Agenda – Council – December 14, 2016

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – December 5, 2016

Item No. 7 Lease Agreement – Unit 230 – 266 Graham Avenue (Skywalk Level) (Fort Rouge – East Fort Garry Ward)

STANDING COMMITTEE RECOMMENDATION:

On December 7, 2016, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the following to Council:

1. That the City enter into, execute and deliver a Lease Agreement with the Winnipeg Police Credit Union Limited, and such other agreements as determined necessary by the City Solicitor/Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Lease Agreement and the Ancillary Agreements, in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

3. 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, Heritage and Downtown Development – December 5, 2016

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 7, 2016, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On December 5, 2016, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Proposed Lease Agreement with Winnipeg Police Credit Union Limited at Unit 230 - 266 Graham Avenue (Skywalk Level)

Critical Path: Standing Policy Committee on Property and Development, Heritage and Downtown Development – Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Zabudney	J. Kiernan	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

Negotiations for the lease of the noted premises at 266 Graham Avenue are now complete and, subject to Council approval, the lease transaction will be able to be completed and the tenant may commence construction of its leased premises at 230-266 Graham Avenue.

RECOMMENDATIONS

1. That the City enter into, execute and deliver a Lease Agreement with the Winnipeg Police Credit Union Limited, and such other agreements as determined necessary by the City Solicitor/Director of Legal Services to implement the intent of the foregoing (the “Ancillary Agreements”).

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Lease Agreement and the Ancillary Agreements, in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

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

REASON FOR THE REPORT

The Standing Policy Committee on Property and Development, Heritage and Downtown Development 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.

Council approval is required on leases having a term of over 5 years and without a cancellation clause.

IMPLICATIONS OF THE RECOMMENDATIONS

- The Department has determined that there is no policy, regulatory, environmental or human resource implications to the lease as set out in the attached Term Sheet.
- Acceptance of the proposal and subsequent signing of the lease agreement commits the City to a long term contract (10 years) and, in the event the option to renew is exercised, a total of 20 years.

HISTORY/DISCUSSION

- On November 25, 2009, Council approved the purchase of the Canada Post Building (266 Graham Avenue), with the intent to complete a redevelopment of the property for the consolidation of the Winnipeg Police Service (WPS).
- In 2016, the Winnipeg Police Service commenced their move-in to their new Police Headquarters in the adjacent 240 Smith Street.
- In 2015, the Winnipeg Police Credit Union Limited (WPCU) contacted the Department in regards to a possible branch location for their membership on the skywalk level at 266 Graham Avenue.
- The Department has concluded its negotiations with the WPCU and is recommending acceptance of the proposed lease agreement as negotiated. The proposed lease is for a ten (10) year term, at a rent of $13.00 per sq. ft. for years 1 to 5, and $15.00 per sq. ft. for years 6-10. (The Tenant will be responsible for the costs of its leasehold improvements in the premises).
- An internal appraisal has indicated a market value (at its current state) for the leased premises in the range $14.00 to $16.00 per sq. ft.
- The Public Service has determined the lease rates reflected in the proposed lease will provide an estimated net rental benefit to the City over the ten year term of the lease of $270,200.00.

FINANCIAL IMPACT

Financial Impact Statement

Date: November 4, 2016

Project Name:

Proposed Lease Agreement with Winnipeg Police Credit Union Limited at Unit 230 - 266 Graham Avenue (Skywalk Level)

First Year of Program 2017

	2017	2018	2019	2020	2021
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	19,266	25,688	25,688	25,688	25,688
Net Cost/(Benefit)	$ (19,266)	$ (25,688)	$ (25,688)	$ (25,688)	$ (25,688)
Less: Existing Budget Amounts	(19,266)	(25,688)	(25,688)	(25,688)	(25,688)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Revenues in 2017 represent lease revenue for April to December (i.e. 75% of $25,688 reflecting the 3-month "free rent" period), which is based on an assumed commencement date of January 2, 2017. Revenues from 2018 through to 2021 consist of full year amounts. Over the 5-year initial term of the lease, revenues total $122,018.

