**Agenda – Council – May 27, 2015**

**Report – Standing Policy Committee on Property and Development – May 12, 2015**

**Item No. 1 Proposed Lease Extension and Expansion – Handi-Transit, Information Technology (IT), and Rapid Transit Offices - 414 Osborne Street**
**(Fort Rouge – East Fort Garry Ward)**

STANDING COMMITTEE RECOMMENDATION:

On May 20, 2015, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the following to Council:

1. That the proposed lease for Winnipeg Transit at 414 Osborne Street 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/Director 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.

**Report – Standing Policy Committee on Property and Development – May 12, 2015**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 20, 2015, 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 12, 2015, 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.

On April 14, 2015, the Standing Policy Committee on Property and Development laid over the matter to the May 12, 2015 meeting of the Standing Policy Committee on Property and Development.

# ADMINISTRATIVE REPORT

**Title:** **Proposed Lease Extension and Expansion – Handi-Transit, Information Technology (IT), and Rapid Transit Offices - 414 Osborne Street**

**Critical Path:** **Standing Policy Committee on Property and Development; EPC; and City Council**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| B. Erickson | M. Pittet | M. Ruta | M. Jack<br>A/CAO |

## RECOMMENDATIONS

That the proposed lease for Winnipeg Transit at 414 Osborne Street 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/Director of Legal Services in order to fulfill the intent of Council.

## REASON FOR THE REPORT

Council shall approve all third party leases over ten (10) years in length or over $1,000,000 for the term. The proposed lease exceeds the $1,000,000 limit.

## IMPLICATIONS OF THE RECOMMENDATIONS

- The Department has determined that there are no general policy, regulatory, environmental or human resource implications to entering into a Lease Agreement as set out in the attached Terms and Conditions.

- The proposed lease would be for a term of eight (8) years with an extension option of five (5) years.

## HISTORY

At its meeting held on November 2, 2004, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and approved the lease for Winnipeg Transit of 7,601 square feet at 414 Osborne Street, incorporating such other terms and conditions deemed necessary by the City Solicitor/Manager of Legal Services in order to fulfill the intent of Council.

On July 9, 2009, the Director of Planning, Property and Development approved a Lease Amendment for 414 Osborne Street for an additional 1,560 square feet of leased space.

On February 28, 2015, the neighboring unit will be vacated by the current tenant. Rapid Transit recommends relocating staff from the Project Team for the Capital Integration Project (Southwest Transitway, Stage 2) into this 2,500 sq. ft. unit as 421 Osborne does not have vacant space to accommodate the new team of professionals comprising the Project Team.

The location of 414 Osborne is directly across the street from 421 Osborne which is in close proximity to the Winnipeg Transit Management Team and the Capital Integration Project construction site making this location ideal for the Project Team.

The landlord has agreed to repair and level the kitchen floor in both units as well as replace the flooring at the landlord's cost. The landlord will also perform/complete the tenant improvements at the City's cost as outlined in Schedule" 'B'.

## FINANCIAL IMPACT

### Financial Impact Statement

**Date:** February 9, 2015

**Project Name:**

Proposed Lease Extension and Expansion – Handi Transit, IT and Rapid Transit Offices - 414 Osborne Street

**First Year of Program** **2015**

| | 2015 | 2016 | 2017 | 2018 | 2019 to 2023 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ 21,888 | $ 43,775 | $ 43,775 | $ 43,775 | $ 217,588 |
| Less: Existing Budgeted Costs | 21,888 | 43,775 | 43,775 | 43,775 | 217,588 |
| 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 | $ 187,583 | $ 155,737 | $ 155,737 | $ 155,737 | $ 722,192 |
| Less: Incremental Revenue/Recovery | 638 | 1,275 | 1,275 | 1,275 | 6,338 |
| Net Cost/(Benefit) | $ 186,945 | $ 154,462 | $ 154,462 | $ 154,462 | $ 715,854 |
| Less: Existing Budget Amounts | 186,945 | 154,462 | 154,462 | 154,462 | 715,854 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** Capital expenditures relate to the "new" space only and consist of lease payments totaling $360,000 over the 8-year term + short-term financing & corporate admin fees of $10,801. The latter amount is offset by an equal recovery in the current budget of the Corporate Finance Department. Direct costs relate to the "existing" space only and, in 2015, consist of tenant improvements of $57,802 + lease payments of $129,781 (prorated for the March 1 commencement date). Direct costs from 2016 onward consist of lease payments totaling $1,189,403 to the end of the 8-year term. These costs will be charged to the current budget of the Transit Department.

