Minutes – Executive Policy Committee – July 11, 2018

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – June 25, 2018

Item No. 14 Lease Amendment – Unit 5-1450 Mountain Avenue – Corporate Records Centre (Point Douglas 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 City enter into, execute and deliver a Lease Amending Agreement with Mountain Avenue Holdings 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").

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Lease Amending 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 – June 25, 2018

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 June 25, 2018, 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: Lease Amendment Unit 5-1450 Mountain Avenue – Corporate Records Centre

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

AUTHORIZATION

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

EXECUTIVE SUMMARY

The Archives Branch of the City Clerk's Department ("Clerk's") is in the process of relocating their Corporate Records Centre ("CRC") from 311 Ross Avenue. In an effort to expedite this process, a consultant was engaged to identify suitable sites for the CRC, with Unit 5-1450 Mountain Avenue being the recommended location. The consultant provided preliminary drawings for the required Tenant Improvements, with Order of Magnitude pricing at $175,000 - $200,000.

In May 2017, Clerk's contacted Planning, Property and Development to facilitate a new lease at Unit 5-1450 Mountain Avenue for the CRC. The Terms and Conditions of the lease were for 33,282 square feet of space in Unit 5-1450 Mountain Avenue, for a three year term. The lease rate at $191,371.50/ annum, along with the anticipated tenant improvements cost ($175,000.00-$200,000.00) would, at a maximum, total $774,114.50, plus operating costs. Because this number was less than $1,000,000.00, and the lease term was less than 10 years, approval for this lease fell within the Director of Planning Property and Development's delegated authority. The lease was approved and executed on January 24, 2018.

Subsequent to the lease agreement being executed, the cost of Tenant Improvements increased to closer to $600,000.00 due to additional scope of work (see attached Schedule A - Landlord's Estimated Tenant Improvement Costs). This brought the total lease costs over $1,000,000.00 (see attached Schedule B - Terms and Conditions between City of Winnipeg and Mountain Avenue Holdings Ltd.) As such, a lease amendment is being brought forward for Council approval.

RECOMMENDATIONS

1. That the City enter into, execute and deliver a Lease Amending Agreement with Mountain Avenue Holdings 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").

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Lease Amending 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

Third-party leases which are over ten (10) years in length or require the payment of gross lease costs of over one million ($1,000,000.00) dollars over the term require Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

Archives' CRC will relocate to Unit 5-1450 Mountain Avenue thus, ensuring continued safeguarding and access by citizens.

Associated Tenant Improvements at Unit 5-1450 Mountain Avenue may commence immediately.

Project deadlines to move the CRC from 311 Ross by year's end will be met.

The vacated space at 311 Ross will remain as such in preparation for the sale of the building to CentreVenture.

HISTORY

The CRC of the City Archives Division has, until now, been located at the City's storage facility at 311 Ross Avenue. However, this building is in the process of being disposed of by the City, as per the report received by the Standing Policy Committee on Property and Development, Heritage and Downtown Development on November 27, 2017, stating that 311 Ross is considered surplus to the City by way of it being acquired through tax sale. As such, the property was intended to be disposed of by way of an Expression of Interest. Accordingly, at the May 24, 2018 meeting of Council, a motion was adopted that, subject to various approvals, CentreVenture be granted the option to purchase 311 Ross from the City. This, along with an existing storage capacity shortfall, and ongoing inability to accommodate transfers from departments, meant the CRC must be relocated.

In an effort to expedite this process, a consultant was engaged to identify suitable sites available to lease for the CRC. Although various sites were considered, the consultant and client department ultimately identified Unit 5-1450 Mountain Avenue as the most suitable space. The consultant provided Order of Magnitude pricing to undertake tenant improvements at $175,000.00 - $200,000.00, exclusive of professional design fees, permits and taxes.

Municipal Accommodation's Leasing Branch was subsequently asked to negotiate a lease, which included annual lease costs of $191,371.50 per annum, for 3 years, plus Order of Magnitude pricing for the tenant improvements. As the total was well under $1,000,000.00 (the threshold for approval under the delegated authority of the Director of Planning, Property and Development), the lease was approved and executed on January 24, 2018.