"Original signed by"

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

Legal Services as to legal issues.

OURWINNIPEG POLICY ALIGNMENT

n/a

SUBMITTED BY

Department: Planning Property and Development
Division: Real Estate
Prepared by: Barry Lucyk, Supervisor of Sales & Acquisitions
Date: November 4, 2016
File No. 9404/230

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TERM SHEET

PROPOSED TERMS AND CONDITIONS OF LEASE AGREEMENT FOR: 230 -266 GRAHAM AVENUE WINNPEG, MANITOBA, SHOWN AS 'LEASED AREA' ON SCHEDULE 'B' ATTACHED, (hereinafter referred to as "Leased Area')

Lessor:	The City of Winnipeg
Lessee:	Winnipeg Police Credit Union Limited
Leased Premises:	Shown and identified as 'Unit 230-266 Graham Avenue' on attached Schedule "B"
Leaseable Area:	1976 +/- sq. ft. (1607 +/- useable sq. ft.)
Use:	A Credit Union and for no other purposes whatsoever;
Term:	Ten (10) years commencing on: January 2, 2017 or the 1st date of the month after the lease agreement is executed by both parties, whichever is later.
Rental:	a) First three (3) months, Basic Rent Free. Lessee pays proportionate share of realty taxes (billed direct to Lessee) and building operating and maintenance costs (all costs incurred by the Lessor for the operation, maintenance and repair of the land and building, etc.). b) Months 4 to 60, Basic Rent of $13.00 psf of leaseable area per annum plus applicable GST, payable monthly in advance on the first day of each and every month. Lessee also pays proportionate share of: realty taxes (billed direct to Lessee) and building operating and maintenance costs (all costs incurred by the Lessor for the operation, maintenance and repair of the land and building, etc.); c) Months 61 to 120, Basic Rent of $15.00 psf of leaseable area per annum plus applicable GST, payable monthly in advance on the first day of each and every month. Lessee also pays proportionate share of: realty taxes (billed direct to Lessee) and building operating and maintenance costs;
Extension:	Provided the Lessee is not in default of the provisions of the Lease, one – ten year option to extend on the same terms and conditions, except for Basic Rent and this extension option and provided the Lessee notifies the Lessor in writing no later than 6 months prior the end of the lease term, of its intention to extend the Lease. The Basic Rent in the extension term shall be no less than the Basic Rent during the last year of the Lease Agreement. Basic rent in the extension term shall be fair market basic rent for premises of similar size and location, improved. If the parties cannot agree as to fair market Basic Rent, it shall go to binding arbitration, and the parties share this cost equally.
Insurance:	The Lessee shall provide and maintain the following insurance coverage at all times during the term of the Lease:

Commercial general liability insurance including but not limited to protection for claims of bodily injury and property damage, personal and advertising injury liability and product and completed operations liability in the inclusive amount of at least two million dollars ($2,000,000.00) per occurrence with a minimum $5,000,000.00 aggregate. The Lessor shall be covered as an additional insured. Such liability policy must also contain a cross-liability or severability of interest clause, contractual liability, employees as additional insureds, tenant's legal liability for a limit commensurate with the space occupied, and shall not contain any special limitations on the scope of coverage afforded the Lessor, its officers, officials, employees, agents or volunteers;

A broad form insurance policy for the full replacement cost insuring contents, mobile equipment and tenant's improvements;

If required, Automobile liability insurance for owned and non-owned automobiles used for or in connection with the Lease in the amount of at least two million dollars ($2,000,000.00) to remain in place at all times during the full term of the Lease Agreement; such insurance may be met through the commercial general liability cover where applicable;

All property policies written on behalf of the Lessee shall contain a waiver of any subrogation right which the Lessee's insurers may have against the Lessor and against those for whom the Lessor is, in law, responsible, whether any such damage is caused by the act, omission or fault of the Lessor or by those for whom the Lessor, is, in law, responsible;

All policies shall be taken out with insurers licensed to and carrying on business in the Province of Manitoba;

Deductibles shall be borne by the Lessee;

The Lessee shall not cancel, or cause to be cancelled any such policy or policies to lapse without a minimum thirty (30) days prior written notice to the Lessor;

The Lessee shall provide written notice to the Lessor of any material changes to their policies within thirty (30) days of the change taking effect;

The Lessee shall file with the Lessor an annual Certificate of Insurance in a form satisfactory to the Lessee's solicitor;

The Lessee shall have the right to alter the limits and/or coverage as reasonably required from time to time during the continuance to the Lease Agreement and for any subsequent renewals thereof, provided that the Lessor shall give the Lessee reasonable notice and shall request reasonable change.

