

Department of Public Works and Services

Sponsor Department Guide



Subsidized Revenue Leasing of Improved Real Property

Plain Language

The Department of Public Works and Services supports plain language communications. This guide was reviewed by the PWS Literacy Team for use of plain language.

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Welcome

Welcome to the Department of Public Works and Services (PWS) Sponsor Department Guide to Revenue Leasing of Improved Real Property.

Do you have GNWT space that is going to be vacant for 2 years or less and you want to lease it to a non-GNWT tenant and charge them less than fair market value rent? If so, this guide will let you know the GNWT policy, directives and procedures to follow.

The guide is written in plain language, using a question and answer format.

In addition to heading [hyperlinks](#) in the Table of Contents, the guide contains hyperlinks throughout, to assist you in using the document. When you click on a hyperlink, the linked text will appear. To return from the linked text to the hyperlink, click on the “Previous View” command icon () , that appears on the Adobe Acrobat Reader toolbar.

We hope you find this guide helpful. Should you have any questions or suggestions on how to improve the guide, please contact:

Policy and Procedures Officer
Facility Management
Asset Management Division
Department of Public Works and Services
Phone: (867) 873-7931

Policy and Directives

The PWS Property Management Team is guided by [GNWT Policy 32.05 Revenue Leasing of Improved Real Property](#) and Financial Management Manual Directives 401-5 Grants-in-Kind and 906 Services to the Public, when leasing temporarily surplus accommodation to non-GNWT tenants.

Definitions

Fair Market Value Rent

The rent that would be charged on the private rental market for similar accommodation. Where a private rental market does not exist for similar accommodation, an equivalent of fair market value rent is determined as follows:

- For GNWT-leased accommodation, base rent payments plus operating and maintenance costs
- For GNWT-owned accommodation, capital cost recovery of the land and building plus operating and maintenance costs

Grant-in-Kind

An expenditure in the form of a transfer to another party of a Government asset other than cash in exchange for nominal or no consideration or for consideration with less than fair market value. The other party is not accountable to the Government for its use of the asset. In the case of subsidized revenue leases, a grant-in-kind is only initiated when the value of the rent subsidy during a fiscal year will be greater than \$5,000.

Non-Profit Organization

Organizations that are registered under the Societies Act of the NWT or under the Canada Corporations Act as not-for-profit legal entities.

Revenue Lease

A lease to a non-GNWT tenant for which there are rental payments made, either at fair market value rent or less than fair market value.

Sponsor Department

A department that supports providing accommodation to a proposed non-GNWT tenant under a subsidized revenue lease and, if applicable, is responsible for initiating a grant-in-kind.

Subsidized Revenue Lease

A revenue lease where the rent is less than the fair market value. The value of the subsidy is calculated as the difference between the fair market value rent and the actual rent being charged by the GNWT.

Tenant

The user of GNWT owned or leased accommodation under the authority of a subsidized revenue lease. These tenants include non-profit organizations, band councils and community governments. GNWT contractors solely delivering GNWT programs and

services from GNWT owned or leased accommodation, under a formal service contract, are not considered subsidized tenants.

Exclusions

What is not covered by this guide?

The guide does not cover:

- NWT Housing Corporation housing stock rented to social housing clients
- Expense leases – leases where the GNWT is the tenant
- Non-subsidized revenue leasing – revenue leases where the tenant pays fair market value rent
- Leasing of unimproved (vacant) land (refer to GNWT Policy 21.01 - Land Pricing)
- The incidental use of facilities such as gymnasiums or meeting rooms, although there may be charges for their use
- The use of school office space by Divisional Education Councils or District Education Authorities
- Properties managed by other than PWS⁽¹⁾

Note (1): Although the Revenue Leasing Policy and FAM directives also apply to the subsidized revenue leasing of properties managed by sponsor departments themselves, this guide is specifically designed to provide guidance on the subsidized revenue leasing of PWS-managed properties. However, the guide may also help sponsor departments who manage their own properties.

Subsidized Revenue Lease Approval

Who approves subsidized revenue leases?

Cabinet approves subsidized revenue leases, if the lease request meets certain criteria.

What criteria must be met in order to get Cabinet approval of a subsidized revenue lease?

