Minutes - Executive Policy Committee – October 19, 2005

Minute No. 640
Report - Standing Policy Committee on Property and Development – October 4, 2005

Item No. 24 **Lease of Additional Land - Pan Am Pool Site - Winnipeg Regional Health Authority - Lease Amendments for Expansion of Clinic Building**
File FI-2.2(32)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submits the following to Council:

1. That a lease to the Winnipeg Regional Health Authority of that part of the Pan Am Pool Site shown as "Additional Lease Area No. 4" on Misc. Plan No. 5627/7 be approved at an annual rental of $10,893.60 in accordance with the terms outlined in the report from the Director of Planning, Property and Development dated September 27, 2005, and that the Lease Agreement dated October 2, 2000, be amended accordingly.

2. That the portion of Additional Land Area referred to as "Additional Lease Area No. 5" on Misc. Plan No. 5627/7 be removed from the Lease Agreement between the Winnipeg Regional Health Authority and the City dated October 2, 2000, and be added to the Lease Agreement between Olympus Enterprises and the City dated April 17, 1984, in accordance with the amendments outlined in the report from the Director of Planning, Property and Development dated September 27, 2005.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

Moved by Councillor De Smedt,

That the recommendation of the Standing Policy Committee on Property and Development be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On October 4, 2005, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Re: **Proposed Lease of Additional Land at the Pan Am Pool Site to the Winnipeg Regional Health Authority and Proposed Lease Amendments to Facilitate the Expansion of the Clinic Building**
City Centre Community
River Heights Ward

For submission to: **Standing Policy Committee on Property and Development**

Original report signed by: **Director of Planning, Property and Development**

Report date: September 27, 2005

Recommendation(s):

1. That a lease to the Winnipeg Regional Health Authority of that part of the Pan Am Pool Site shown as "Additional Lease Area No. 4" on the attached Misc. Plan No. 5627/7 be approved at an annual rental of $10,893.60 and in accordance with the proposed terms as outlined herein and that the Lease Agreement dated October 2, 2000 be amended accordingly.
2. That the portion of Additional Land Area referred to as "Additional Lease Area No. 5" be removed from the Lease Agreement between the Winnipeg Regional Health Authority and the City dated October 2, 2000, and be added to the Lease Agreement between Olympus Enterprises and the City dated April 17, 1984, in accordance with the proposed amendments outlined herein.
3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- The Winnipeg Regional Health Authority advised the Planning, Property and Development Department that it requires additional City-owned land at the Pan Am Pool Site to enable an expansion of the existing Pan Am Clinic building.

- For lease administration purposes, the land to be used for a building expansion (Additional Lease Area No. 5) needs to be removed from the Additional Lease Area Lease dated October 2, 2000 and added to the Principal Lease dated April 17, 1984 by amending agreement, because the principal lease contains those lease clauses pertaining to the design, construction and operation of a building.

- As part of the review process, it was determined that a Zoning lot should be created to accommodate the Pan Am Clinic and parking lot use, resulting in a requirement to lease Additional Area No. 4 for parking purposes.

- The Administration has reviewed the request and has determined that the lease of the additional land is acceptable.

Implications of the Recommendation(s):

General implications:

X	**None**
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s):

-

Policy implications:

X	**No**
	Yes

Comment(s):

-

Environmental implications:

X	**No**
	Yes

Comment(s):

-

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required

Comment(s):

-

REASON FOR THE REPORT:

The Planning, Property and Development Department is, by this report, advising as to the receipt of a request by the Winnipeg Regional Health Authority to lease additional land at the Pan Am Pool Site. As the subject property is utilized for parks purposes, the proposed lease will require the approval of at least two-thirds of the members of Council pursuant to Section 205(2) of the City of Winnipeg Charter.

HISTORY:

By agreement dated April 17, 1984, the City entered into a lease with Olympus Enterprises Ltd. for the use of a portion of the Pan Am Pool Site for the development of a Sports Medicine Clinic Building and parking.

