**Minutes – Executive Policy Committee – December 6, 2017**

**Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – November 27, 2017**

**Item No. 16 Leases – Fort Garry Place (65 Garry Street, 10 Fort Street and 30 Fort Street) – Between the City of Winnipeg and 60961 Manitoba Ltd. (Fort Rouge-East Fort Garry Ward)**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

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 proposed leases of office and storage accommodations in Fort Garry Place (65 Garry Street, 10 Fort Street and 30 Fort Street) for the Planning, Property and Development and Community Services Departments, be approved in accordance with the proposed Terms and Conditions as outlined in Schedule "A" and Schedule "B".

2. That the City enter into, execute and deliver thirteen (13) lease agreements with 60961 Manitoba Ltd. 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").

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the lease agreements 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.

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

**Minutes – Executive Policy Committee – December 6, 2017**

**Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – November 27, 2017**

DECISION MAKING HISTORY:

Moved by Councillor Orlikow,

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

Carried

STANDING COMMITTEE RECOMMENDATION:

On November 27, 2017, 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:** Leases – Fort Garry Place (65 Garry Street, 10 Fort Street and 30 Fort Street) – Between the City of Winnipeg and 60961 Manitoba Ltd.

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| B. Erickson | J. Kiernan | M. Ruta | Doug McNeil |

## EXECUTIVE SUMMARY

This report requests approval of thirteen (13) lease agreements between 60961 Manitoba Ltd. and the City of Winnipeg for a ten (10) year term for Planning, Property and Development and Community Services office accommodations and storage space within Fort Garry Place (65 Garry Street, 10 Fort Street and 30 Fort Street).

## RECOMMENDATIONS

1. That the proposed leases of office and storage accommodations in Fort Garry Place (65 Garry Street, 10 Fort Street and 30 Fort Street) for the Planning, Property and Development and Community Services Departments, be approved in accordance with the proposed Terms and Conditions as outlined in Schedule “A” and Schedule “B”.

2. That the City enter into, execute and deliver thirteen (13) lease agreements with 60961 Manitoba Ltd. 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”).

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the lease agreements 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.

4. 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

Council approval is required on leases having a term of over ten (10) years or have a gross value over one million ($1,000,000.00) over the original term of the lease.

## IMPLICATIONS OF THE RECOMMENDATIONS

The Department has determined that there is no general policy, regulatory, environmental or human resource implications to amending the lease agreement.

## HISTORY/DISCUSSION

On September 29, 1998, Council approved a 5-year lease renewal for approximately 34,268 square feet for the relocation of staff to 65 Garry to consolidate the Planning, Property and Development Department.

On February 3, 2000, the Standing Policy Committee on Property and Development approved the lease of approximately 53,674 square feet for a 3-year term. The termination date of these leases coincided with previous leases.

On November 19, 2008, Council approved the lease of approximately 74,785 square feet for a 5-year term.

On September 27, 2012, the Director of Planning, Property and Development approved the lease of 4,221 square feet on the 4th floor of 10 Fort Street to accommodate the Housing Development Division of the Planning, Property and Development.

On March 4, 2013, the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management approved the lease renewal of 75,492 square feet of office and storage accommodations in Fort Garry Place for the Planning, Property and Development Department and the License Branch of Community Services Department.

Currently, the Planning, Property and Development Department and the License Branch of the Community Services Department occupy approximately 76,703 square feet of office accommodations and storage space within Fort Garry Place through thirteen (13) separate lease agreements.

The Planning, Property and Development Department reviewed the available City-owned properties large enough to accommodate the space requirement. They need a capital investment to meet building code and to undertake leasehold. This is not comparable to the overall condition, as well as the favourable square foot lease rate of the current facility. Therefore, a renewal of the current facility is most practical and cost effective.

The review of vacancies in the downtown market substantiates the financial viability of the gross lease rate offered by 60961 Manitoba Ltd. Over the last seventeen years, the gross lease rate at Fort Garry Place has increased $ 0.50 per square foot. This would explain the necessity of an increase in the lease rate offered in the ten year lease.