Cabinet may approve a subsidized revenue lease if it meets the following criteria:

- The accommodation meets minimum standards for health and safety
- The property must be surplus to the needs of the GNWT
- The tenant cannot obtain space through other means
- The tenant's activities support GNWT goals or the sponsoring Minister believes the service provided by the tenant benefits residents of the NWT
- The tenant must be a non-profit organization, a band council, or a community government
- The tenant is a contractor delivering programs or services on behalf of the GNWT and intends to sublet all or part of the property or is delivering non-GNWT programs or services⁽²⁾.

Note (2): If the contractor is solely using the property to deliver GNWT programs or services, the Minister of the contracting department may approve the subsidized revenue lease and a grant-in-kind is not recorded.

Lease Terms and Conditions

What terms and conditions must be included in subsidized revenue leases?

The following terms and conditions must be included in subsidized revenue leases:

- The termination date and amount of rent subsidy
- Where practical, the tenant will be responsible for arranging delivery and payment of utilities (heat, power, municipal services) directly with suppliers
- Where the tenant is responsible for property maintenance, the maintenance will be to GNWT standards
- Any rent is payable monthly, in advance
- Rents, terms, conditions and termination date will be established before the tenant moves in
- Annual market rent review and rent adjustment, if required.

Is there a standard form of agreement for subsidized revenue leases?

Yes. We have a standard form of revenue lease that we revise to fit the particular requirements of the tenancy.

Does GST apply to the subsidized revenue leases and, if so, who pays for it?

Yes, GST applies to the fair market value rent on subsidized revenue leases. It can either be paid by the tenant as part of their rent or by the sponsor department as part of the grant-in-kind. The lease will specify how the GST will be paid.

Grants-in-Kind

How is the value of the grant-in-kind calculated?

For the grant-in-kind, fair market value rent is calculated :

- From the start date of the lease to (a) the end of the fiscal year in which the lease begins, or (b) the expiry date of the lease, if it expires in the same fiscal year as it started
- Whenever there is a material change in the fair market value rent during the term of the lease (e.g. base rent escalations, O&M claims, property tax increases, insurance cost increase, etc)
- At the beginning of any subsequent fiscal year during the lease term⁽³⁾

Note (3): Under FAM Directives 401-5, fair market value must be used to determine the value of the grant-in-kind. Under FAM Directive 906, rental rates must be reviewed annually to ensure that rates are still appropriate.

Here is an example of a grant-in-kind calculation:

Example of Grant-in-Kind Calculation							
Tenant:	Non-Profit Organization						
Premises:	Space in an office building leased by GNWT						
Lease Start Date:	June 1, 2005						
Lease End Date:	May 30, 2008						
Effective Date	Remarks	Fair Market	Tenant's Rent	Grant-in-Kind per Fiscal Year			
				2004/05	2005/06	2006/07	2007/08
1-Jun-05	FMV rent for 10 months at \$1,000/month	\$10,000	\$0	\$10,000			
1-Apr-06	FMV rent for 12 months at \$1,100/month	\$13,200	\$0	\$13,200	\$13,200		
1-Sep-06	O&M claim for 2004/05 indicates FMV rent understated by \$200/month x 12 months	\$2,400	\$0		\$2,400		
1-Apr-07	FMV rent for 12 months at \$1,300/month	\$15,600	\$0			\$15,600	
1-Apr-08	FMV rent for 2 months at \$1,300/month	\$2,600	\$0				\$0
NOTE: FMV rent calculation for fiscal year 2008/089 is less than \$5,000, therefore no Grant-in-Kind is recorded.							

How do we account for the grant-in-kind during the lease?

PROCEDURE FOR GRANT-IN-KIND CALCULATION		
Step	Public Works and Services	Sponsor Department
1	Calculates grant-in-kind	
2	Prepares a JD to record the expenditure and revenue	
3	Sends JD to Sponsor Department	
4		Enters expenditure code, signs and returns JD to PWS
5	Records JD in FIS	
6	Sends copy of completed JD to Sponsor Department	
7	Places copy of JD on the revenue lease financial file	

Procedure for New Leases

What is the procedure to enter into a new subsidized lease?

PROCEDURE FOR NEW SUBSIDIZED REVENUE LEASE				
Step	Proposed Tenant	Sponsor Department	PWS	Cabinet
1	Submits a request for subsidized accommodation to a sponsor department			
2		Reviews the request for accommodation. If it is willing to sponsor a subsidized revenue lease, completes Part 1 of a Revenue Lease Recommendation and Approval form		
3		Sends the form to PWS		
4			Completes Part 2 of the Revenue Lease Recommendation	
5			Sends the form back to the Sponsor Department	
6		Uses the information in the Revenue Lease Recommendation and Approval form to draft a Decision Paper(Decision Paper template)		
7		Submits Decision Paper to Cabinet		
8				Approves or denies request for subsidized revenue lease
9		Advises PWS of Cabinet approval of subsidized revenue lease		
10			Executes lease with tenant	
11			JD's the Sponsor Department for value of the grant-in-kind	

Procedure for Lease Renewals

How do I renew a subsidized revenue lease?