As it had been decided the Landlord would undertake the tenant improvements, Class 1 estimates were solicited from two contractors. The lowest estimate was received at $597,652.00 (see attached Schedule A for the tenant improvement costs.) These costs came in higher than the original Order of Magnitude costs provided by the Consultant due to additional scope of work being required. Namely, upgrades are required in the warehouse space to meet building code requirements for the storage of paper goods, i.e. corporate records. This use requires advanced sprinklering, with associated improvements to mechanical and electrical systems to safeguard the records. While the landlord is covering the costs to upgrade to a "pre-action" sprinkler system, the tenant is responsible for the costs related to mechanical and electrical upgrades, tie-ins, etc.

It is important to note that solicitation of bids by Landlords for leased buildings are not subject to the City's Materials Management Policy. However, the revised costs for tenant improvements have been reviewed by the Public Service and appear in line with industry standards for this type of work. Also of note, costs related to upgraded sprinklering would have been incurred at all of the other sites considered, as none were equipped with sprinklers or infrastructure required for this use. Furthermore, other locations were less desirable due to limited size, low ceilings, and level changes within, (not accessible.) Therefore, each of the other options would have had their own associated tenant improvement challenges and costs due to these factors above and beyond the sprinklering.

The revised tenant improvements cost increases the gross lease for 5-1450 Mountain to over the $1,000,000.00 threshold for approval by the Director of Planning, Property and Development. Therefore, approval by Council is required.

The City Archives Division of Clerk's has identified approved Capital funding for the new CRC, including the tenant improvement costs, shelving and moving costs. As such, no new funding is required in order to cover the revised costs/lease amendment.

The space being vacated at 311 Ross will remain as such in preparation of the sale of the building.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 11, 2018

Project Name:

First Year of Program 2018

Lease Amendment- 1450 Mountain Avenue – Corporate Records Centre (CRC)

	2018	2019	2020	2021	2022
Capital					
Capital Expenditures Required	$ 615,582	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	615,582	-	-	-	-
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	$ 47,843	$ 191,372	$ 143,529	$ -	$ -
Less: Incremental Revenue/Recovery	17,930	-	-	-	-
Net Cost/(Benefit)	$ 29,913	$ 191,372	$ 143,529	$ -	$ -
Less: Existing Budget Amounts	29,913	191,372	143,529	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Capital expenditures consist of the tenant improvement costs of $597,652 + short-term financing charges & corporate admin fees of $17,930. The latter amount is offset by an equal recovery in the current budget of the Corporate Finance Department. Direct costs represent lease payments for the premises with an assumed commencement date of October 1, 2018.

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

CONSULTATION

City Clerk's Department

Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

The recommendations in this report support *Our Winnipeg* objectives in *Complete Communities*. In particular:

03 – Quality of Life

03 Creativity – Directions 2: Act as a responsible steward for City-owned museums, archives and collections. and

Direction 4: Support and enable meaningful community expression

SUBMITTED BY

Department: Planning, Property and Development
Division: Municipal Accommodations
Prepared by: Sandi Caputo, Leasing Officer
Date: June 15, 2018
Report No. MA2018-096

Attachments:
Schedule A - Landlord's Estimated Tenant Improvement Cost
Schedule B - Terms and Conditions of Lease

