**Minutes – Council – February 22, 2024**

**Minute No. 179**
**Report – Standing Policy Committee on Property and Development – February 1, 2024**

**Item No. 1** **Proposed Lease Agreement at 131 Provencher Boulevard, Commonly Known as St. Boniface Library, between the City of Winnipeg and 131 Provencher Holdings Ltd.**
**(St. Boniface Ward)**

COUNCIL DECISION:

Council concurred in the recommendation of the Standing Policy Committee on Property and Development and adopted the following:

1. That the proposed terms and conditions for a Lease Agreement, attached hereto as Schedule A, between the City of Winnipeg and 131 Provencher Holdings Ltd., for the proposed Leased Area at Unit 100 – 131 Provencher Blvd., be approved.

2. That the City enter into, execute and deliver a Lease Agreement with 131 Provencher 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").

3. That the authority be delegated to the Director of Assets and Project Management Department to negotiate and approve the terms and conditions of the Lease Agreement and the Ancillary Agreements, in accordance with the 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.

**Report – Standing Policy Committee on Property and Development – February 1, 2024**

DECISION MAKING HISTORY:

Moved by Councillor Rollins,

That the recommendation of the Standing Policy Committee on Property and Development be adopted by consent.

Carried

Councillor Wyatt was absent from the vote on the above motion.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 13, 2024, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On February 1, 2024, the Standing Policy Committee on Property and 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 at 131 Provencher Boulevard, commonly known as St. Boniface Library, between the City of Winnipeg and 131 Provencher Holdings Ltd.

**Critical Path:** Standing Policy Committee on Property and Development – Executive Policy Committee – Council

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| B. Erickson | G. Patton | C. Kloepfer | M. Jack |

## EXECUTIVE SUMMARY

Community Services Department currently leases the property at Unit 100 – 131 Provencher Boulevard commonly known as the St. Boniface Library (14,286 sq. ft.). The most recent agreement expired in 2022 and a new 10-year lease is being submitted for consideration. Options for relocation were analyzed but the current location remains the preferred location.

The proposed lease will increase the accommodation costs to the Community Services Department by $271,434.00 over the 10-year term (i.e., total base rent will increase from $1,910,038.20 to $2,181,472.20). Operating costs are estimated at $137,145.60 per annum.

## RECOMMENDATIONS

1. That the proposed terms and conditions for a Lease Agreement, attached hereto as Schedule A, between the City of Winnipeg and 131 Provencher Holdings Ltd., for the proposed Leased Area at Unit 100 – 131 Provencher Blvd., be approved.

2. That the City enter into, execute and deliver a Lease Agreement with 131 Provencher 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”).

3. That the authority be delegated to the Director of Assets and Project Management Department to negotiate and approve the terms and conditions of the Lease Agreement and the Ancillary Agreements, in accordance with the 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

Pursuant to the Real Estate Leasing and Licensing of Property Policy adopted by Council on September 29, 2021, Council approval is required for a Municipal Accommodations lease or license in excess of 10 years (not including a five-year option to renew); or $2,000,000 in combined Base Rent, proportionate Operating Costs and Tenant Improvements. As the proposed lease will incur over $2,000,000 in rent and operating costs, it requires Council approval.

## IMPLICATIONS OF THE RECOMMENDATIONS

If the proposed lease is approved, the St. Boniface Library will remain in its current location, thereby providing uninterrupted service to the citizens of St. Boniface and Winnipeg. This will also avoid potential costs for moving and tenant improvements associated with any relocation.

The new base rent, effective July 1, 2022, will increase $1 per square foot (psf) for each rate renewal period (i.e. an additional $1 psf for each of years 1 to 4; years 5 to 7; and years 8 to 10). This will result in an increase in accommodation charges to the Community Services Department, Library Services Branch, of approximately $271,434.00 over the term (i.e. total base rent will increase from $1,910,038.20 to $2,181,472.20). Operating costs are estimated at $137,145.60 per annum.

There are no environmental, regulatory, operational, human resource or other implications of this report.

## HISTORY/DISCUSSION

On October 28, 1988, the City of Winnipeg (the “City”) entered into a 10-year lease for the use of 14,286 square foot of space at Unit 100-131 Provencher Boulevard, commonly known as the St. Boniface Library. The initial term of the agreement included a lease rate of $12.25/sq. ft. for the 10-year term, with the option to renew for an additional two five-year terms.

