Agenda – Executive Policy Committee – April 16, 2019

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – April 1, 2019

Item No. 4 Lease for 1120 Waverley Street – Solid Waste Services and Information Systems and Technology Divisions, Water & Waste Department
(River Heights-Fort Garry Ward)

STANDING COMMITTEE RECOMMENDATION:

On April 1, 2019, due to a tie vote, the Standing Policy Committee on Property and Development, Heritage and Downtown Development submitted the matter to Executive Policy Committee and Council without recommendation.

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Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – April 1, 2019

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

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ADMINISTRATIVE REPORT

Title: Lease for 1120 Waverley Street – Solid Waste Services and Information Systems and Technology Divisions, Water & Waste Department

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. Wardrop, Acting CAO

EXECUTIVE SUMMARY

Water & Waste's Solid Waste Services (SWS) and Information Systems and Technology (IST) Divisions have leased space at 1120 Waverley since 2012. Their current lease will expire on June 30, 2019. The Department has advised that it wishes to remain at the facility. This report proposes the approval of a new lease for a 5-year term.

RECOMMENDATIONS

1. That a lease agreement for 1120 Waverley Street be approved in accordance with the terms and conditions contained in Schedule A.

2. That the City enter into, execute and deliver a lease agreement with LS Properties (Fort Garry Business Centre) BT 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 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.

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 if the term of a lease is over ten (10) years in length or the value of the lease is over of $1,000,000.00, excluding operating costs and tenant improvements.

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 Terms and Conditions.
- Acceptance of the proposal and subsequent signing of the lease agreement commits the City to a five (5) year lease term.

HISTORY/DISCUSSION

On January 19, 2012, the Director of Planning, Property and Development approved the lease of 1120 Waverley Street for a 7-year term, commensurate with associated authority. Note the Director has the delegated authority to enter into leases where the term of the lease is 10 years or less and the gross lease cost is $1 Million or less over the term of the lease.

This lease is set to expire on June 30, 2019 and the Water and Waste Department wishes to enter into a lease for a further 5-year term.

At the time the original lease was entered into, much of the 140,000 square foot complex was vacant and the lease rate was below prevailing vicinity market rent(s). The unit was renovated extensively to suit SWS and IST's needs. Over the ensuing 7-year period that the Water and Waste Department has leased the facility, property values in the neighbourhood have increased, vacancies in the area have decreased, and the landlord has leased all the units within the property. This has resulted in the lease rate increasing from $7.00 per square foot in 2012 to $14.00 per square foot (net) for the 5-year term.

In reviewing comparable properties in the surrounding area, the rates are as follows:

ADDRESS	NET	CAM	GROSS PSF	NOTES:	GROSS LEASE COSTS PER ANNUM	GROSS COSTS OVER TERM
2790 Pembina Hwy.	n/a	n/a	$24.00	11,227 sq. ft.	$269,448.00	$1,347,240.00
960 Lorimer Blvd.	$14.25	$5.63	$19.88	12,340 sq. ft.	$245,319.20	$1,226,596.00
1295 Pembina Hwy.	$20.00	$9.01	$29.01	13,607 sq. ft.	$394,739.07	$1,973,695.35

Comparable Sites which are too Small

62 Scurfield Blvd.	$14.50	$7.60	$22.10	6,396 sq. ft.	$134,955.60
1470 Wilson Place	$12.00	$7.55	$19.55	5,522 sq. ft.	$107,955.10
675 Pembina Hwy.	$13.00	$9.50	$22.50	2,103 sq. ft.	$47,317.50
1465 Buffalo Pl.	$15.95	$4.97	$20.92	3,003 sq. ft.	$62,822.76

Existing Site – New Lease Term

1120 Waverley St.	**$14.00**	**$2.70**	**$16.70**	**19,594 sq. ft.**	**$327,219.80**	**$1,636,099.00**

Sublet within Complex

1146 Waverley St.	$8.75	$2.72	$11.47	12,684 sq. ft.	$145,485.48	$727,427.40

While the neighbouring 1146 Waverley Street unit could be sublet for a 26-month term at a lower lease rate, the rate would be renegotiated upon expiry, and would likely increase to prevailing market rent. In addition, costs to move would include significant tenant improvements, work disruption and relocation costs. Similarly, if any of the alternate sites were chosen (all with higher lease rates), possible tenant improvements and relocation costs would be incurred and business operations would be impacted during the relocation period. Therefore, remaining at the current 1120 Waverley Street location is the most cost-effective option.

In addition, preliminary analysis of alternatives for accommodating Water & Waste's SWS and IST Divisions (e.g., relocation to a facility addition at an existing Water & Waste Department facility, newly constructed stand-alone facility, etc.), indicates such options would be cost prohibitive relative to continued accommodation leasing. Further, while service delivery enhancements from co-locating with additional Water & Waste Department operations may exist, such benefits are not significant or material to warrant additional cost.

The terms of the lease are as per Schedule A (attached) inclusive of a gross rate of $16.70 per square foot, ($327,219.80 per annum). The term is for 5 years.

FINANCIAL IMPACT

Financial Impact Statement

Date: February 13, 2019

Project Name:

First Year of Program 2019

Lease of 1120 Waverley Street – Solid Waste Services (SWS) and Information Systems and Technology (IST) Divisions of the Water & Waste Department

	2019	2020	2021	2022	2023 & 2024
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	$ 163,610	$ 327,220	$ 327,220	$ 327,220	$ 490,830
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 163,610	$ 327,220	$ 327,220	$ 327,220	$ 490,830
Less: Existing Budget Amounts	163,610	327,220	327,220	327,220	490,830
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs in 2019 represent the annual costs of $327,220 prorated for a July 1 commencement date. Costs from 2020 to 2022 consist of the annual amount while costs for 2023 & 2024 consist of costs from January 1, 2023 to the termination date of June 30, 2024.

"Original signed by"

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

Water & Waste Department
Legal Services (as to legal issues)

SUBMITTED BY

Department: Planning Property and Development
Division: Municipal Accommodations
Prepared by: Sandi Caputo, Leasing Officer
Date: February 15, 2019
File No: MA2018-220

Attachments:

Schedule A – Terms and Conditions
Schedule B – Misc. Plan No. 14195

SCHEDULE "A"

TERMS & CONDITIONS - LEASE OF 1120 WAVERLEY STREET – WATER & WASTE DEPT.

Landlord:	LS Properties (Fort Garry Business Centre) BT Ltd.
Tenant:	City of Winnipeg
Leased Area:	19,594 square feet
Net Lease Rate:	$14.00 PSF/ $22,859.67 per month/ $274,316.00 per annum
CAM:	$2.70 PSF/ $4,408.65 per month/ $52,903.80 per annum
Cost Per Annum:	$327,219.80 per annum
Net Lease Over Term:	$1,371,580.00, not including operating costs
Total Costs Over Term:	$1,636,099.00, including common area maintenance
Term:	5 years – July 1, 2019 – June 30, 2024
Option to Renew:	1 x 5 years
Option to Terminate:	The tenant must provide the Landlord with a written notice of termination, providing 365 days' notice.

Schedule "B"
Misc. Plan 14195