**FINANCIAL IMPACT**

## Financial Impact Statement

**Date:** October 31, 2017

**Project Name:**

**First Year of Program** 2018

Leases – Fort Garry Place (65 Garry Street, 10 Fort Street and 30 Fort Street) – Between the City of Winnipeg and 60961 Manitoba Ltd.

| | 2018 | 2019 | 2020 | 2021 | 2022 to 2028 |
|---|---|---|---|---|---|
| **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 | $ 92,018 | $ 1,104,214 | $ 1,104,214 | $ 1,104,214 | $ 8,203,089 |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 92,018 | $ 1,104,214 | $ 1,104,214 | $ 1,104,214 | $ 8,203,089 |
| Less: Existing Budget Amounts | 92,018 | 1,104,214 | 1,104,214 | 1,104,214 | 8,203,089 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** Direct costs in 2018 represent total rent for one month while direct costs of $1,104,214 will be incurred from 2019 to 2021. In 2022, direct costs of $1,113,523 will be incurred consisting of 11 months under the first 5-year terms and one month under the second 5-year term (assumption is that lease will be renewed for an additional 5-year term). Finally, direct costs from 2023 to 2027 of $1,217,336 will be incurred annually while in 2028, cost will be $1,114,595 up to the November 30 expiration date.

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

## CONSULTATION

This Report has been prepared in consultation with:
Legal Services (as to legal issues)
Corporate Finance, Insurance Branch

## OURWINNIPEG POLICY ALIGNMENT

Complete Communities

## SUBMITTED BY

| | |
|---|---|
| Department: | Planning, Property and Development |
| Division: | Municipal Accommodations |
| Prepared by: | Sandi Caputo, Leasing Officer |
| Date: | November 7, 2017 |
| File No.: | MA2017-230 |

Attachments:

Schedule A – Proposed Terms and Conditions
Schedule B – Breakdown of Leased Area and Rent

(O:/Reports Directive/Municipal Accommodations/ Leases/ MA2017- 230 Lease Renewal - Ft. Garry Place)

**Schedule "A"**
**Proposed Terms and Conditions of the Thirteen (13) Leases at Fort Garry Place (65 Garry Street, 10 Fort Street and 30 Fort Street)**

All thirteen (13) leases will all contain the same following terms and conditions, including:

| | |
|---|---|
| **Lessor** | 60961 Manitoba Ltd. ("Lessor") |
| **Lessee** | City of Winnipeg ("City") |
| **Term** | Ten (10) year term with a Commencement Date of December 1, 2018 and ending November 30, 2028 |
| **Option to Extend** | One (1) option to extend for a 5 year term at a rate to be mutually agreed upon by the Lessor and the City |
| **Termination** | One (1) year written notice to the Lessor |
| **Leased Area** | The Leased Area for each individual lease is different and is outlined in the attached Schedule "B" |
| **Gross Rent Amount** | The amount of the Gross Rent for each individual lease is different and is outlined in the attached Schedule "B" (one column for the amount in Years 1-5 and one column for the amount in Years 6-10).<br>The amount of the Gross Rent is inclusive of municipal tax and operating costs. |
| **City's Responsibilities** | The City is responsible for the following costs (which are not included as operating costs in the Gross Rent Amount):<br>• Interior decorating of the Leased Area;<br>• Telephone services;<br>• Janitorial work;<br>• Relamping;<br>• Security.<br><br>The City will pay all business taxes, license fees, rates, charges and other like services and levies of any nature or kind levied or assessed upon or in respect of or in relation to the City, the business carried on in the Leased Area or any fixtures, machinery, equipment, or apparatus the City installed on the Leased Area or elsewhere in the development;<br><br>The City, at its own cost and expense keep the Leased Area and the equipment and fixtures therein in good condition and repair, as a careful owner would do, reasonable wear and tear only excepted;<br><br>At the expiry or termination of the lease, the City will deliver to the Lessor vacant possession of the Leased Area in the condition in which the City is required to maintain the Leased Area, reasonable wear and tear excepted. |
| **Insurance** | City to maintain throughout the Term a general liability insurance policy in the amount of five million dollars ($5,000,000.00) and any other insurance requirements as required by the Lessor and approved by the City's Supervisor of Insurance. |