Under the GNWT Revenue Leasing Policy, the renewal of a subsidized revenue lease requires the same justification and Cabinet approval as a new subsidized lease. The renewal action request must be started by the Sponsor Department at least 90 days before the lease ends.

Follow these steps to renew a subsidized revenue lease:

PROCEDURE FOR SUBSIDIZED REVENUE LEASE RENEWAL				
Step	Proposed Tenant	Sponsor Department	PWS	Cabinet
1			At least 90 days before the lease ends, determines whether the space is required for use by the GNWT.	
2			Notifies the tenant and the Sponsor Department that the lease is due to expire. Advises if the space must be vacated at the end of the lease or is available for continued tenancy, subject to approvals..	
3	If the tenant wishes to continue occupying the space, submits a request for lease renewal to the Sponsor Department. If the space is no longer required, vacates the premises on or before the lease expiration date.			
4		Reviews the request for space. If it is willing to consider sponsorship of a subsidized revenue lease, completes Part 1 of a Revenue Lease Recommendation and Approval form and sends it to PWS.		
5			Completes Part 2 of the Revenue Lease Recommendation	
6			Sends the Revenue Lease Recommendation and Approval form to the Sponsor Department	
7		Refers to the information provided in the Revenue Lease Recommendation and Approval form and drafts a Decision Paper(Decision Paper template)		
8				Approves or denies request for subsidized revenue lease

PROCEDURE FOR SUBSIDIZED REVENUE LEASE RENEWAL				
Step	Proposed Tenant	Sponsor Department	PWS	Cabinet
9			Executes lease with tenant	
10			JD's the Sponsor Department for value of the grant-in-kind	

References

For more information, you can read these documents:

- GNWT Policy 11.23 – Revenue Leasing of Improved Real Property

The Policy is available on the GNWT Policies web page at:

<http://www.gov.nt.ca/publications/policies/index.htm>

- FAM Directive 401-5 – Grants-in-Kind
- FAM Directive 906 – Services to the Public, Section 3.2. Rentals and Leases Where the Government Acts as Landlord

The FAM directives are available on the FMBS document library at:

<http://www.gov.nt.ca/FMBS/documents/FAMWeb/index.html>

Appendix A – List of PWS Contacts

PWS Regional Service Contacts:

Region/Area			
North Slave Region	Fort Smith Region	Deh Cho Area	Inuvik Region
Communities Served			
Dettah Edzo Gameti Ndilo Rae Wekweeti Whati Yellowknife	Enterprise Fort Providence Fort Resolution Fort Smith Hay River Hay River Reserve Kakisa Lutsel K'e	Fort Liard Fort Simpson Jean Marie River Nahanni Butte Trout Lake Wrigley	Aklavik Colville Lake Deline Fort Good Hope Fort McPherson Holman Inuvik Norman Wells Paulatuk Sachs Harbour Tsiigehtchic Tuktoyaktuk Tulita
Contacts			
Property Officer Yellowknife (867) 920-6944	Sr. Property Manager Yellowknife (867) 873-7226	Area Manager Fort Simpson (867) 695-7285	Property Officer Inuvik (867) 777-7179

PWS Headquarters Technical Support Contacts:

SERVICE: General subsidized revenue leasing advice and assistance

Sr. Property Manager
Facility Management
Asset Management Division
(867) 873-7507

SERVICE: Subsidized revenue leasing policy and procedures advice and assistance

Policy and Procedures Officer
Facility Management
Asset Management Division
(867) 873-7931

SERVICE: Subsidized revenue leasing accounting advice and assistance

Financial Analyst
Corporate Services Division
(867) 873-7077

Appendix B – Revenue Lease Recommendation & Approval Form (please contact PWS for MS Excel form)

