




Saskatchewan Parks Service

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| Section: 50 – Lease Administration | Policy # 50.02 | |
| | Effective Date: May 1, 2012 | |
| | Prepared by: Parks Management Services | |
| Subject: Length of Lease Term | New | Revision X |
| | Approved by:  Executive Director | |

AUTHORITY: *The Parks Act, The Parks Regulations 1991*

INTENT

Establish general policy guidelines for length of lease term within new Commercial Lease arrangements.

POLICY

- 1.0 Length of lease term for newly constructed privately operated commercial businesses will be based upon the amount of capital investment made by the owner/investor.
- 2.0 The following are guidelines to be used in determining lease terms for new leases (including new leases being signed with existing businesses which have surpassed the original term and renewal term of their initial lease arrangement).

| <u>Capital Investment</u> | <u>Lease Term</u> (years) | <u>Renewal Term</u> (years) |
|---------------------------|------------------------------|--------------------------------|
| \$ 0 - \$50,000 | 1 – 5 | 0 – 5 |
| \$50,001 - \$100,000 | 5 – 10 | 5 – 10 |
| \$100,001 - \$500,000 | 10 – 20 | 10 |
| Over \$500,000 | 20 – 25 | 10 |

All initial leases will include a lease renewal term period equal to the initial term or 10 years, whichever is less.

- 3.0 If the lease agreement has not expired, the lease term may be extended under the following circumstances:

- a) Lessee wishes to assign the lease as collateral security (Mortgage of Lease) and a longer term lease is required by a lending institution to match the loan amortization period.
 - b) Lessee is selling the business and the purchaser's lending institution requires a longer term lease to match the loan amortization period.
 - c) Lessee and the ministry reach agreement on facility upgrades wherein the Lessee will be making a sizeable expenditure (Capital Investment guidelines in Section 2.0 provide the framework for extended terms).
- 4.0 Condition of facilities and required upgrades must be considered in every pre-term lease extension request, and lease term extension may be dependent upon facility renewal agreement being reached.
- 5.0 When a commercial lease is extended as per clause 3.0, the term of lease extension will be based upon requirements of the lending institution, lessee performance, remaining useful life of the facilities, and facility upgrade plans.
- 6.0 When a commercial facility is sold and the current lease agreement is in the process of transfer, the following guidelines will be used to establish the new operator's lease term:
- a) Provided 5 or more years remain in the existing lease agreement, the remaining lease term will be transferred to the new operator.
 - b) If less than 5 years remain in the term of the existing agreement, the ministry will enter into a new lease agreement for a term not exceeding the initial lease term. Condition of facilities will be considered in establishing the lease term, and upgrading requirements may be identified as a condition of signing, and/or renewal.
 - c) Provisions within Section 3.0 also apply to facility/lease sale situations.
- 7.0 When a lease has expired, the lease will be renewed for a term not exceeding the initial lease term and/or the identified renewal term. Condition of facilities and lessee performance will determine length of renewal term and may result in lease terms less than the initial term. In some cases, one-year renewal agreements will be used while negotiations are taking place concerning required facility upgrades.