Agenda – Executive Policy Committee – February 13, 2008

Report – Standing Policy Committee on Downtown Development – January 28, 2008

Item No. 1 Lease of Office Space for 311 Contact Centre Operations
(Fort Rouge-East Fort Garry Ward)
File FI-2.3(32)

STANDING COMMITTEE RECOMMENDATION:

On January 28, 2008, the Standing Policy Committee on Downtown Development concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the lease of office space on the 5th floor of 234 Donald Street, City Place, be approved in accordance with the terms and conditions as contained in Schedule "A" attached to the report from the Acting Director of Planning, Property and Development, dated January 23, 2008, incorporating such other terms and conditions deemed necessary by the City Solicitor/Manager of Legal Services in order to fulfill the intent of Council.

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

Agenda – Executive Policy Committee – February 13, 2008

Report – Standing Policy Committee on Downtown Development – January 28, 2008

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On January 28, 2008, the Standing Policy Committee on Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

RE: Proposed Lease of Office Space for 311 Contact Centre Operations

FOR SUBMISSION TO: Standing Policy Committee on Downtown Development

ORIGINAL REPORT SIGNED BY: A/Director, Planning, Property and Development Department

REPORT DATE: January 23, 2008

RECOMMENDATION:

That the proposed lease of office space on the 5th floor of 234 Donald Street, City Place, be approved in accordance with the terms and conditions as contained in Schedule "A" incorporating such other terms and conditions deemed necessary by the City Solicitor in order to fulfill the intent of Council.

Report Summary

Key Issues:

- October 24, 2007, City Council approved the 311 Contact Centre proposal for the internally-operated model of a consolidated 311 service for the City of Winnipeg;
- To meet the launch of the 311 Service, scheduled for January 2009, possession of the turnkey premises must be no later than July 1, 2008;

Implications of the Recommendation(s):

General Implications

( ) None

( ) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

(X) Involves a multi-year contract

Comment(s):
Involves a ten year lease

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

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):

Report

REASON FOR THE REPORT:

Pursuant to By-Law No. 7100/97, the Standing Policy Committee on Property and Development has been delegated authority to approve leases and lease renewals of ten years or less that are less than $1 million net rent over the lease term.

On March 24, 2004, Council established the Standing Policy Committee on Downtown Development. The new Standing Policy Committee has jurisdiction over matters related to asset management, development control, land acquisition, land development and planning and land use in the area defined as Downtown.

HISTORY:

On October 24, 2007 City Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the Letter of Understanding, 311 Call Centre Operations, with the Canadian Union of Public Employees (CUPE) Local 500, be approved.
2. That the internally operated model (enhanced version) of service delivery for a consolidated 311 service be adopted.
3. That there be no award of contract pursuant to RFP 123-2007 for the provision of a consolidated 311 service for the City of Winnipeg.
4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

DISCUSSION:

Following Council's adoption of the enhanced internally operated model of 311, a search for a facility to accommodate the Centre commenced.

Based on best practices, and the criteria identified in the enhanced model of 311, adopted by Council, selection of a location for the 311 Contact Centre was based on the following criteria:

- ***Accessibility:*** must be in close proximity to major roadways and public transportation;
- ***Atmosphere:*** physical environment should be comfortable with natural light/windows close to staff and use noise insulation features to ensure productive workspace;
- ***Site specifics:*** single floor plate with handicap access, 9 ft ceilings, HVAC with variable air volume and a reasonable cost per square foot of space;
- ***Amenities***: positive amenities available to staff ie. parking, lunch facilities, etc.;
- ***Building Infrastructure:*** compatible with the required technology, future technologies and back up and recovery requirements;

- ***Growth:*** opportunity to accommodate future growth requirements;
- ***Security:*** operation requires both card access and security personnel;

In December 2007 a survey of available accommodations was undertaken which included City-owned and City-leased facilities, attached as Schedule "B" and privately owned properties, attached as Schedule "C". In all, 15 sites were reviewed with the properties being qualified by a series of visual inspections and analysis of property data and suitability to the established selection criteria.