Department of Public Works and Services REVENUE LEASE RECOMMENDATION & APPROVAL			
Instructions			
Proposing Department: 1. Completes Part 1 of the form 2. Sends the form to Public Works and Services		Public Works and Services: 3. Completes Part of the form 4. Sends the form to the proposing department	
PART 1 - Completed by Proposing Department			
Department: Department "A"	Originator: Name and position title	Date: mm/dd/yy	
Tenant Information			
Tenant's Name: Non-Profit Organization "X"		Tenant's Mailing Address: Somewhere NWT	
Tenancy Information			
Community: Somewhere NWT		Building Name & Address: Somewhere NWT	
Proposed Use of Premises by Tenant: Office space for fund-raising activities			
Proposed Move-In Date: April 1, 2005	Tenant O&M Responsibilities (PW&S to confirm feasibility):		
Proposed Move-Out Date: March 31, 2006	<input type="checkbox"/>	Heating Fuel Payments	<input type="checkbox"/>
	<input type="checkbox"/>	Electricity Payments	<input type="checkbox"/>
	<input type="checkbox"/>	Water and Sewer Payment	<input type="checkbox"/>
		Garbage Removal	<input type="checkbox"/>
		Janitorial Services	<input type="checkbox"/>
		Other (specify):	<input type="checkbox"/>
Proposed Tenant Rent: <input type="checkbox"/> Market Rent <input checked="" type="checkbox"/> Less Than Market Rent (Subsidized Lease)	Proposing Department Signature:		
PART 2 - Completed by Public Works & Services			
Rentable Area Calculations			
Building Rentable:	3,000.00	Building Useable:	2,800.00 R/U Factor: 1.07
Premises Useable:	500.00	Premises Rentable = R/U Factor x Premises Useable:	535.71
Market Rent Calculation Method 1 - Actual Building Costs			
Use this method if the building is (a) GNWT-owned and there are no leased comparables or (b) GNWT-leased			
BUILDING COSTS		INCLUDE IN RENT?	BUILDING COSTS \$/Yr
BASE RENT (GNWT-leased buildings)			\$/M2R/Yr
CAPITAL COST RECOVERY (GNWT-owned buildings)			
Land value	user input: \$150,000		
Building replacement value	user input: \$750,000		
Building age (years)	user input: 20		
Building depreciated replacement value	\$375,000		
Building remaining life (years)	20		
Total value of land and building	\$525,000		
Interest rate (enter in 0.XXXX format)	user input: 10.00%		
Yield rate	0.11745962		
Capital cost recovery	\$50,485		\$61,666.30
Allowance for building structural repairs & replacements	2.00%		\$1,761.89
Total Cost			\$63,428.20
OPERATIONS & MAINTENANCE			
Repairs & Maintenance		Y	\$5,000.00
Cleaning, Decor. & Painting		N	\$1.67
Janitorial Services		Y	\$2.00
Snow Removal		Y	\$6,000.00
Garbage Removal		Y	\$700.00
Administration Fee		Y	\$0.23
Water & Sewer		Y	\$600.00
Electrical (Common)		N	\$0.20
Electrical (Demised)		N	
Heating		Y	\$2,400.00
Taxes/GILT		Y	\$0.80
Land Lease		N	
Insurance		Y	\$12,000.00
Other:		Y	\$4,000.00
Other:		N	\$2,000.00
Other:		N	\$0.67
Total Operations & Maintenance		N	\$40.00
TOTAL			\$32,740.00
			\$94,406.30
			\$10.91
			\$31.47