Since 1994, the Water and Waste Department has been operating a Waste Minimization Program at the Pan Am Pool Site, which is comprised of a recycling drop off depot, a seasonal "Leaf-It-With Us" fall collection depot and "Let's Chip In" Christmas tree collection program.

By Amending Agreement dated October 2, 2000, the City extended the term of the Principal Lease to April 30, 2060.

By Lease Agreement dated October 2, 2000, the City entered into a Lease with Poseidon Enterprises Ltd. for the use of an additional portion of the Pan Am Pool Site for vehicle parking purposes.

The City subsequently consented to an Assignment of the Lease Agreements from Poseidon Enterprises Ltd. to the Winnipeg Regional Health Authority by Agreement dated September 1, 2001.

At its meeting held on June 19, 2002, Council approved a request to lease additional land to the Winnipeg Regional Health Authority for building expansion purposes.

At its meeting held on May 28, 2003, Council approved a request to lease additional land to the Winnipeg Regional Health Authority for parking requirements.

By letter dated January 20, 2004, the Winnipeg Regional Health Authority requested approval to complete a building expansion to accommodate an MRI and medical supplies provider to service patient needs.

The Department reviewed the existing activity at the Pan Am Clinic and request for a building expansion, and recommended that a new zoning lot be created.

At its meeting held on May 18, 2005, Council approved DAZ 214/05 for the creation of a zoning lot and to rezone a portion of the Pan Am Parking Lot from PR1 to C2.

DISCUSSION:

A summary of the Lease Agreements, Amending Agreements and Assignments of Lease for the Pan Am Clinic is attached as Schedule "A".

As shown on the attached Misc. Plan 5627/7, the Winnipeg Regional Health Authority plans to expand the existing building in a southerly direction. The WRHA intends to construct an MRI and medical supplies retail space (in a manner similar to the Stevenson Medical Supply occupancy in the Health Sciences Centre).

The Administration has reviewed the subject request and does not have any concerns with the proposal to expand the existing building. However, the Department notes that a zoning lot, as shown on Misc. Plan 5627/7, should be created to house the Clinic operations.

In this regard, the Winnipeg Regional Health Authority initiated an application to create a zoning lot and rezone the property from PR1 to C2. The rezoning has been considered and approved by Council. As part of the approval, the need to include Additional Lease Area No. 4 was identified by the Department in order to have lot frontage on Taylor Avenue.

In order to accommodate the proposed building expansion and to create a zoning lot, three lease amendments are required which are identified as follows:

a) Addition of Additional Area No. 4 to Lease Agreement dated October 2, 2000

To complete the leasing of all City-owned lands lying within the zoning lot, the Department provided the particulars of an amending agreement to the Winnipeg Regional Health Authority as follows:

Site Identification:	Shown as "Additional Lease Area No. 4" on Misc. Plan No. 5627/7
Lessee:	Winnipeg Regional Health Authority
Term:	28 Yrs, 4 months, commencing January 1, 2006 and to expire on April 30, 2034, coincident with the other existing leases
Renewal:	4 x 5-year renewals plus 1x 6-year renewal to coincide with renewal provisions within the principle lease expiring April 30, 2034.
Rent Review:	Every five years
Zoning:	C2
Size:	1,686.7 sq. m. or 5,533.79 sq. ft.
Rental:	$10,893.60 per year plus applicable GST (this rate is at full market value).
Additional Rent:	Realty taxes, plus applicable GST.
Other:	The sq. ft. area and rent of the Lease Agreement dated October 2, 2000 will be amended accordingly. All other terms and conditions will remain unchanged.

