Agenda – Council – January 30, 2020

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – January 6, 2020

Item No. 10 Proposed Lease Renewal/Amending Agreement – 491 Portage Avenue – Winnipeg Parking Authority (Daniel McIntyre Ward)

STANDING COMMITTEE RECOMMENDATION:

On January 21, 2020, 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 Renewal/Amending Agreement with 4306946 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").

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Lease Renewal/Amending Agreement, as outlined in Schedule A 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 – January 6, 2020

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 21, 2020, 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 January 6, 2020, 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 Renewal/Amending Agreement – 491 Portage Avenue – Winnipeg Parking Authority

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	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

The Winnipeg Parking Authority wishes to exercise the option to renew the leased office space at 491 Portage Avenue, for a further 5-year term. The annual cost of the lease is $303,136 and the total lease commitment over the five (5) year term is $1,515,678.

RECOMMENDATIONS

1. That the City enter into, execute and deliver a Lease Renewal/Amending Agreement with 4306946 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”).

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Lease Renewal/Amending Agreement, as outlined in Schedule A 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

In accordance with the Council Order of July 18, 1979, Council shall approve all third-party leases over ten (10) years in length or requiring the payment of rent in excess of $1,000,000 for the term.

In this regard, the Planning, Property, and Development Department has negotiated the proposed Terms and Conditions of a Lease Agreement as set out in the attached Schedule A for the continued lease of 491 Portage Avenue for the Winnipeg Parking Authority offices. The Total Lease Commitment over the Five (5) Year term is $1,515,678.00.

IMPLICATIONS OF THE RECOMMENDATIONS

Exercising the option to renew the lease for a five (5) year term will allow the Winnipeg Parking Authority to remain at its present location, ensuring the continued and uninterrupted service to the citizens of Winnipeg.

HISTORY/DISCUSSION

The Winnipeg Parking Authority offices have been located at 491/495 Portage Avenue since February 2005, when The Standing Policy Committee on Downtown Development approved the lease of 4,408 square feet on the Main floor and 3,300 square feet on the basement level of 491 Portage Avenue, for a ten (10) year term.

On September 2, 2008, the Lease was amended to add an additional 830 square feet, to the lower level. A further 316 square feet was added to the lower level on April 1, 2009, for a total of 4,446 square feet.

On February 21, 2014, the Lease was amended to add 2,110 square feet on the third floor of 491 Portage Avenue.

On March 1, 2015, the lease was renewed for a further five (5) year term.

Throughout 2015, renovations to the main floor were being planned to prepare for a new line of service that would be delivered by the Winnipeg Parking Authority, driven by legislation that was mandated by the Province of Manitoba. The new legislation, the *Municipal By-law Enforcement Act,* removed all parking tickets from the court system and created a new process where people who received parking tickets could challenge them by having them reviewed by a Screening Officer or Provincially appointed adjudicator, all working out of the Winnipeg Parking Authority offices. In order to accommodate the front counter system that would be constructed for the Screening Officers and adjudicators on the main floor, staff who had offices on the main floor were re-located to the third floor of the building in advance of the construction, resulting in an additional 1,679 square feet being added to the leased space in 2015.

On June 12, 2016, the Landlord re-measured the existing third floor space resulting in a revision from 3,789 to 4,233 square feet and the tenant added an additional 1,879 square feet of rentable area on the third floor, bringing the total leased area on the third floor to 6,112 square feet.

On March 1, 2018, the City of Winnipeg was statutorily required to assume responsibility for the Vehicle for Hire industry as part of the dissolution of the provincial Taxicab Board. As part of this new responsibility, a Vehicle for Hire By-law was approved by Council in order to regulate and provide licensing oversight of the industry, which consists of taxis, limousines and luxury vehicles, and personal transportation providers (PTPs). This responsibility was assigned to the Winnipeg Parking Authority, which resulted in an increase of 2,701 square feet of office space

being added to the third-floor lease. The landlord offered to lease 2,701 square feet of vacant space remaining on the third floor at a reduced lease rate of $5.00 per square foot, as it would be expensive to meet the fire code / fire rating requirements if there were two tenants in this space. The Landlord agreed that going forward the lease rate would not exceed $6.00 per square foot. Therefore, this arrangement works well for both the tenant and the Landlord.

The Landlord has agreed to enter into a five-year Lease Renewal with amendments for the lease of a total of 17,667 square feet of space within 491 Portage Avenue as per the terms and conditions attached as Schedule A within the premises identified in Schedule B.

