a Civic Block in the REFMP, that could begin with municipal offices, whether leased or owned by the District. This grouping could be described as a precinct, civic block, or community hub, that would deliver a variety of important services and amenities to better serve the community and create a downtown anchor. What those services and amenities should be, could be envisioned by community input. Also, as the District advances the decision-making process for the municipal offices, it will be engaging the Library Board to identify opportunities to locate the municipal offices such that a future grouping with a library/community centre may be achieved.

Want to dig deeper?

Check out the [Real Estate and Facilities Master Plan](#) to learn about how facilities have been prioritized, what they are expected to cost (in 2020 dollars), and how the District plans to finance them over time.

View the [Real Estate and Facilities Strategy](#) that began to lay out the monumental uphill road before us.