GAIA

Analysis of Federal Real Property Management Guidelines in the NCC Farm Lease Context

Federal Real Property Management Policies and Principles

Life-Cycle Stewardship: The Treasury Board's real property policies and guidance emphasize that federal real property must be managed across its entire life cycle (planning, acquisition, use, and disposal) in a sustainable and financially responsible manner [1] [2]. This means custodians of federal assets are expected to practice **sound stewardship** to ensure long-term sustainability and value for taxpayers [3]. A key principle is **life-cycle management** – assets should be maintained and renewed as needed to support program delivery cost-effectively over time [2]. Importantly, the **legal interest** (e.g. whether the property is owned or leased out) does not change the obligation for good stewardship: *any real property under a minister's administration or used by a tenant should be managed according to the same objectives and principles* [4]. In other words, leasing a property to a third party does not absolve the federal custodian of concern for its condition and management.

Maintenance and Investment Expectations: Federal guidance stresses that adequate ongoing maintenance and reinvestment are necessary to keep real property assets in proper condition. A commonly cited rule of thumb is that **approximately 4% of an asset's replacement value per year** should be invested in maintenance and capital repairs (about 2% for routine maintenance and 2% for life-extending recapitalization) to keep assets in good condition [5]. Failing to invest at this level can lead assets to **deteriorate faster than expected** [6]. In fact, *"the full cost of providing, operating, maintaining, and disposing of real property has to be reflected in departmental budgets"* [7] – meaning custodians should plan and budget for upkeep, not just initial acquisition costs. Treasury Board policy thus encourages departments to integrate maintenance and renewal costs into long-term investment plans [7].

Risks of Deferred Maintenance: The guidance makes clear that deferring maintenance can have serious consequences. Neglecting repairs not only undermines the value and functionality of assets but also creates **health, safety, and environmental risks** [8]. Even if a property is slated for eventual disposal, allowing it to fall into disrepair is not considered prudent or acceptable. As the Guide to the Management of Real Property states, an asset planned for disposal should still be maintained in a condition **"befitting its age and use"** – a severely deteriorated state due to observed neglect *"would not reflect the desired standard of prudent ownership"* [9]. Moreover, a custodian's obligations (including duty of care for the asset's condition and safety) **continue until the asset is fully removed from the federal inventory** [8]. In short, **deteriorating infrastructure remains a custodian's responsibility** and cannot be simply ignored without risk. This ethos aligns with general federal asset management standards: under-investment and deferred maintenance lead to accumulating liabilities and higher costs down the line, a fact acknowledged in many federal reports. (For example, the NCC's own 2021 report on official residences notes that *"decades of underfunding – a lack of timely investment in maintenance, preservation and renewal – have resulted in a growing deferred maintenance deficit and severely deteriorating asset condition"* [10].)

Accountability and Performance: Treasury Board policy (now largely encapsulated in the 2019 *Policy on the Planning and Management of Investments* and its supporting *Directive on the Management of Real Property*) requires that organizations track asset performance and condition, and make decisions to achieve value for money [3] [11]. Real property custodians are expected to monitor asset condition (e.g. through inspections and condition reports) and to prioritize investments to address **life-cycle requirements, health and safety, and program needs** [12] [13]. This includes maintaining up-to-date information such as replacement costs, so that maintenance and recapitalization efforts can be properly planned [13]. In essence, federal guidelines push for a proactive, planned approach to asset maintenance – fixing problems before they become crises and ensuring that resources are allocated to keep the property portfolio in an acceptable condition.

Application to NCC and Its Farm Leases

NCC as a Custodian: The National Capital Commission (NCC), as a federal Crown corporation and custodian of real property (including the Greenbelt farmlands around Ottawa), is influenced by these policies and principles. While the NCC is not a typical government "department" under the Financial Administration Act (and Treasury Board policies formally apply mainly to departments), the NCC is an **agent of the Crown managing federal lands**. It has a mandate to steward those lands in the public interest, and it generally adheres to federal real property management best practices. Notably, even the older Treasury Board *Policy on Management of Real Property* explicitly extended certain requirements (such as maintaining the **Directory of Federal Real Property** records) to Crown corporations [14] [15]. More broadly, the NCC has signaled its commitment to lifecycle asset management in its own documents. Therefore, we can reasonably apply the spirit of federal real property guidelines to the NCC's situation with farm properties.

Leased Farms and Custody Model: In the Greenbelt farm context, the NCC is the owner (landlord) and custodian of dozens of farm properties which it **leases to individual farmers**. This creates a tenant–custodian relationship. Federal guidance recommends that such relationships be **formalized in writing** with clear definition of roles, responsibilities, and financial obligations for both parties [16]. The NCC follows this approach through detailed lease agreements with farmers. According to the NCC's *Guidelines for Agricultural Leases* (2020), all NCC farms are leased on an **"as-is" basis**. The NCC ensures that any residential dwelling on the farm is brought up to an acceptable standard at the start of the lease (and ensures a potable water supply to the house), but **all other maintenance and repairs of the land and farm buildings are the sole responsibility of the tenant for the duration of the lease** [17]. In practice, this means once a farmer signs the lease, the **upkeep of barns, fences, outbuildings, and non-residential structures, as well as routine land maintenance, falls to the tenant**. The NCC generally does not proactively invest in capital improvements on leased farm properties during the term of the lease, beyond possibly addressing major issues to meet safety or code requirements at turnover.