In reviewing the office vacancies in downtown, the negotiated rates reflect the current market conditions and it is far more financially feasible to renew the existing lease than relocate to a facility with higher rental rates, incurring additional expenses for tenant improvements and moving costs.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 6, 2019

Project Name:

First Year of Program 2020

Proposed Lease Renewal – 491 Portage Avenue – Winnipeg Parking Authority

	2020	2021	2022	2023	2024 & 2025
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	$ 252,613	$ 303,136	$ 303,136	$ 303,136	$ 353,658
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 252,613	$ 303,136	$ 303,136	$ 303,136	$ 353,658
Less: Existing Budget Amounts	252,613	303,136	303,136	303,136	353,658
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs represent the annual lease payments of $303,136 as laid out in Schedule A. The 2020 amount has been pro-rated for the March 1 commencement date while the 2024/25 amount includes costs up to the February 28, 2025 expiration date. No budget adjustment is required.

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

CONSULTATION

This Report has been prepared in consultation with:

Winnipeg Parking Authority
Legal Services, as to legal matters

OURWINNIPEG POLICY ALIGNMENT

Key Directions
> Pursue a focused district, destination and cluster approach to Downtown development that will seek to:

- Facilitate the expansion of employment and educational opportunities in the Downtown seeking to:
  - reinforce Downtown's role as a hub for business, for learning, for government and for commercial activity.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Planning, Property and Development Department
Division: Municipal Accommodations Division
Prepared by: Sandi Caputo, Senior Leasing Officer
Date: December 6, 2019
File No: MA2019-144

Attachments:

Schedule A - Terms and Conditions for Lease Renewal
Schedule B - Misc. Plan # 15280/1

SCHEDULE A
TERMS AND CONDITIONS FOR
LEASE RENEWAL – WINNIPEG PARKING AUTHORITY – 491 PORTAGE AVENUE

<table>
<tr><td>Landlord</td><td>4306946 Manitoba Ltd. c/o
Capital Property Management 2 - 570 Portage Avenue R3C 0G4</td></tr>
<tr><td>Tenant</td><td>The City of Winnipeg (“City”) – Winnipeg Parking Authority</td></tr>
<tr><td>Leased Premises located at 491/ 495 Portage Ave. Rice Building</td><td>
<table>
<tr><th>Floor</th><th>Sq. Ft.</th><th>Net or Gross</th><th>Rent PSF</th><th>Per Annum</th></tr>
<tr><td>Lower Level (B010)</td><td>4,446</td><td>Gross</td><td>$8.50</td><td>$37,791.00</td></tr>
<tr><td>Main Floor (R105)</td><td>4,408</td><td>Net</td><td>$12.50</td><td>$55,100.00</td></tr>
<tr><td>3rd Floor (300)</td><td>6112</td><td>Net</td><td>$12.50</td><td>$76,400.00</td></tr>
<tr><td>Unit 301 (Expansion space)</td><td>2,701</td><td>Net</td><td>$5.50</td><td>$14,855.50</td></tr>
<tr><td>Net Lease Per Annum</td><td>17,667</td><td></td><td></td><td>$184,146.50</td></tr>
<tr><td>Annual Operating Costs</td><td></td><td></td><td>$9.00</td><td>$118,989.00</td></tr>
<tr><td>Annual Lease Costs</td><td></td><td></td><td></td><td>$303,315.50</td></tr>
<tr><td colspan="3">Total Lease Commitment over the 5 Year Term</td><td></td><td>$1,515,678.00</td></tr>
</table>
</td></tr>
<tr><td>Purpose</td><td>Winnipeg Parking Authority office space as outlined above.</td></tr>
<tr><td>Term</td><td>Five (5) years commencing, March 1, 2020</td></tr>
<tr><td>Option to Renew</td><td>3 options to Renew for 5 Years Each</td></tr>
<tr><td>Termination</td><td>The Tenant have the right to terminate the lease providing 6 months written notice to the Landlord, any time after the completion of the 3rd year of the term. (ie. any time after February 28, 2023).</td></tr>
<tr><td>First Right of Refusal</td><td>The tenant shall have the first right of refusal of any vacant units, should they become available.</td></tr>
<tr><td>Landlord Responsibilities</td><td>1. To provide approximately 3,000 sq. ft interim space at no cost to the Tenant, for a period of four (4)months following the award of the tender for the renovation of existing offices, should the City require the space for longer than four (4) months they shall pay a gross rental rate of $21.00 psf/ $5,250.00 per month/ $63,000.00 per Annum;</td></tr>
</table>

	2. To amend reference to “Payment of Property Taxes” as the City is exempt and only responsible for the payment of its proportionate share of the frontage levy; Amend Clause 8.07 “Removal of Leasehold Improvements” from the lease agreement; the tenant will only be obligated to remove furnishings & trade fixtures from the premises.
Tenant Inducement	3. Landlord to provide a Tenant Inducement of Forty Thousand ($40,000.00) Dollars, plus GST. (To be added to the remaining $26,527.28 from the original Tenant Inducement).
Assign or Sublet	The Tenant’s right to assign or sublet the Premise shall remain as outlined in 13.01 of the Lease.
Other Terms	The Tenant and the Landlord 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, such other Terms and Conditions shall be subject to the Landlords approval and consent. All terms and conditions contained herein, are subject to the approval of the City’s Council, or its delegated authority and are not binding until such time as that approval is obtained.