Appendix B – Revenue Lease Recommendation & Approval Form

Department of Public Works and Services						
REVENUE LEASE RECOMMENDATION & APPROVAL						
Market Rent Calculation Method 2 - Market Rent Survey						
<i>Use this method if the building is (a) GNWT-owned and (b) there are leased comparables</i>						
	REVENUE LEASE	LEASED COMPARABLES				
		1	2	3	4	5
ASSET NUMBER						
LEASE NUMBER						
COMMUNITY						
RENT INCLUSIONS - Y/N?						
Repairs & Maintenance						
Cleaning, Decor. & Painting						
Janitorial Services						
Snow Removal						
Garbage Removal						
Administration Fee						
Water & Sewer						
Electrical (Common)						
Electrical (Demised)						
Heating						
Taxes						
Land Lease						
Insurance						
BASE RENTAL RATE (\$/M2R/YR)						
O&M RENTAL RATE (\$/M2R/YR)						
O&M Rent Inclusion Adjustments +/-:						
Repairs & Maintenance						
Cleaning, Decor. & Painting						
Janitorial Services						
Snow Removal						
Garbage Removal						
Administration Fee						
Water & Sewer						
Electrical (Common)						
Electrical (Demised)						
Heating						
Taxes						
Land Lease						
Insurance						
Total						
Adjusted O&M Rental Rate						
AVERAGE RENTAL RATE (\$/M2R/YR)						
Base Rental Rate						
O&M Rental Rate						
Total Rental Rate						
Revenue Lease Market Rent Calculation						
Method 1 - Actual Building Costs				Method 2 - Market Rent Survey		
BASE RENT				BASE RENT		
Rental Rate	\$20.97			Rental Rate		
Annual Rent	\$11,232.08			Annual Rent		
Monthly Rent	\$936.01			Monthly Rent		
O&M RENT				O&M RENT		
Rental Rate	\$10.91			Rental Rate		
GNWT Admin. Fee Applicable (Y/N)?:	Y			GNWT Admin. Fee Applicable (Y/N)?:		
GNWT Admin. Fee @ 6.5%	\$0.71			GNWT Admin. Fee @ 6.5%		
Total Rental Rate	\$11.62			Total Rental Rate		
Annual Rent	\$6,226.45			Annual Rent		
Monthly Rent	\$518.87			Monthly Rent		
TOTAL MARKET RENT				TOTAL MARKET RENT		
Rental Rate	\$32.59			Rental Rate		
Annual Rent	\$6,226.45			Annual Rent		
Monthly Rent	\$1,454.88			Monthly Rent		
Recommendations						
Regional Property Manager Signature:				Date:		
Regional Superintendent Signature:				Date:		
Comments:						
Approvals						
<input checked="" type="checkbox"/> Subsidized Lease: Non-Profit Organization		Cabinet Record of Decision No:		Date:		
<input type="checkbox"/> Subsidized Lease: GNWT Contractor		Contract Authority Signature:		Date:		
<input type="checkbox"/> Non-Subsidized Lease: GNWT Board, Agency or NWT Public Corporation		Contract Authority Signature:		Date:		
<input type="checkbox"/> Non-Subsidized Lease: Non-GNWT Tenant		Contract Authority Signature:		Date:		
Administration						
Revenue Lease No:		FIS Revenue Code:		Tenant's GSN:		
Page 2 of 2						

Appendix C – Decision Paper Format for a New Subsidized Revenue Lease (please contact PWS for MS Word template)

JOINT EXECUTIVE COUNCIL/FINANCIAL MANAGEMENT BOARD DECISION PAPER

TITLE: Subsidized Revenue Lease with Associated Grant-in-Kind – [insert name of building and proposed Tenant]

DOLLARS: \$[insert value of grant-in-kind]

VOTE(S): 1 (O&M Expenditures) and 8 (O&M Revenues)

DEPARTMENT/ACTIVITY: [insert name of sponsor department and activity] and Public Works & Services/ Asset Management

REGION: [insert region name]

FUNDING SOURCE: [insert funding source; e.g. “Target Adjustment (with Full Revenue Offset)”]

FISCAL YEARS: [insert fiscal years of grant-in-kind]

PURPOSE:

Executive Council approval is required to provide a subsidized revenue lease in [insert building name and location] with [insert proposed tenant’s name] for a lease term of [insert number of years] commencing [insert lease commencement date] and terminating [insert lease termination date]. Furthermore, Financial Management Board approval is required for a target adjustment of \$[insert grant-in-kind amount] for [insert fiscal years for grant-in-kind] so that the [insert sponsor department name] can record the grant-in-kind.

BACKGROUND/SUBSTANTIATION:

GNWT Policy and Directive 11.23, Revenue Leasing of Improved Real Property, states that the Executive Council may, upon the recommendation of a sponsoring minister, authorize use of GNWT accommodation by a non-GNWT tenant under a subsidized revenue lease according to following criteria:

- The property must meet minimum standards for health and safety
- The property must be surplus to the needs of the GNWT
- The tenant cannot obtain space through other means
- The tenant’s activities support GNWT goals or the service provided by the tenant is deemed by the sponsoring Minister to benefit the residents of the NWT
- The tenant must be a non-profit organization, a band council or a community government
- Each lease will specify the termination date and the amount of the subsidy.

FAM Directive 401-5, Grants-in-Kind requires that any subsidized lease, where the market rent for the accommodation is \$5,000 or greater than the rent to paid by the tenant during a fiscal year to the GNWT must be recorded as a grant-in-kind.