It is proposed that Additional Lease Area No. 4 be added to the Parking Lot Lease Agreement dated October 2, 2000 and is hereby amended by adding to the last preamble clause, the following:

"Yielding and Paying Therefor the annual rent as follows:

for the area shown in dotted and dashed lines and identified as "Additional Lease Area No.4 Area : +/- 1686.7sq. m. (+/- 18,156 sq. ft.)" on Misc. Plan No. 5627/7 the amount of $10,893.60 plus applicable Goods and Services Tax per annum for the first five (5) years of this Agreement, payable in advance, on the 1st day of July of each and every year of the term herein, the first of such payments to become due and to be paid on the-1st day of January 2006. The rental for the second and subsequent five (5) year renewal terms shall be reasonably determined upon periodical review by the City based on the rental rate established by the City, but in no event shall the annual rent be less than the annual rent paid for the immediately proceeding initial or subsequent five (5) year renewal term. If the parties to this Agreement cannot agree upon the rent to be paid for the successive five (5) year terms, then such dispute shall be resolved by arbitration in accordance with the provisions of the Arbitration Act of Manitoba and any amendments thereto. The rental for the second and subsequent five (5) year terms shall also be payable in advance on or before the 1st day of July of each and every year together with additional rent as hereinafter provided:"

b) Subtraction of Additional Area No. 5 from Lease Agreement dated October 2, 2000 and <u>addition to the Principal Lease Agreement dated April 27, 1984</u>

To facilitate the proposed expansion of the Pan Am Clinic building, Additional Area No. 5 needs to be deleted from the Parking Lot Lease Agreement with the WRHA dated October 2, 2000 and is hereby amended as follows:

By deleting the reference in the second preamble clause to "ADDITIONAL LAND AREA 24.994 BY 67.056 on said Misc. Plan 5627/6 and substituting "ADDITIONAL LAND AREA on Misc. Plan 5627/7";

By deleting the sixth preamble clause and substituting the following:

"Yielding and Paying Therefor an annual rent in the amount of $6,869.40, plus applicable Goods and Services Tax, per annum for the first five (5) years of this Agreement, payable in advance, on the 1st day of January of each and every year of the term herein, the first of such payments to become due and to be paid on 1st day of January 2006. The rental for the second and subsequent five (5) year renewal terms shall be reasonably determined upon periodical review by the City based on the rental rate established by the City, but in no event shall the annual rent be less than the annual rent paid for the immediately proceeding initial or subsequent five (5) year renewal term. If the parties to this Agreement cannot agree upon the rent to be paid for the successive five (5) year terms, then such dispute shall be resolved by arbitration in accordance with the provisions of the Arbitration Act of Manitoba and any amendments thereto. The rental for the second and subsequent five (5) year terms shall also be payable in advance on or before the 1st day of July of each and every year together with additional rent as hereinafter provided" and

added to the Principal Lease Agreement (Building and Land) with the Winnipeg Regional Health Authority dated April, 27, 1984 and is hereby amended by adding to the last preamble clause the following:

"Yielding and Paying Therefor the annual rent as follows:

for the area shown in dotted and dashed lines and identified as "Building Expansion Lease Area No. 5 Area: +/- 612.3sq. m. (+/- 6,591sq.ft)" on Misc. Plan No. 5627/7 the amount of $3,954.60 plus applicable Goods and Services Tax per annum for the first five (5) years of this Agreement, payable in advance, on the 1st day of July of each and every year of the term herein, the first of such payments to become due and to be paid on the 1st day of May, 2006. The rental for the second and subsequent five (5) year renewal terms shall be reasonably determined upon periodical review by the City based on the rental rate determined by the City but in no event shall the annual rent be less than the annual rent paid for the immediately proceeding initial or subsequent five (5) year renewal term. If the parties to this Agreement cannot agree upon the rent to be paid for the successive five (5) year terms, then such dispute shall be resolved by arbitration in accordance with the provisions of the Arbitration Act of Manitoba and any amendments thereto. The rental for the second and subsequent five (5) year terms shall also be payable in advance on or before the 1st day of July of each and every year together with additional rent as hereinafter provided."

It should be noted that the amendments in (b) above do not result in any additional leasing costs to the Tenant. The amendments provide for a realignment of leased lands between those being used for building and parking purposes. These amendments were requested by the Administration to ensure that the lease contract terms were appropriate for both a building and parking lot uses.

Departmental Comments:

Upon receiving the subject proposal, the Planning, Property and Development Department initiated an Inter-Departmental review (Community Services, Public Works, Water and Waste, Planning, Property and Development and the Special Operating Agency – Parking) of the subject proposal. All Departments have provided their concurrence with the proposed lease.