The Lessee shall provide or cause any Contractor they hire for renovations to provide and maintain the following insurance from the beginning of construction until total performance of the project:

Builder's Risk insurance in an amount of 100% of the total project cost with the Lessee and City as Named Insureds;

Wrap up liability in an amount of not less than five million dollars $5,000,000 inclusive per occurrence limit for bodily injury, property damage, damage to existing structure and products and completed operations. The policy shall name the Contractor, subcontractors, Lessee and City as named insureds and include 24 months included operations;

Automobile liability insurance for owned and non-owned automobiles used for or in connection with the Lease in the amount of at least two million dollars ($2,000,000.00)

The Lessee shall retain Certificates of Insurance for any renovation project for the term of the lease and provide same to the City upon request.

Other Lessee Responsibilities: Lessee to provide its own cleaning to the Leased Premises.

The Lessee will release, indemnify and save the City harmless from and against any and all claims for damages or injuries, including death, which may arise from the Lease save and except in the case of gross negligence of the City. This provision shall survive any termination, cancellation or expiration of the Lease Agreement.

Lease Form: The Lessee will enter into a formal Lease Agreement with the City embodying the terms and conditions contained herein using the City's Standard Form Agreement as may be amended and such other terms and conditions as the City Solicitor/Director of Legal Services deems necessary and the Lessee's legal counsel may agree to, each acting reasonably. In the event the City's solicitor and the Lessee's legal counsel cannot agree as aforesaid, at the option of either party, this Agreement becomes void.

The Lessee agrees to pay a one-time Document Preparation Fee in the amount of $4,432.50 payable prior to the lease commencement date.

The Lessee shall not have possession of the Leased Premises prior to the Lessee's and Lessor's execution of the Lease Agreement,

Condition of Leased Premises: All services, including but not limited to the electrical, plumbing and HVAC services shall be in good working condition and to an extent sufficient to maintain a reasonable temperature therein at all times during normal business hours. The Lessor acknowledges the Leased Premises has an existing electrical sub-panel in the Leased Premises and existing plumbing lines. The Lessee shall provide the Lessor with a conceptual floor plan and outline/specifications of the Lessee's proposed improvements to Leased Premises, for the Lessor's approval by the Manager of Real Estate. Approval by the Lessor shall not be unreasonably withheld or delayed and shall occur within ten (10) days of receipt of a conceptual floor plan and outline/ specifications.

Lessor's Responsibilities:

The Lessor shall remove the existing interior partition walls, ceiling and carpet in Leased Premises in addition to any asbestos abatement to the Leased Premises required as a result of the Lessee's leasehold improvements prior to the date of commencement of the Lease.

It is intended that this is a net lease and that the Lessor shall only be responsible for structural repairs (foundations, piles, grade beams, floor slabs, exterior walls, roof deck and membrane including replacement, etc.) to the building.

All terms and conditions contained herein, are subject to the approval of Council, or its delegated authority, and are not binding until such time as that approval is obtained and until and unless the formal Lease is mutually agreed to and signed by both parties.

The Winnipeg Police Credit Union hereby agrees that it will enter into a formal agreement with The City of Winnipeg in accordance with the proposed terms and conditions as outlined herein.