4306946 Manitoba Ltd. agrees to enter into a lease agreement with The City of Winnipeg for the lease of the above noted premises and in accordance with the proposed terms and conditions as outlined herein.

Signed in the City of Winnipeg, in the Province of Manitoba, this _____day of October, 2019

4306946 Manitoba Ltd.

Original documents signed by the Landlord

Per:_____

Brad Rice, President

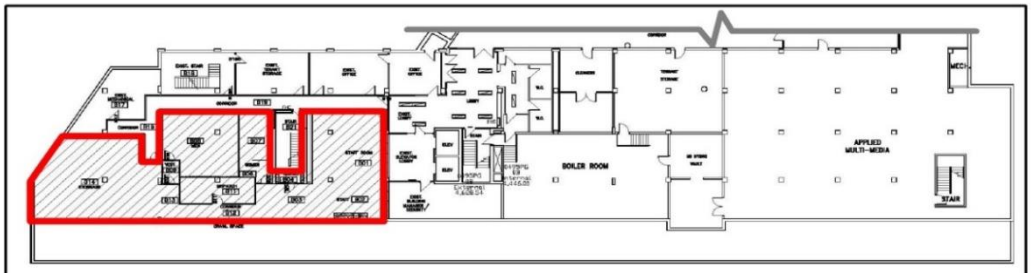
Original documents signed by the Landlord

Per:_____

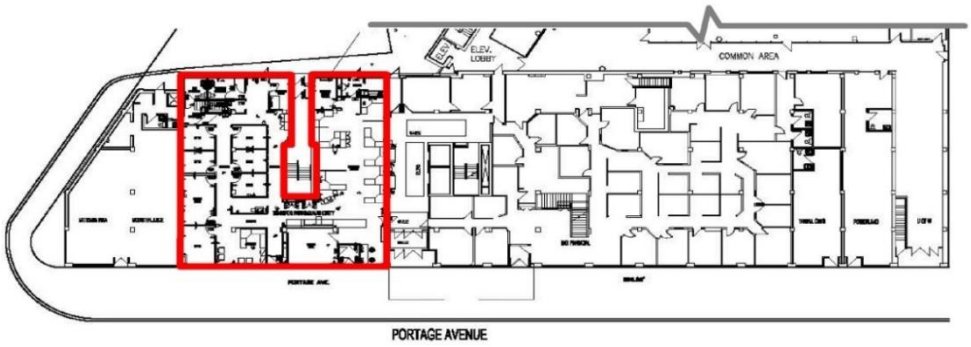
Marcel Chartier, Treasurer

I/We have been authorized to bind the Corporation

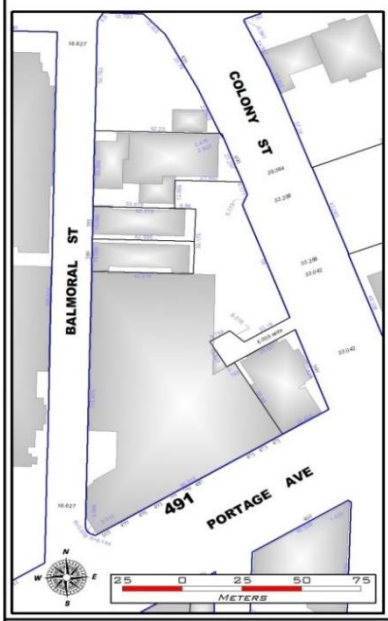
SCHEDULE B – MISC PLAN # 15280/1

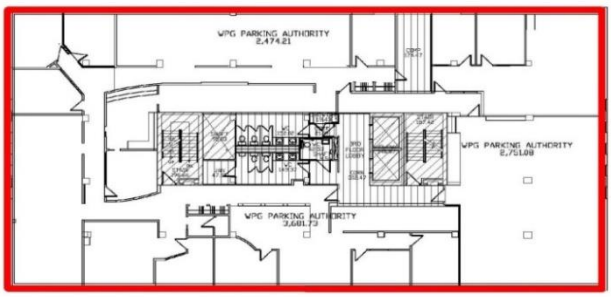


491 PORTAGE AVENUE FLOOR PLAN - BASEMENT



491 PORTAGE AVENUE FLOOR PLAN - MAIN FLOOR





491 PORTAGE AVENUE FLOOR PLAN - 3RD FLOOR

LEASED AREA: 17,667 ft²

Date: 2019-NOV-01
Updated: 2019-NOV-26
District: CC
File: Not Available
Scale: NTS
Requested by: SC
Drawn by: IP
Reference Dwg No.: Misc. Plan No. 15280
495PG0B.pdf
495PG01.pdf
495PG03.pdf

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METRIC

CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPARTMENT
LAND INFORMATION SERVICES

MISC. PLAN NO. 15280/1