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

## CONSULTATION

**In preparing this report there was consultation with:**

Winnipeg Transit Department
Legal Services Department as to Legal Issues

## SUBMITTED BY

| | |
|---|---|
| Department: | Planning, Property and Development Department |
| Division: | Municipal Accommodations Division |
| Prepared by: | Sandi Caputo, CPM®, CLO |
| Date: | February 25, 2015 |
| File No. | MA2015-031 |

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## Schedule 'A'

**Landlord:** 1799077 Ontario Inc.

**Tenant:** Transit Department; IT, Handi-Transit & Capital Integration Project Team

**Location:** 414 Osborne Street

**Renewal Space:** A: 9,161 square feet

**Expansion Area:** B: 2,500 square feet

**Term:** 8 years

**Commencement:** A: March 1, 2015
B: Upon completion of Landlord's Work

**Net Rent**: A: Year 1-4 $17.00 per square foot/ $12,978 per month/ $155,737 per annum
Year 5-8 $19.00 per square foot/$14,505 per month/ $174,059 per annum

B: Year 1-5 $17.00 per square foot/ $3,542 per month/ $42,500 per annum
Year 5-8 $19.00 per square foot/ $3,958 per month/ $47,500 per annum

**Landlord Covenants:** Level and repair kitchen floors in both unit A and B, replace flooring

**Termination Clause**:

A: City shall have the right to terminate this lease at 12:00 midnight Winnipeg local time on the day immediately preceding the day that this is the sixth ($6^{th}$) anniversary of the Commencement Date, providing the City has (i) given to the Landlord no less than one (1) year's written notice, in advance, and (ii) paid to the landlord a penalty in the amount of Eighty Nine Thousand and twenty-Nine ($89,029.00) Dollars, plus applicable taxes on or before the early termination of the Lease

B: Same as above with an exception of the penalty which will be $30,000.00.

## Schedule 'B'

**Tenant Improvements**:

The landlord will provide the tenant improvements and carpet replacement at the tenant's cost.

Landlord's Obligations:
The Landlord shall supply and install the following in a professional and workmanlike manner in accordance with the City of Winnipeg building codes and by-laws:

| | | | |
|---|---|---|---|
| 1. | Building Permits | - | $ 850.00 |
| 2. | Site Prep/Layout | - | $ 450.00 |
| 3. | Demolition | - | $ 2,500.00 |
| 4. | Drywall | - | $4,000.00 |
| 5. | Acoustic Ceilings | - | $1,900.00 |
| 6. | Hollow Metal Doors | - | $1,900.00 |
| 7. | Electrical | - | $4,000.00 |
| 8. | Mechanical | - | $1,550.00 |
| 9. | Painting | - | $2,000.00 |
| 10. | Small Tools & Fasteners | - | $ 450.00 |
| 11. | Movement of Office Furniture | - | $ 350.00 |
| 12. | Legal & Administrative Costs | - | $ 400.00 |
| 13. | Clean Up | - | $ 800.00 |
| 14. | Management Fee | - | $3,000.00 |

Subtotal: $24,150.00
GST - $ 1,207.50

**Total Cost: $25,357.50 (with no further changes)**

To supply and install as follows: Nothing-To-It carpet tile, color 81525 charcoal, to the renovated area. Includes removing the existing glue down carpet and hauling it away, scrape the concrete and skim coat to prep to accept the new carpet tile. Remove the existing carpet base and install new carpet base in Design Series V Color 32500 shadow.

Cost: $23,395.44

Remove and replace furniture from 5 offices - $2,432.46
Dismantle 15 modular workstations and return - $6,689.16
Remove and replace contents from 2 storage rooms - $1,135.12

Subtotal: $33,652.18

GST - $ 1,682.60

**Total Cost: $35,334.78 (with no further changes)**

Kindly note any unforeseen prep is extra.

- Desk contents to be packed into boxes by others.
- Computer equipment to be disconnected and reconnected by others.

All renovations will be completed no later than 90 days after the approval of permits and signing of the lease agreement.