Stewardship Principles vs. Lease Reality: The federal stewardship principles still implicitly apply – the NCC as owner should ensure the property is not deteriorating in a way that violates health, safety, or public interest. However, by structuring leases to transfer maintenance duties to the lessee, the NCC attempts to manage its obligations. Essentially, the NCC's strategy has been to **provide long-term leasing opportunities (up to 25-year terms) and require tenants to undertake maintenance** in exchange for relatively affordable rent and stability. The rationale is that a longer lease gives the farmer the incentive and horizon to invest in the property (for example, to justify major repairs or improvements that they can benefit from over many years) [18] [19]. Indeed, following stakeholder consultations, the NCC adopted 25-year lease options to encourage a sense of "ownership and longevity" for farm tenants, precisely to make them more willing to invest in upkeep [20] [21]. This approach aligns with recommendations from agriculture experts that *extending lease length* can improve tenants' willingness to maintain and even enhance the property [18].

Practical Management of Farm Assets: In practical terms, once a farm is under lease, **NCC's direct involvement in day-to-day maintenance is minimal**. The tenant is expected to perform routine maintenance (e.g. repairing fences, barn upkeep, field maintenance) and even some capital repairs as needed. Major repairs or capital improvements typically require NCC approval (as the owner) and sometimes there may be cost-sharing or rent adjustments if the improvement significantly increases the property's value or utility [22] [21]. For example, if a farmer invests in new tiling for drainage or builds a new structure with permission, the NCC might agree not to immediately raise rent as a result, allowing the farmer to recoup benefit [23]. Conversely, if the **NCC itself invests** in a new barn or significant upgrade, it would expect to reflect that in the rent. These specifics are usually negotiated so that both parties benefit (the farmer gains a better asset to use, the NCC preserves or enhances the asset's value) [24] [25].

What Happens to Assets Over Time: One issue that arises is that **if neither party invests adequately, the asset will inevitably deteriorate**. Some NCC farm leases in the past were shorter-term and did not encourage much tenant investment; additionally, many of the farm buildings (houses, barns) are quite old (some with heritage value) and require significant capital renewal. The historical outcome, noted by multiple reviews, has been a **gradual decline of many farm structures** in the Greenbelt. A study on the Greenbelt's sustainable agriculture observed that *"older buildings, which may have heritage value, are not maintained and eventually become unsightly. The effect is to make both modernization and heritage preservation a greater challenge."* [26] In other words, prolonged under-investment made the problem worse: antiquated barns and farmhouses became so run-down that they are expensive to modernize or preserve.

At times, the NCC has had to take drastic action for safety reasons – for example, demolishing a dangerously deteriorated barn rather than restoring it, due to cost and condition. This is the unfortunate end result that sound life-cycle management is supposed to prevent. From the federal policy perspective (and basic asset management sense), **allowing a building to reach a state of collapse is highly undesirable**. It represents a failure to maintain the asset's value, a potential loss of heritage, and possibly a safety liability. The Treasury Board Guide explicitly warns that *deteriorating conditions left unchecked pose health and safety risks* and that departments should not allow assets to decay even if they plan to dispose of them [27]. For the NCC, disposal is usually not an option for Greenbelt farms (since the mandate is to preserve them as federal green space), so the only choices are maintenance, rehabilitation, or eventual demolition if an asset becomes unusable. Clearly, **preventative maintenance and timely repairs are the preferable strategy** to uphold the "prudent ownership" standard [9].

NCC's Limitations: The NCC faces certain **limitations in managing these farm properties**. Budgetary constraints are a primary one – as a Crown corporation, the NCC does not automatically receive program funding for farm infrastructure the way, say, a department might for its office buildings. The NCC has to allocate its overall budget among many responsibilities (parks, pathways, historic sites, official residences, etc.), and historically the Greenbelt farms did not receive large capital investments. In fact, as noted in the official residences report, the NCC overall has had **decades of underfunding for maintenance** across its assets [10]. This chronic under-investment environment forces the NCC to prioritize where it spends money. Farm buildings that generate relatively little revenue and are not public-facing often ended up as a lower priority, meaning **the NCC deliberately relies on the lease model to shoulder maintenance costs via the tenant**.

Another limitation is **policy and mandate boundaries**. The NCC's mandate is to **preserve the Greenbelt** and support agriculture there, but not necessarily to operate farms or subsidize agricultural businesses. Thus, NCC might view capital improvements on farm properties as beyond its core mandate (except where necessary to meet safety codes or prevent a structure from becoming a hazard). This stance was evident: an NCC-commissioned study in 2009 pointed out that by the 1970s there were calls for an "investment program to upgrade or replace existing farm buildings and facilities," and *"thirty-five years later this call to action is even more urgent."* [28] Despite this, significant NCC-led investment in farm infrastructure did not materialize for many years, largely due to funding limitations and the expectation that the private sector (farm tenants) would handle it.