The proposed subsidized revenue lease meets all the abovementioned criteria as follows:

- The Department of Public Works and Services confirms that the property meets minimum standards for health and safety
- The Department of Public Works and Services confirms that the property is temporarily surplus to the GNWT's needs.
- It has been confirmed that [enter name of proposed tenant] is unable to obtain space through other means
- The [enter name of proposed tenant] will be using the accommodation to [enter a description of the tenant's activities, programs or services] which support GNWT goals and benefit residents of the NWT.
- The [enter name of proposed tenant] is a [enter either non-profit organization, band council or community government]
- The Department of Public Works and Services has determined the fair market value for the accommodation to be $\$[\text{enter FMV rental rate}]/\text{m}^2/\text{year} \times [\text{enter space in m}^2] = \$[\text{enter annual rent}]/\text{year} = \$[\text{enter monthly rent}]$. Therefore, the value of the subsidy will be:

Total FMV Rent (plus GST):	$\$[\text{enter total rent}]$
LESS: Rent to be Paid by Tenant	$\$[\text{enter total rent to be paid}]$
Total Value of Subsidy:	$\$[\text{enter value of rent subsidy}]$
DIVIDED BY: Number of Months in Lease	[enter number of months]
Subsidy per Month	$\$[\text{enter subsidy amount per month}]/\text{month}$

The associated grant-in-kind that will need to be recorded is as follows:

Fiscal Year	Number of Months	Monthly Subsidy	Grant-in-Kind
[enter fiscal year]	[enter number of months in the lease term falling within the fiscal year]	[enter the monthly subsidy]	[enter the fiscal year grant-in-kind = number of months x monthly subsidy]
[enter fiscal year]	[enter number of months in the lease term falling within the fiscal year]	[enter the monthly subsidy]	[enter the fiscal year grant-in-kind = number of months x monthly subsidy]
[enter fiscal year]	[enter number of months in the lease term falling within the fiscal year]	[enter the monthly subsidy]	[enter the fiscal year grant-in-kind = number of months x monthly subsidy]

PROPOSAL:

It is proposed that the Executive Council approve a subsidized revenue lease with [enter name of proposed tenant] for [enter space to be leased in m2] m2 in [enter the name of the building] located in [enter the name of the community] under the following terms:

- **Lease Commence Date:** [enter lease commencement date]
- **Lease Expiry Date:** [enter lease termination date]
- **Monthly Rent Payable by Tenant:** [enter monthly rent payable by tenant; if applicable]
- **Tenant Operations and Maintenance Responsibilities:** [enter tenant O&M responsibilities, if applicable]
- **Other Tenant Responsibilities:** [enter other tenant responsibilities, if applicable]

It is further proposed that the Financial Management Board approve the target adjustment for the Department of [enter sponsor department name] to record the associated Grant-in-Kind.

FACTORS:

Political

[enter any political factors]

Financial

There are no financial implications for the Government of the Northwest Territories as a whole as the amount recorded as a grant-in-kind to by the Department of [enter sponsor department name] will be offset by an equal revenue recovery by the Department of Public Works & Services. Budget implications are as follows:

Fiscal Year(s): [enter fiscal year(s)]

Department	Region	Activity	Vote	Control Object	Amount
[enter name of sponsor department]	[enter region]	[enter activity]	O&M Expenditures	Grants & Contributions	\$(enter fiscal year amount)
Public Works & Services	[enter region]	Asset Management	O&M Revenue	Grants	\$(enter fiscal year amount)

NOTE: If the grant-in-kind amount for any fiscal year is different from the above, insert an additional financial summary table.

Interdepartmental

The Department of [enter sponsor department name] acknowledges that they are the sponsoring department for the [enter name of tenant].

Program Implications/Alternatives

[enter program implications and any other alternatives to the proposed subsidized revenue lease].

CONSULTATION:

The Department of Public Works and Services and the Department of [enter sponsor department name] were consulted for the purpose of determining an appropriate value for the grant-in-kind.

RECOMMENDED DECISION:

It is recommended that Executive Council, subject to Financial Management Board approval of the necessary target adjustment,

1. Approve a subsidized lease revenue lease with the [enter the subsidized tenant's name] for [enter space to be leased in m2] m2 in [enter the name of the building] located in [enter the name of the community] under the following terms:

- **Lease Commence Date:** [enter lease commencement date]
- **Lease Expiry Date:** [enter lease termination date]
- **Monthly Rent Payable by Tenant:** [enter monthly rent payable, if applicable]
- **Tenant Operations and Maintenance Responsibilities:** [enter tenant O&M responsibilities, if applicable]
- **Other Tenant Responsibilities:** [enter other tenant responsibilities, if applicable]

The Financial Management Board; subject to Executive Council authorization of the subsidized revenue lease,

1. Approve a target adjustment of [enter fiscal years and fiscal year amounts] for the Department of [enter sponsor department name] for the purpose of reporting a grant-in-kind for the subsidized revenue lease with the [enter name of tenant].
2. Direct the Department of Public Works and Services to record a foregone revenue recovery of [enter fiscal years and fiscal year amounts].