Schedule A
Landlord's Estimated Tenant Improvement Costs

1450 Mountain - City of Winnipeg Archives - Revised

		Titan	LL Cost	Tenant Cost
A	Feathering of concrete to Door	1,200	1,200	
B	Upgrading of Lighting to LED	68,800	68,800	
C	Insulation of portion of south wall warehouse room	13,000	13,000	
D	Any required repairs to OH doors	800	800	
E	New demising wall	63,307	31,653.50	31,653.50
F	Delivery and removal of on site dump bin	800	400.00	400.00
G	Disposal Fees	400	200.00	200.00
H	Permits	6,000	3,000.00	3,000.00
I	Site Project Mgmt	12,000	6,000.00	6,000.00
J	Site Clean up during and post construction	2,000	1,000.00	1,000.00
K	Equipment/lift rentals	-	-	
L	Roof work/structural reinforcing for RTUs	10,000	10,000	
M	Upgrade of existing sprinkler system to pre-action system	149,000	149,000	
N	Walls, upgrades to door, new door, finishes in entry vestibule	1,200	1,200	
	Total A-N	**328,507**	**286,254**	**42,254**
	Office and Washroom:			
	Demolition, drywall, Ceilings	38,456		38,456
	Doors frames accessories:	18,339		18,339
	Mechanical	43,200		43,200
	Sprinklers	6,640		6,640
	Electrical	30,240		30,240
	Rough construction work	8,800		8,800
	Decorating	8,176		8,176
	Millwork / glass	9,384		9,384
	Flooring	11,500		11,500
	General Conditions	10,000		10,000
	Overhead/profit	15,265		15,265
	Total Office and Washroom	**200,000**	-	**200,000**
	Mechanical:			
	- exhaust fans, ductwork and grilles	12,975		12,975
	- roof top unit	7,700		7,700
	- control wiring	44,428		44,428
	- labour and craning for items above	14,152		14,152
	Electrical:			-
	- electrical service/conduit	5,500		5,500
	- permit	4,500	2,250	2,250
	- transformers	10,400		10,400
	- exits	1,426		1,426
	- heaters/plugs	6,380		6,380
	- fire alarm conduit	5,760		5,760
	- labour to wire detectors	14,900		14,900
	- balance of labour/data/lifts and conduit	75,920		75,920
	- PST	16,996		16,996
	Blocking, rough carpentry	1,500	1,500	
	concrete pads/masonry C&P	3,500	3,500	
	Total Mechanical, Electrical, etc.	**226,037**	**7,250**	**218,787**
OTHER BREAKDOWN				
1	Devices to tie into existing fire alarm system	30,240		30,240
2	Occupancy Sensors (lighting controls) (incl. in lighting above)	-		-
3	Emergency Lighting	7,344		7,344
4	Panels and distribution	21,600	21,600	
5	Connections to mechanical equipment	10,800		10,800
6	Electrical floor boxes for ballot machines	15,120		15,120
7	Data points in the warehouse for future WIFI	2,160		2,160
8	ERV on roof (ERV cost and crane costs to get on roof)	69,630		69,630
9	Gas piping	6,200		6,200
10	Ceiling Fans	8,130		8,130
11	Unit heaters	5,518		5,518
	Total Other	**176,742**	**21,600**	**155,142**
	TOTAL	**931,286**	**315,104**	**616,183**
Separate Price:				
4	Supply and install exterior windows	7,800	7,800	
	GRAND TOTAL	**939,086**	**322,904**	**616,183**
	CHANGES AS PER ADDENDUMS:			
	Additional Credits related to the Addendum Points:			
	1. Based in a flat (not reveal edge)	- 4,400	-	- 4,400
	2	- 600	-	- 600
	3	- 1,200	-	- 1,200
	4	- 2,000	-	- 2,000
	5	- 750	-	- 750
	6	- 1,000	-	- 1,000
	7	- 1,500	-	- 1,500
	8	- 2,925	-	- 2,925
	Mechancial Credit as per Addendum #3, SMS Addendum #1	- 1,296	-	- 1,296
	Electrical Credit	- 9,860	-	- 9,860
	ERV NOT changed, therefore ADD for Structural Addendum #2	7,000		7,000
	Total Addendum Changes	- **18,531**	-	- **18,531**
	GRAND TOTAL	920,555	322,904	597,652

Schedule B

Amended Terms and Conditions between City of Winnipeg and Mountain Avenue Holdings Ltd.
Unit 5-1450 Mountain Avenue - Corporate Records Centre

Lessor	Mountain Avenue Holdings Ltd.
Lessee	City of Winnipeg ("City")
Term	3 years commencing on October 1, 2018
Option to Renew	2 x 5 years
Leased Area	33,282 square feet
Base Rent Amount	$5.75 psf/ $15,947.63 per month/ $191,371.50 per annum.
Operating Costs	$2.98 psf/ $8,265.03 per month/ $ 99,180.36 per annum
Estimated Tenant Improvements	$597,652.00
Gross Costs Over Term	Lease Costs - $191,371.50 + Operating Costs - $99,180.36 = $290,551.90 x 3 years = $871,655.60 + Tenant Improvement Costs ($597,652.00) = **$1,469,307.58**