Agenda - Council - June 18, 2008

Report - Standing Policy Committee on Property and Development - May 20, 2008

Item No. 8 Lease Renewal - Winnipeg Police Service Evidence Storage - 850 Empress Street (St. James - Brooklands Ward) File FI-2.3(31)

STANDING COMMITTEE RECOMMENDATION:

On June 11, 2008, 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 the lease renewal at 850 Empress Street be approved in accordance with the terms and conditions as contained in Schedule "A" to the report from the Director of Planning, Property and Development dated April 24, 2008, incorporating such other terms and conditions deemed necessary by the City Solicitor 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.

Report - Standing Policy Committee on Property and Development - May 20, 2008

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2008, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On May 20, 2008, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

RE: PROPOSED LEASE RENEWAL - WINNIPEG POLICE SERVICE EVIDENCE STORAGE AT 850 EMPRESS ST.

FOR SUBMISSION TO: The Standing Policy Committee on Property and Development

ORIGINAL REPORT SIGNED BY: Acting Director of Planning, Property and Development

REPORT DATE: April 24, 2008

RECOMMENDATION:

That the proposed lease renewal at 850 Empress 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:

- While the existing lease does not expire until July 31, 2010, the landlord has requested an early renewal for a five-year term between 2010 and 2015.
- With rental rates in the neighborhood rising due to surrounding development, the continued interest of WPS in the property, not to mention the considerable tenant improvements, early renewal is being recommended.
- The Winnipeg Police Service requested a one-year cancellation clause; however the landlord was not in agreement.

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

( ) Involves a multi-year contract

Comment(s):
A 5-year lease renewal is being proposed commencing August 1, 2010.

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.

HISTORY:

At its meeting held March 3, 1998, the Standing Policy Committee on Property and Development authorized that negotiations proceed to lease a suitable property for the Winnipeg Police Service (WPS) evidence storage.

At its meeting held June 2, 1998, the Standing Policy Committee on Property and Development approved the lease for a 7-year period at 850 Empress from August 1, 1998 to July 31, 2005.

On December 4, 2003 the Standing Policy Committee on Downtown Development approved the early renewal of a 5-year term, from August 1, 2005 expiring July 31, 2010.

DISCUSSION:

The Winnipeg Police Service has an on-going need for the leased space at 850 Empress Street to accommodate the Winnipeg Police Service Evidence Storage. The new owners of the building requested an early lease renewal. With the high demand for properties in the area resulting in substantial rental increases in the market, we are recommending an early renewal.

The Landlord has requested an increase from the existing $5.75 per square foot to $6.25 for the first three years (August 1, 2010 to July 31, 2013) and $6.50 per square foot for the last two years (August 1, 2013 to July 31, 2015). Terms and conditions of the proposed lease renewal are outlined in the attached “Schedule A”. The Landlord was unwilling to incorporate a one-year cancellation clause.

SCHEDULE 'A'

1.	Address	850 Empress Street
2.	Tenant	City of Winnipeg
3.	Landlord	Artis WPG Industrial Ltd.
4	Space Description	1 storey Masonry construction, 22' ceiling height, warehouse with mezzanine level offices. Built in 1971, on a 1.4 Acre lot located on the west side of Empress Street, south of Ellice Avenue.
5.	Rentable Area	Main floor of approximately 25,636 square feet.
6.	Total Useable Building Area	Approximately 30,336 Square feet. (Includes Mezzanine level of approximately 4,700 square feet)
7.	Rental Rate calculated on the main floor size of 25,636 square feet.	$6.25 per square foot –August 1, 2010 to July 31, 2013 $6.50 per square foot - August 1, 2013 to July 31, 2015
8.	Maintenance	Maintenance, utilities, and cleaning for 850 Empress St. is the responsibility of the tenant.
9.	Taxes	Municipal Taxes are the responsibility of the tenant. $38,369.32 (2007)
10.	Parking	Surface parking on the east side of the building and fenced compound storage at the north end of the building are included in the lease.
11	Term	5 years commencing August 1, 2010 expiring – July 31, 2015

Financial Impact Statement

Date: April 3, 2008

Project Name:

First Year of Program **2010**

PROPOSED LEASE RENEWAL WINNIPEG POLICE SERVICE EVIDENCE STORAGE AT 850 EMPRESS ST.

	2010	2011	2012	2013	2014
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	$ 122,040	$ 295,550	$ 298,256	$ 303,687	$ 310,242
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 122,040	$ 295,550	$ 298,256	$ 303,687	$ 310,242
Less: Existing Budget Amounts	122,040	295,550	298,256	303,687	310,242
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs consist of the lease expense payable to the landlord (as contained in Schedule A), operating costs of $4.20 per square foot (inflation index of 2% to 2010 and thereafter), and school tax levy/provincial education taxes of $25,000/year (inflation index of 2% to 2010 and thereafter).

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Winnipeg Police Service

External Consultation With:
N/A

THIS REPORT SUBMITTED BY:
Department: Planning, Property and Development
Division: Civic Accommodations
Prepared by: Sandi Caputo, CLO
PPD File No. PPD 2008-015

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