| | |
|---|---|
| **Assignment and Subletting** | The City not to transfer, assign, sublet, sell, mortgage, hypothecate or pledge its interest in the lease or the Leased Area without prior written consent of the Lessor. |
| **Tenant Inducement** | The Lessor will provide a total of $200,000.00 tenant inducement applicable to all leases between the City and Lessor at Fort Garry Place for tenant improvements;<br><br>Such tenant inducement shall be paid out on the following conditions:<br>• Work to be completed within a one year period;<br>• The tenant inducement will be paid in two installments: first installment to be paid at the start of the project and one installment to be paid at completion of the project. |
| **Other** | The City and Lessor shall enter into a formal agreement embodying the foregoing Proposed Terms and Conditions and such other Terms and Conditions as the Director of Legal Services deems necessary and in a form satisfactory to the Director of Legal Services. |

## Schedule "B"
## Breakdown of Lease Area and Rent

| Lease No. | Address | Division | Square Feet | Gross Rent per Square Foot | Total Annual Lease Costs Years 1 - 5 | Per Month | Gross Rent per Square Foot | Total Annual Lease Costs Years 6-10 | Per Month |
|---|---|---|---|---|---|---|---|---|---|
| **STORAGE SPACE** | | | | | | | | | |
| **10** | P2-65 Garry | PP&D File Storage | 707 | $6.50 | $4,595.50 | $382.96 | $6.50 | $4,595.50 | $382.96 |
| **89** | P3-65 Garry | Development & Inspections Storage | 581 | $10.50 | $6,100.50 | $508.38 | $10.50 | $6,100.50 | $508.38 |
| | | **TOTAL STORAGE SPACE** | 1,288 | | $10,696.00 | $891.33 | | $10,696.00 | $891.33 |
| **OFFICE SPACE** | | | | | | | | | |
| **41** | 2nd Flr - 65 Garry | Property & Information Systems<br>Real Estate<br>Support Services<br>Human Resources | 12,259 | $14.50 | $177,755.50 | $14,812.96 | $16.00 | $196,144.00 | $16,345.33 |
| **42** | Lobby - 65 Garry | Common to all Divisions | 637 | $14.50 | $9,236.50 | $769.71 | $16.00 | $10,192.00 | $849.33 |
| **44** | 4th Flr - 65 Garry | Development and Inspections<br>Support Services | 10,959 | $14.50 | $158,905.50 | $13,242.13 | $16.00 | $175,344.00 | $14,612.00 |
| **45** | Mezzanine - 65 Garry | Technical Support Officers – Plan Exam Branch - Dev & Inspections Div | 913 | $14.50 | $13,238.50 | $1,103.21 | $16.00 | $14,608.00 | $1,217.33 |
| **48** | Mezzanine -30 Fort | Development and Inspections<br>Plan Examination | 5,103 | $14.50 | $73,993.50 | $6,166.13 | $16.00 | $81,648.00 | $6,804.00 |
| **75** | 31-30 Fort St | Development & Inspections | 9,900 | $14.50 | $143,550.00 | $11,962.50 | $16.00 | $158,400.00 | $13,200.00 |
| **77** | 15-30 Fort St | Planning and Land use | 12,276 | $14.50 | $178,002.00 | $14,833.50 | $16.00 | $196,416.00 | $16,368.00 |
| **78** | Main Flr-65 Garry | Development & Inspections | 3,391 | $14.50 | $49,169.50 | $4,097.46 | $16.00 | $54,256.00 | $4,521.33 |
| **102** | Mezzanine –65 Garry | Development & Inspections<br>Property & Information Systems | 3,590 | $14.50 | $52,055.00 | $4,337.92 | $16.00 | $57,440.00 | $4,786.67 |
| **97** | 3rd Flr - 65 Garry | Municipal Accommodations | 12,166 | $14.50 | $176,407.00 | $14,700.58 | $16.00 | $194,656.00 | $16,221.33 |
| **112** | 400 - 10 Fort St. | Golf Services/ Community Services | 4,221 | $14.50 | $61,204.50 | $5,100.38 | $16.00 | $67,536.00 | $5,628.00 |
| | | **TOTAL OFFICE SPACE** | **75,415** | | $1,093,517.50 | $91,126.46 | | $1,206,640.00 | $101,444.67 |
| | | **Total Leased Space** | **76,703** | | **$1,104,213.50** | $92,017.79 | | **$1,217,336.00** | $101,326.83 |