Date: OCTOBER 11, 2016

H Kozubal
Witness Signature

Signature

HEATHER KOZUBSKI
Witness Name (please print)

MICHAEL TAYLOR
Name (please print)

300 William Ave Wpg, MB
Witness Address (please print)

GENERAL MANAGER
Position (please print)

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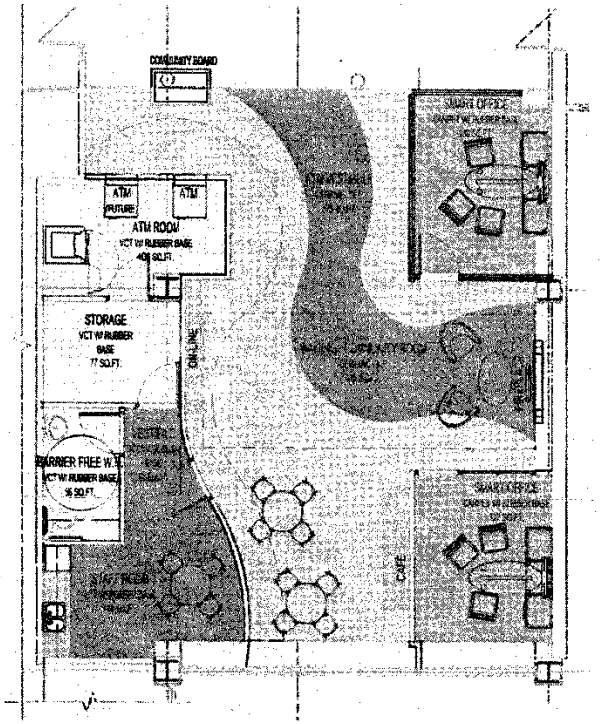
WINNIPEG POLICE
CREDIT UNION