The Committee on Finance and Administration approved the first renewal on May 9, 1997, and extended the lease term from July 1, 1997, to June 30, 2002, with a reduced rental rate of $11.50/sq. ft., which was a result of the City undertaking improvements (new flooring), and reducing the parking allotment from 20 down to 11. The second renewal was approved on January 10, 2002, by the then Standing Policy Committee on Property and Development, maintaining the rental rate of $11.50 per square foot and extending the term until 2007.

In 2006, before the second renewal term had expired, the property changed ownership and the original lease was assigned to the new owner (131 Provencher Holdings Ltd.). As such, a third additional five-year term was requested, and approved by the Standing Policy Committee on Property and Development on June 6, 2006. The rate remained unchanged, ($11.50 per square foot) and the term was to end on June 30, 2012.

On September 28, 2011, Council approved a new 10-year lease at the following base rates:

i. July 1, 2012, to June 30, 2016 - $11.62/sq. ft. - $166,003.32 per annum
ii. July 1, 2016, to June 30, 2019 - $12.62/sq. ft. - $180,289.32 per annum
iii. July 1, 2019, to June 30, 2022 - $13.37/sq. ft. - $191,003.82 per annum

In early 2022, with the lease agreement subject to future expiration, the Municipal Accommodations Division reviewed the City's portfolio for suitable alternate locations for the library but did not identify any existing properties satisfying the Program of Requirements (see Appendix A - Vacant Civic Properties).

Additionally, the Public Service undertook a market survey of existing properties that could be purchased and redeveloped by the City within the St. Boniface Ward; however, no suitable buildings were identified. Finally, the cost of a new build was compared against the proposed lease rate. Specifically, a market survey in March 2023 identified a single civic property (see Appendix A) not meeting development requirements and two parcels of land for purchase. As per Appendix B - Vacant Land for Purchase/Development by City for Library, both parcels are far smaller than is required (approximately 0.5 acre). With no viable options to buy or build elsewhere, discussion with the landlord proceeded for a lease renewal at 131 Provencher.

Though the lease expired on June 30, 2022, both parties agreed to abide by the terms and conditions of the prevailing agreement as of June 30, 2022, pending completion of the subject lease agreement.

The Public Service has negotiated the terms and conditions for another 10-year lease agreement, to expire on June 30, 2032, at the following rates:

i. July 1, 2022 to June 30, 2026 - $14.37/sq. ft. - $205,289.82 per annum
ii. July 1, 2026 to June 30, 2029 - $15.37/sq. ft. - $219,575.82 per annum
iii. July 1, 2029 to June 30, 2032 - $16.37/sq. ft. - $233,861.82 per annum

Further to the base rents indicated above, there are additional costs respecting operating expenses which are estimated at $9.60 per sq. ft., or $137,145.60 per annum.

In accordance with the Real Estate Transaction Management Framework, the Public Service conducted an external appraisal to determine the market net rental value of the proposed lease renewal. The appraisal indicated a market base rent of between $14 - $16 per sq. ft. plus operating costs which is consistent with prevailing market conditions and proposed terms for lease.

The Community Services Department is in support of the proposed 10-year lease agreement and has no concerns with the terms and conditions for the continued use of Unit 100 – 131 Provencher Boulevard.

If the proposed Terms and Conditions are approved by Council, the lease agreement will retroactively commence as negotiated, and be subject to a rent of $14.37/sq. ft, effective July 1, 2022.

**FINANCIAL IMPACT**

## Financial Impact Statement

**Date:** January 2, 2024

**Project Name:**

**First Year of Program** **2024**

Proposed Lease Agreement at 131 Provencher Boulevard, commonly known as St. Boniface Library, between the City of Winnipeg and 131 Provencher Holdings Ltd.

| | 2024 | 2025 | 2026 | 2027 | 2028 to 2032 |
|---|---|---|---|---|---|
| **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 | $ 865,774 | $ 354,775 | $ 367,150 | $ 379,708 | $ 1,823,796 |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 865,774 | $ 354,775 | $ 367,150 | $ 379,708 | $ 1,823,796 |
| Less: Existing Budget Amounts | 865,774 | 354,775 | 367,150 | 379,708 | 1,823,796 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** Direct costs represent the annual lease amount + operating costs retroactive to July 1, 2022 until June 30, 2032. Operating costs are assumed to increase per annum by a inflationary factor of 3.5%.