Lease Terms and Investment Disincentives: Short lease terms were historically another limiting factor. If a farmer only had, say, a 5-year lease with uncertain renewal, neither the farmer nor NCC had a strong incentive to invest in a new roof or barn repairs – the farmer might not be around long enough to benefit, and the NCC would not pour money into an asset that a future tenant might neglect. This created a **stalemate in which maintenance was deferred**. The NCC's move to offer 25-year leases is intended to break that cycle, giving farmers more security to justify improvements [18] [19]. However, even with longer leases, there is the challenge of **financing**: some farmers may not have the capital to invest in large repairs, and traditional farm financing can be harder to obtain for leased land improvements. The NCC's guidelines don't currently include financial assistance for tenant improvements, so this can still lead to under-maintenance if the tenant lacks resources.

Accountability and Oversight: It's worth noting that **NCC, as the landlord, retains an overarching responsibility** to ensure the properties do not pose dangers. Lease agreements typically allow the NCC to inspect the premises and require the tenant to undertake certain repairs if needed for safety. In extreme cases (structural failures, etc.), the NCC might intervene (for example, by undertaking a demolition of a collapsing structure, as was done in at least one case in recent years). These actions show that while the day-to-day maintenance is outsourced to tenants, the NCC cannot fully escape its custodian role – ultimately, **the public and oversight bodies will hold the NCC accountable if a federal asset is mismanaged or becomes a public safety issue**. Treasury Board Secretariat monitors departments' and agencies' real property management performance at a broad level [29], and although Crown corporations have more autonomy, egregious neglect of assets would reflect poorly on the NCC's stewardship mandate.

NCC's Lack of Investment and Deteriorating Infrastructure: Key Points

To summarize the situation in context, and why it might appear that the NCC has a "lack of investment" in these farm properties:

- **Reliance on Tenants for Maintenance:** NCC's farm lease structure places nearly all maintenance and minor capital responsibility on the **tenant farmers** [17]. The NCC's own investment is front-loaded (initial fixes before leasing) or limited to major interventions for code compliance. This reduces NCC's expenditures but increases risk that if tenants do not or cannot invest, buildings will deteriorate.

- **Historical Underfunding:** The NCC as an organization has not received dedicated funding to rehabilitate Greenbelt farm assets. Other pressing needs (urban infrastructure, official residences, etc.) have competed for funds. The result has been **deferred maintenance**, leading to what one report called "a deteriorating building stock" of barns and farm houses on NCC lands [30] [31]. Federal best practices dictate that deferring maintenance creates compounding costs and risks [10], which is exactly what has happened over decades.

- **Short-Term vs Long-Term Incentives:** Only recently has NCC policy shifted to longer leases. In earlier decades, shorter leases **discouraged significant improvements** – tenants were understandably unwilling to pay for major repairs on a property they might have to vacate, and NCC was unwilling to invest for the benefit of a short-term tenant. Even now, tenants may fear that investing in, say, a new barn roof could result in a rent increase that captures the value of their investment (though NCC's guidelines suggest rent should not be hiked in the short term for tenant-funded productivity improvements [24] [25]).

- **Heritage and Regulatory Factors:** Some farm buildings have heritage value or have to meet certain codes (e.g., if a barn is heritage-designated, any repairs might need special materials and approvals). This can make maintenance more complex and costly. The Treasury Board policy (when it was in force) and current directives remind custodians to consider heritage conservation and code compliance as part of asset management [32] [33] . The NCC must juggle these factors, sometimes opting to do nothing if a proper restoration is unaffordable – but doing nothing leads to further deterioration, a catch-22.

- **Obligations and Liability:** Even with leases transferring duties to tenants, the NCC *retains ownership* and thus some liability. If, for example, a barn on an NCC property were to collapse and cause injury or environmental damage, the **Crown could ultimately be drawn in**. This is why Treasury Board guidance states that **custodial obligations end only when the asset leaves the inventory** (i.e., is sold or demolished) [8] . The NCC understands this, and thus in practice they cannot entirely ignore deteriorating infrastructure. The "lack of investment" is often a calculated risk decision due to funding limits, rather than a lack of awareness. But it is a risk nonetheless – one that federal policy would urge be mitigated through proactive maintenance or timely disposal if an asset is truly surplus.

Sources:

- Treasury Board Secretariat *Guide to the Management of Real Property* (archived) – sections on life-cycle management, maintenance investment, and disposal obligations [5] [27] [4].
- Treasury Board *Policy on Management of Real Property* (2006, archived 2019) – policy context for stewardship and departmental accountability [3] [14].
- NCC *Guidelines for Agricultural Leases in the Greenbelt* (2020) – terms of lease (25-year term, as-is condition, tenant responsible for all maintenance) [17].
- *Canada's Capital Greenbelt: Moving Towards Sustainable Agriculture* (Caldwell, 2012) – analysis of NCC farm leases, highlighting lack of building maintenance and need for investment partnerships [26] [37] [38].
- NCC *Official Residences of Canada: Asset Portfolio Condition Report* (2021) – acknowledges the impact of deferred maintenance on asset condition [10].

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