PUBLIC RELATIONS:

No public announcement is recommended.

APPROVALS:

Secretary to Cabinet

Premier

Date

Date

Deputy Minister,
Public Works & Services

Minister,
Public Works & Services

Date

Date

Appendix D – Decision Paper Format for Renewal of a Subsidized Revenue Lease (please contact PWS for MS Word template)

JOINT EXECUTIVE COUNCIL/FINANCIAL MANAGEMENT BOARD DECISION PAPER

TITLE: Renewal of Subsidized Revenue Lease with Associated Grant-in-Kind – [insert name of building and proposed Tenant]

DOLLARS: \$[insert value of grant-in-kind]
VOTE(S): 1 (O&M Expenditures) and 8 (O&M Revenues)
DEPARTMENT/ACTIVITY: [insert name of sponsor department and activity] and Public Works & Services/ Asset Management

REGION: [insert region name]
FUNDING SOURCE: [insert funding source; e.g. “Target Adjustment (with Full Revenue Offset)”]
FISCAL YEARS: [insert fiscal years of grant-in-kind]

PURPOSE:

Executive Council approval is required to renew a subsidized revenue lease in [insert building name and location] with [insert proposed tenant’s name] for a lease renewal term of [insert number of years] commencing [insert lease commencement date] and terminating [insert lease termination date]. Furthermore, Financial Management Board approval is required for a target adjustment of \$[insert grant-in-kind amount] for [insert fiscal years for grant-in-kind] so that the [insert sponsor department name] can record the grant-in-kind.

BACKGROUND/SUBSTANTIATION:

Executive Council Record of Decision No [insert ROD number] dated [insert ROD date] authorized the Department of Public Works and Services to enter into a subsidized revenue lease in [insert building name and location] with [insert proposed tenant’s name] for a lease renewal term of [insert number of years] commencing [insert lease commencement date] and terminating [insert lease termination date]. The lease is due to expire, however, the [insert proposed tenant’s name] has a continued requirement for the accommodation and desires to renew the lease for an additional [insert length of renewal term].

GNWT Policy and Directive 11.23, Revenue Leasing of Improved Real Property, states that the Executive Council may, upon the recommendation of a sponsoring minister, authorize use of GNWT accommodation by a non-GNWT tenant under a subsidized revenue lease according to following criteria:

- The property must meet minimum standards for health and safety
- The property must be surplus to the needs of the GNWT

- The tenant cannot obtain space through other means
- The tenant's activities support GNWT goals or the service provided by the tenant is deemed by the sponsoring Minister to benefit the residents of the NWT
- The tenant must be a non-profit organization, a band council or a community government
- Each lease will specify the termination date and the amount of the subsidy.

GNWT Policy and Directive 11.23 also states that the renewal of a subsidized lease will require the same justification and Executive Council approvals as a new subsidized lease and the renewal will be initiated by the sponsoring Minister.

FAM Directive 401-5, Grants-in-Kind requires that any subsidized lease, where the market rent for the accommodation is \$5,000 or greater than the rent to paid by the tenant during a fiscal year to the GNWT must be recorded as a grant-in-kind.

The proposed subsidized revenue lease renewal meets all the abovementioned criteria as follows:

- The Department of Public Works and Services confirms that the property meets minimum standards for health and safety
- The Department of Public Works and Services confirms that the property is temporarily surplus to the GNWT's needs.
- It has been confirmed that [enter name of proposed tenant] is unable to obtain space through other means
- The [enter name of proposed tenant] will be using the accommodation to [enter a description of the tenant's activities, programs or services] which support GNWT goals and benefit residents of the NWT.
- The [enter name of proposed tenant] is a [enter either non-profit organization, band council or community government]
- The Department of Public Works and Services has determined the fair market value for the accommodation to be $\$[\text{enter FMV rental rate}]/\text{m}^2/\text{year} \times [\text{enter space in m}^2] = \$[\text{enter annual rent}]/\text{year} = \$[\text{enter monthly rent}]$. Therefore, the value of the subsidy will be:

Total FMV Rent (plus GST):	$\$[\text{enter total rent}]$
LESS: Rent to be Paid by Tenant	$\$[\text{enter total rent to be paid}]$
Total Value of Subsidy:	$\$[\text{enter value of rent subsidy}]$
DIVIDED BY: Number of Months in Lease	$[\text{enter number of months}]$
Subsidy per Month	$\$[\text{enter subsidy amount per month}]/\text{month}$

The associated grant-in-kind that will need to be recorded is as follows:

Fiscal Year	Number of Months	Monthly Subsidy	Grant-in-Kind
[enter fiscal year]	[enter number of months in the lease term falling within the fiscal year]	[enter the monthly subsidy]	[enter the fiscal year grant-in-kind = number of months x monthly subsidy]
[enter fiscal year]	[enter number of months in the lease term falling within the fiscal year]	[enter the monthly subsidy]	[enter the fiscal year grant-in-kind = number of months x monthly subsidy]
[enter fiscal year]	[enter number of months in the lease term falling within the fiscal year]	[enter the monthly subsidy]	[enter the fiscal year grant-in-kind = number of months x monthly subsidy]

PROPOSAL:

It is proposed that the Executive Council approve the renewal of a subsidized revenue lease with [enter name of proposed tenant] for [enter space to be leased in m2] m2 in [enter the name of the building] located in [enter the name of the community] under the following terms:

- **Lease Commence Date:** [enter lease commencement date]
- **Lease Expiry Date:** [enter lease termination date]
- **Monthly Rent Payable by Tenant:** [enter monthly rent payable by tenant; if applicable]
- **Tenant Operations and Maintenance Responsibilities:** [enter tenant O&M responsibilities, if applicable]
- **Other Tenant Responsibilities:** [enter other tenant responsibilities, if applicable]

It is further proposed that the Financial Management Board approve the target adjustment for the Department of [enter sponsor department name] to record the associated Grant-in-Kind.

FACTORS:

Political

[enter any political factors]

Financial

There are no financial implications for the Government of the Northwest Territories as a whole as the amount recorded as a grant-in-kind to by the Department of [enter sponsor department name] will be offset by an equal revenue recovery by the Department of Public Works & Services. Budget implications are as follows:

Fiscal Year(s): [enter fiscal year(s)]

Department	Region	Activity	Vote	Control Object	Amount
[enter name of sponsor department]	[enter region]	[enter activity]	O&M Expenditures	Grants & Contributions	\$(enter fiscal year amount)
Public Works & Services	[enter region]	Asset Management	O&M Revenue	Grants	\$(enter fiscal year amount)

NOTE: If the grant-in-kind amount for any fiscal year is different from the above, insert an additional financial summary table.

Interdepartmental

The Department of [enter sponsor department name] acknowledges that they are the sponsoring department for the [enter name of tenant].

Program Implications/Alternatives

[enter program implications and any other alternatives to the proposed subsidized revenue lease].

CONSULTATION:

The Department of Public Works and Services and the Department of [enter sponsor department name] were consulted for the purpose of determining an appropriate value for the grant-in-kind.

RECOMMENDED DECISION:

It is recommended that Executive Council, subject to Financial Management Board approval of the necessary target adjustment,

1. Approve renewal of a subsidized lease revenue lease with the [enter the subsidized tenant’s name] for [enter space to be leased in m2] m2 in [enter the name of the building] located in [enter the name of the community] under the following terms:
 - **Lease Commence Date:** [enter lease commencement date]
 - **Lease Expiry Date:** [enter lease termination date]
 - **Monthly Rent Payable by Tenant:** [enter monthly rent payable, if applicable]
 - **Tenant Operations and Maintenance Responsibilities:** [enter tenant O&M responsibilities, if applicable]
 - **Other Tenant Responsibilities:** [enter other tenant responsibilities, if applicable]

The Financial Management Board; subject to Executive Council authorization of the subsidized revenue lease renewal,

3. Approve a target adjustment of [enter fiscal years and fiscal year amounts] for the Department of [enter sponsor department name] for the purpose of reporting a grant-in-kind for the subsidized revenue lease renewal with the [enter name of tenant].
4. Direct the Department of Public Works and Services to record a foregone revenue recovery of [enter fiscal years and fiscal year amounts].

PUBLIC RELATIONS:

No public announcement is recommended.

APPROVALS:

Secretary to Cabinet

Premier

Date

Date

Deputy Minister,
Public Works & Services

Minister,
Public Works & Services

Date

Date