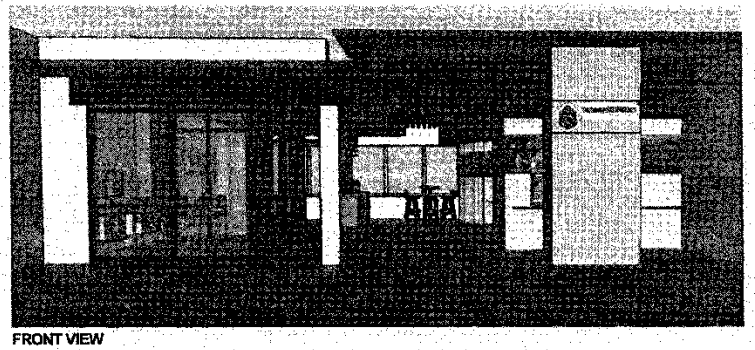
Schematic Design Presentation



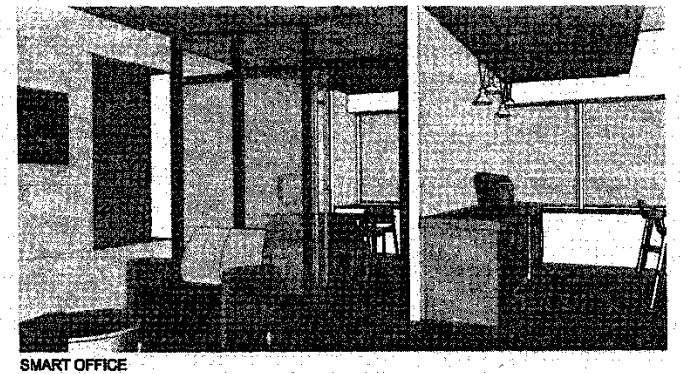
WINNIPEG POLICE

Floor Plan

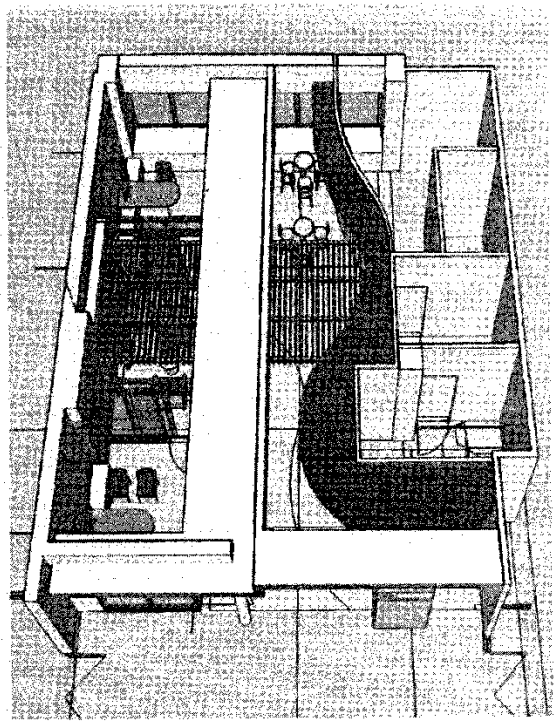
NEWGROUND



FRONT VIEW



SMART OFFICE

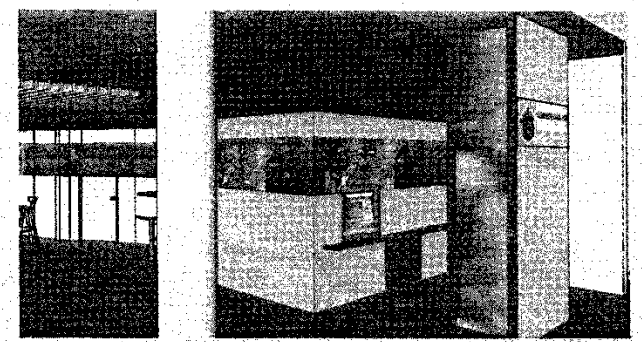


TOP VIEW

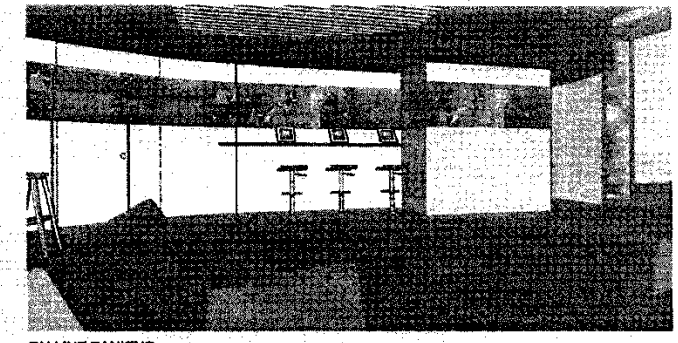
WINNIPEG POLICE

3D Views

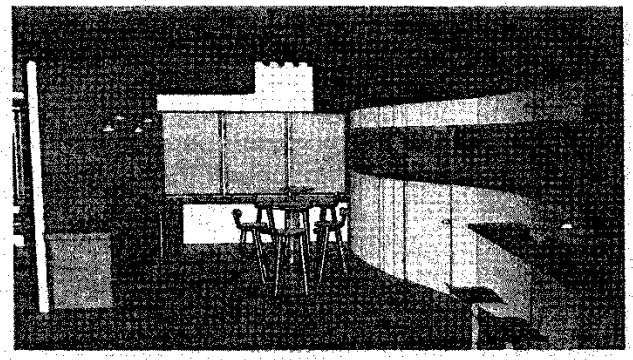
NEWGROUND



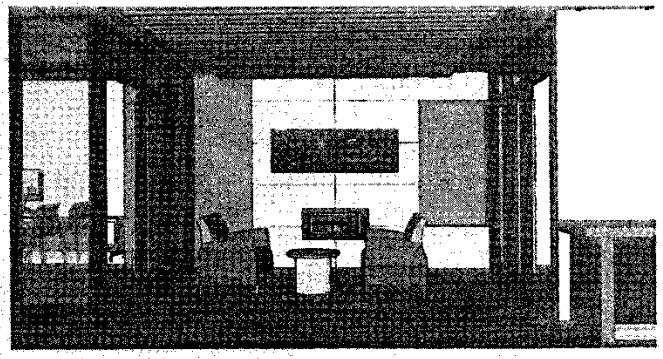
ATM



ON-LINE BANKING



CAFE



FIREPLACE

WINNIPEG POLICE

3D Views

NEWGROUND