Given the current uses of the site, the Department identified the need to create a zoning lot and to rezone the property. This issue has been addressed through the Department by rezoning a portion of the Pan Am Parking Lot from PR1 to C2.

The Parking Authority SOA reviewed the existing parking lot capacity and circulation and concluded that sufficient parking is available to accommodate current users and the users associated with the proposed facility expansion and existing Water and Waste Minimization programs. The Parking Authority SOA commented that capacity could be improved by eliminating unauthorized parking by residents/ visitors adjacent to the Pan Am Pool parking lot and if required, to install directional signage. As well, it was indicated that Clinic facility parking should be orientated to the south to ensure that Pan Am Pool users could use the parking area immediately to the west of the Clinic building.

The Water and Waste Department has been using a portion of the Pan Am Pool Site for the Recycling, “Leaf-It-With Us” fall collection depot and “Let’s Chip In” Christmas tree collection program. The Department agreed to relocate these uses on a site lying west of the Zoning lot.

Financial Impact Statement

Date: September 21, 2005

Project Name: **First Year of Program** 2006

Proposal To Lease Additional Land at the Pan Am Pool to the Winnipeg Regional Health Authority

	2006	2007	2008	2009	2010
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	10,894	10,894	10,894	10,894	10,894
Net Cost/(Benefit)	$ (10,894)	$ (10,894)	$ (10,894)	$ (10,894)	$ (10,894)
Less: Existing Budget Amounts	(10,894)	(10,894)	(10,894)	(10,894)	(10,894)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The subject proposal will increase leasing revenue by approximately $308,663 up to April 30, 2034. This assumes no rent increases are implemented in the rent review periods of every five years. There is an additional revenue potential of $283,244 to the City if the tenant renews the various lease options up to 2060.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Water and Waste Department