Mike McGinn Jan. 2, 2024

Mike McGinn, CPA, CA
Manager of Finance

## CONSULTATION

This Report has been prepared in consultation with:

- Legal Services Department (as to legal issues)
- Community Services Department
- Real Estate Division – Planning, Property and Development Department

## OURWINNIPEG POLICY ALIGNMENT

**Goal: Social Equity**
**Objective:** Build social cohesion through community development solutions, coordinated, effective partnerships, and responsive service delivery.
**Policy: 5.1 Equitable Service Access:** Provide municipal services through an age-friendly lens that promotes equitable access for all, with a focus on the youngest, oldest, and systemically disadvantaged members of the community.
**Policy: 5.7 Community Cohesion**: Promote opportunities for life-long learning and cross-cultural, inter-generational relationship-building, as a means of preventing social isolation, discrimination and racism.

## WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan, and it was determined that it is not applicable to this specific report.

## WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Goal 4: Community Well-being Supports for those in Greatest Need are Increased

## SUBMITTED BY

Department: Assets and Project Management
Division: Municipal Accommodations
Prepared by: Charles Osondu, Senior Leasing Officer
Date: January 2, 2024
File No: MA2023-034

Attachments: Schedule A – Proposed Terms and Conditions

Appendices: Appendix A - Vacant Civic Properties
Appendix B - Vacant Land for Purchase/Development by City for Library in St. Boniface Ward

## SCHEDULE A – Proposed Terms & Conditions

Lease – Unit 100-131 Provencher Blvd.

| | |
|---|---|
| **Lessor** | 131 Provencher Blvd |
| **Lessee** | City of Winnipeg (“City”) |
| **Term** | Ten (10) Year Term |
| **Option to Renew** | One (1), Five (5) year option to renew. The extension rate for the option shall be at the current market rental rates but shall not to be less than the previous years' Base Rent. |
| **Leased Area** | 14,286 square feet |
| **Fixturing Period** | None |
| **Commencement Date** | July 1, 2022 |
| **Base Rent Amount** | July 1, 2022 to June 30, 2026 - $14.37/sq. ft. - $205,289.82 per annum<br>July 1, 2026 to June 30, 2029 - $15.37/sq. ft. - $219,575.82 per annum<br>July 1, 2029 to June 30, 2032 - $16.37/sq. ft. - $233,861.82 per annum |
| **Additional Rent** | Operating Costs: $9.60/sq. ft. - $ 137,145.60.00 per annum (est. for 2022) |
| **Parking** | The Landlord shall provide, at no cost to the Tenant eleven (11) energized parking stalls to be on the existing paved Parking Lot 1 on Tache Avenue. |

Appendix A: Vacant Civic Properties

| Vacant Civic Buildings (as at March 1, 2023) | | | | |
|---|---|---|---|---|
| **Address** | **Within St. Boniface Ward** | **~Sq. Ft.** | **Future Status** | **Notes** |
| 1350 Pembina | N | 13,500 | Marketing pending | |
| 380 William Ave. | N | 28,750 | Use Pending | |
| 510 Main St. (Former Grace Café) | N | 4,200 | Temporary Use | |
| 266 Graham Ave. | N | 140,000 | Vacant | |
| 5014 Roblin Blvd. | N | 3,400 | Marketing pending | |
| 1910 Portage Ave. (Basement only) | N | 7,072 | Vacant | |
| 600 St. Mary's Road | N | 597 | Vacant | |
| 604 St. Mary's Road | N | 9,974 | Marketing pending | |
| 212 rue Dumoulin | Y | 9,462 | Vacant | Does not meet size requirements, Heritage designation prevents demolition. |
| 1520 Corydon Ave. | N | 7,400 | Marketing pending | |
| 219 Provencher Blvd | Y | 8,544 | Conditional Sale Cancelled | Does not meet size requirements, lack of wide-open space and interior load-bearing walls, multi-floor layout, not favourable for library. |
| **Total SF** | | **232,899** | | |

| Vacant Civic Land in St. Boniface Ward (as at March 1, 2023) | | | | |
|---|---|---|---|---|
| **Address** | **Within St. Boniface Ward** | **~Sq. Ft.** | **Future Status** | **Notes** |
| 825 Taché | Y | Approx. 1 Acre | Declared Surplus | Does not meet size requirement |

Appendix B: Vacant Land for Purchase/Development by City for Library in St. Boniface Ward
(as at March 15, 2022)

| Address | Land Size | Price | Comments |
|---|---|---|---|
| 510 Provencher Blvd | 0.68 acres<br>(29,813 sf) | $1,300,000 | Medium Industrial.<br>Does not meet size requirement. |
| Gaboury Place @ Des Meurons | 0.49 acres<br>(21,222 sf) | $600,000 | Medium Industrial.<br>Does not meet size requirement. |