Site Selection and Lease Negotiations:

Of the numerous properties surveyed, three were pre-qualified as potential sites and were presented to the 311 Contact Centre project team.

On January 15, 2008 a Request for Proposal was issued to the Landlords of 234 Donald Street, 136 Market Avenue and 433 Main Street, requesting, among other essential information, that the submission include a preliminary floor plan illustrating a potential configuration and visual concept, a firm price for completion of the tenant improvements, separate costs for furnishings, UPS and Generator. The space is to be provided on a turnkey basis on July 1, 2008, with the installation of tenant improvements being performed by the Landlord to the City's specifications. Subsequently, the landlords for 433 Main Street and 136 Market Avenue did not submit a proposal for the 311 Contact Centre.

The proposal for 234 Donald Street, submitted by Shelter Corporation is considered to represent market value for similar properties with like amenities in the downtown area, and as such, Civic Accommodations Division considers it fair and reasonable.

The particulars of the respondent are as follows:

Address	Rentable Square Feet	Base Rent Per Sq. Ft.	Base Rent Per Annum	Gross Rent Per Annum	Tenant Improvement Cost	Costs Over 5-Year Term	Costs Over 10-Year Term
234 Donald	10,941	$12.50 Year 1-5 $13.50 Year 6-10	$136,762.50 Year 1-5 $147,703.50 Year 6-10	$224,290.50 Year 1-5 $235,231.50 Year 6 -10	$1,095,000	$683,812.50 Year 1-5 $738,517.50 Year 6-10	$ 1,422,330.

To facilitate a "Go Live" for January 2009, a July 1, 2008 possession date is required to train staff and complete operational set up. The proposal submitted by Shelter Canadian Properties Limited for 234 Donald Street meets this requirement.

SCHEDULE "A"

The terms and conditions of the proposed lease are as follows:

Address:	234 Donald Street – City Place
Lessor:	Shelter Canadian Properties Ltd.
Lessee:	The City of Winnipeg
Rentable Area:	10,941 square feet
Usable Area:	10,200 square feet
Term:	10 Year Term
Base Rent:	Year 1 – 5 $12.50 per square foot Year 6-10 $13.50 per square foot
CAM (2008 base year) (operating costs):	$4.37 per square foot
Taxes: (2008 base year)	$3.63 per square foot
Gross Rent:	Year 1–5 $20.50 per square foot /$224,290.50 per annum/ $18,690.88 per month Year 6-10 $21.50 per square foot /$235,231.50 per annum/ $19,602.63 per month
Possession Date:	July 1, 2008

At the City's cost, Shelter Canadian Properties Ltd. will undertake the completion of the tenant improvements, supply and install furnishings and the UPS required to meet the July 1, 2008 start up date.

The following items TO be paid by the City of Winnipeg, are subject to the approval of the City of Winnipeg, and are estimated by the landlord as follows:

Furniture:	$275,000
UPS:	$170,000
Generator:	Exists on Site
Tenant Improvements:	$650,000.00

SCHEDULE "B"

City-Owned Properties considered were:

700 Assiniboine Park Drive – 2nd floor, north wing
- 911 is currently located in this building, an adverse event would suspend operation of both 311 and 911 services
- More central location preferred
- This disqualified the location

100 Main Street – 3rd floor and part of 2nd floor
- Site meets the size requirements however, if Heritage Winnipeg raises enough money to save the Upper Fort Garry they will likely demolish the building
- Waiting for outcome would set us back and not meet the deadline
- This disqualified the location

510 Main Street – 2nd floor
- Floor plate does not meet size requirements
- This disqualified the location

185 King Street – 4th floor
- Floor plate does not meet size requirements
- Existing tenant does not vacate until early 2009 – no ability to meet deadline
- This disqualified the location

City-leased Properties considered:

457 Main Street – part of 8th, 9th and 10th floors
- Floor plate does not meet needs as it would require the operation to be broken up over multiple floors rather than the required contiguous space.
- This disqualified the location

SCHEDULE "C"

The private properties considered are as follows:

491 Portage Avenue – Rice Financial Building
+ stand-by generator on site
+ on-site security with electronic pass card access parking garage; and
+ close proximity to major roadways and public transportation
- location not favorable for a 24 hour operation
- requires major TI's (tenant improvements)
- tenant needs to relocate, disqualifying location as it does not meet the time requirements

317 Donald Street – Credit Union Central Building
+ card access system currently in place
+ adequate contiguous space
+ close to major roadways and public transportation
- shell space which requires complete build out
- no security personnel on site
- base rent, operating costs and taxes high
- over all parking poor
- cost prohibitive – disqualifying site

259 Portage Avenue – Paris Building
+ current open concept easily adapted to meet needs
+ back up generator on-site
+ close to major roadways and public transportation
- parking limited during peak business hours
- floor plate does not meet size requirements, disqualifying the location

201 Portage – Canwest Global Place
+ large floor plate
+ card access security, 24 hour command centre and two-way emergency communications
+ close to major roadways and public transportation
+ opportunity to purchase existing workstations
- Class A office space - cost prohibitive – disqualifying site

444 St. Mary Avenue
- suitable contiguous space not available until Manitoba Hydro relocates in fall of 2008
- does not meet time requirements, disqualifying the location

1790 Wellington Avenue - Airport Executive Centre – Unit 500
- remote location with limited transit service disqualifying this as a potential site

1355 Mountain Avenue – Free Press Building
- remote location with limited transit service disqualifying this as a potential site

433 Main Street
- no generator on-site
- requires costly upgrade to HVAC
- security on-site but not between 10:00 p.m & 6:00 a.m weekdays and weekends
+ floor plate 9,606 square feet of contiguous space
+ Heritage Building close to City Hall
+ Close proximity to major roadways and public transportation
+ potential for open concept with minimal TI's

136 Market Avenue
- back up generator limited to emergency lighting
- parking limited during peak business hours
+ current open concept easily adapted to meet needs
+ option to purchase furnishings at a reduced rate
+ close to City Hall, major roadways and public transportation
+ contiguous floor plate which meets needs
+ minimal TI's required;

234 Donald Street
+ 24 hour security staff and card access existing
+ existing generator on site
+ existing UPS on site – Funds required for moving and battery replacement
+ large floor plate meets space requirements
+ Landlord motivated to meet requirements and timeline
+ close access to major roadways and public transportation
+ ample parking in vicinity

Financial Impact Statement

Date: January 23, 2008

Project Name:

Proposed Lease of Office Space for 311 Call Centre Operations

First Year of Program **2008**

	2008	2009	2010	2011	2012	2013 and Beyond
Capital						
Capital Expenditures Required	$ 1,297,028	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	1,297,028	-	-	-	-	-
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	$ 146,192	$ 333,046	$ 334,831	$ 336,653	$ 338,510	$ -
Less: Incremental Revenue/Recovery	47,707	20,255	20,660	21,073	21,495	-
Net Cost/(Benefit)	$ 98,485	$ 312,791	$ 314,171	$ 315,579	$ 317,016	$ -
Less: Existing Budget Amounts	98,485	312,791	314,171	315,579	317,016	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -	$ -

Additional Comments: Operating costs (CAM and taxes) are estimated to increase 2%/year. The costs associated with lease agreement preparation and administration represent fixed costs and are immaterial or not traceable and, therefore, are not contained in this analysis.

original signed by

Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

311 Project Team
CAO Secretariat
Legal Services

External Consultation With:

THIS REPORT SUBMITTED BY:

Department: Planning Property and Development Department
Division: Civic Accommodations Division
Prepared by: Sandi Caputo, CLO
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