Public Works – Parks and Open Space Division

Community Services – Recreation and Community Development

Planning and Land Use Division

Parking Authority SOA

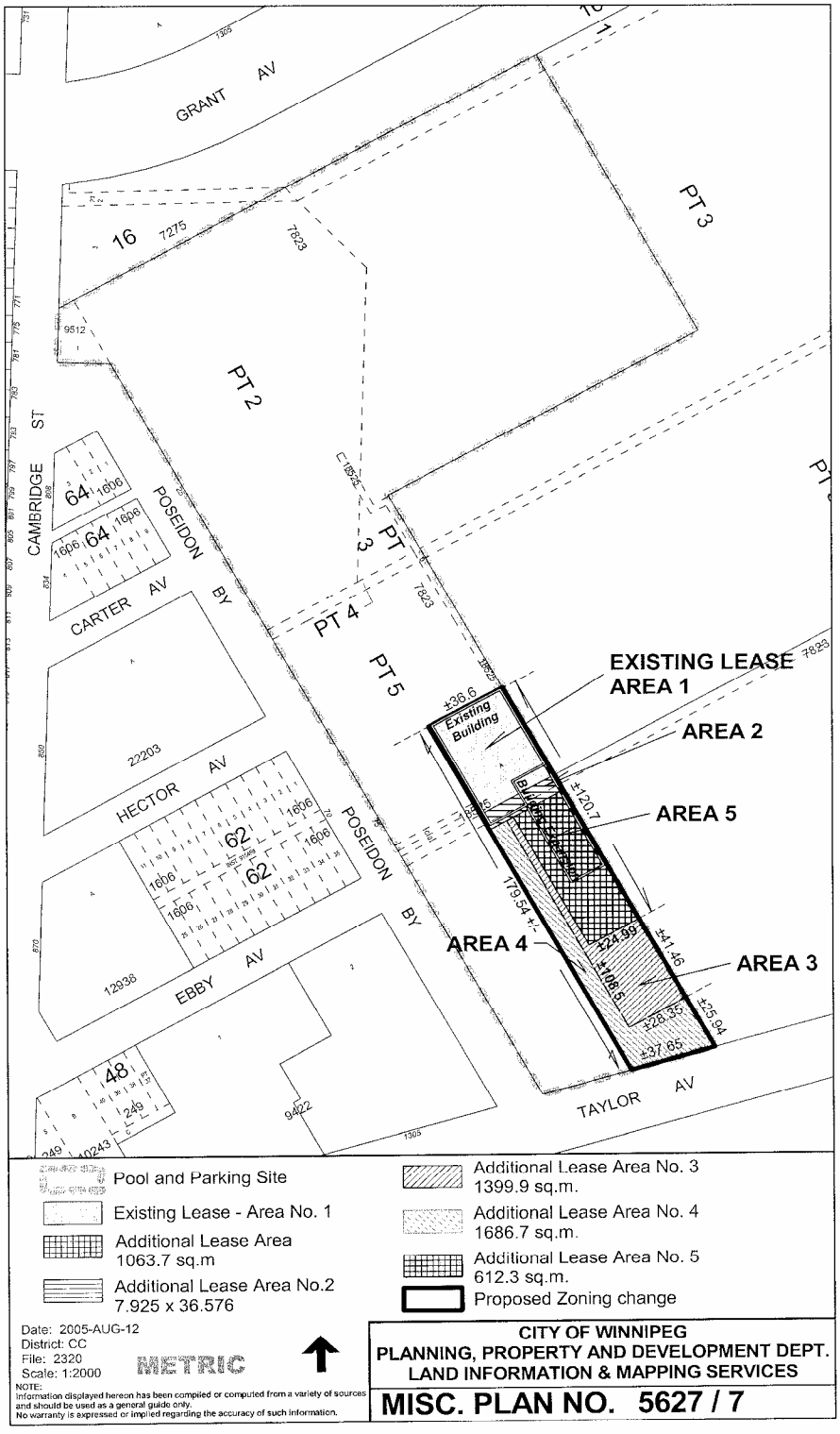
Legal Services Division

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Real Estate
Prepared by: D. Armstrong
PPD File #: 2320/A

Attachments: Schedule "A" – Summary of Lease Agreements, Amending Agreements and Assignments of Lease

Document name: o:\reports directive\real estate\leasing\(da)winnipeg regional health authority pan am clinic.doc


GRANT AV
PT 3
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PT 5
CAMBRIDGE ST
POSEIDON BY
CARTER AV
HECTOR AV
EBBY AV
TAYLOR AV
EXISTING LEASE AREA 1
AREA 2
AREA 5
AREA 4
AREA 3
±36.6
Existing Building
±120.7
179.54 ±
224.99
±41.46
±108.5
±28.35
±25.94
±37.65
Pool and Parking Site
Existing Lease - Area No. 1
Additional Lease Area 1063.7 sq.m
Additional Lease Area No.2 7.925 x 36.576
Additional Lease Area No. 3 1399.9 sq.m.
Additional Lease Area No. 4 1686.7 sq.m.
Additional Lease Area No. 5 612.3 sq.m.
Proposed Zoning change
Date: 2005-AUG-12
District: CC
File: 2320
Scale: 1:2000
METRIC
NOTE:
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No warranty is expressed or implied regarding the accuracy of such information.
CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES
MISC. PLAN NO. 5627 / 7

Schedule "A"

Pan Am Clinic

	Tenant	Date	Description	Rent	Misc. Plan
1. Lease Agreements					
(a) Principal Lease	Olympus Enterprises	April 17/84	building	$12,500.00	5627/7 existing lease
(b) Parking (additional lease area)	Poseidan Enterprises	Oct. 2/00	parking	$10,824.00	5627/7 additional lease area
2. Amending Agreements					
(c) Amended Principle Lease (extend term)	Poseidan Enterprises	Oct. 2/00	building		
(d) Building	WHRA		building	$ 2,165.28	5627/7 additional lease area No. 2
(e) Amended parking lease	WHRA		add. parking	$10,457.53	5627/7 additional lease area No. 3
3. Assignments					
(f) Principle Lease	Olympus Enterprises to Poseidan Enterprises	Jan. 8/99			
(g) Principle Lease	Poseidan Enterprises to WHRA	Sept. 1/01			

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