Report of the Standing Policy Committee on Property and Development dated June 27, 2002

Proposed Lease of Third Floor, 211 Bannatyne Avenue - the former Big 4 Sales building - for the Winnipeg Police Service
File FI-2.2(32) (Vol. 8)

14. The Standing Policy Committee on Property and Development has been advised that the current lease at 294 William Avenue, the Massey Building expires October 14, 2002. Following a newspaper Expression of Interest, 211 Bannatyne Avenue is considered to be the optimum location. The relocation will result in a reduction in rent over the proposal at the current location.

The Community Relations Division of the Winnipeg Police Service have occupied 7,800 square feet on the main and second floor of 294 William Avenue for the past five years. The existing lease is scheduled to expire November 14, 2002. The Civic Accommodations Division of the Planning, Property and Development Department contacted the landlord late in 2001 to inquire about a renewal possibility.

At the same time on February 19, 2002, the Chief Financial Officer authorized the Director of Planning, Property and Development to conduct a market survey in order to identify alternative locations for the Winnipeg Police Service at 294 William Avenue.

A response from the current landlord of 294 William Avenue was received on February 28, 2002, proposing a 33% increase in the rental amount from $12.00 per square foot to $16.00 per square foot plus escalations in both operating costs and taxes.

An Expression of Interest was placed in the Winnipeg Free Press on March 18, 2002. A total of 17 locations were identified. A number of locations were inspected by both Civic Accommodations Division and the Winnipeg Police Service.

On May 16, 2002, the landlord at 294 William Avenue reduced the rental rate to $15.00 per square plus escalations in both operating costs and taxes.

On June 5, 2002, the Winnipeg Police Service selected the third floor of 211 Bannatyne Avenue as their preferred location.

The expression of interest requested 6,300 square feet of space, secure parking and a five-year term. Secure parking was requested should the property not be in close proximity to the Civic Centre Parkade.

Recently, the Winnipeg Police Service has increased the required size by approximately 1,000 square feet to accommodate further staff relocations.

An offer to lease the former Big 4 Sales building (Ashdown Store) at 211 Bannatyne Avenue was received by Shelter Canadian Properties Limited. In the offer, along with a rental rate of $13.00 per square foot plus utility escalations, an allowance of $25.00 per useable square foot was included for a Tenant Improvement allowance. Aside from the reasonable rental rate of $13.00 per square foot, the landlord has also provided a tenant improvement allowance of $188,125.00.

In order to fully amortize the tenant improvement costs, a fifteen (15) year term was required by the landlord. A shorter term was also proposed but included payback of unamortized tenant improvements should the lease be terminated. The Winnipeg Police Service has indicated that they have no objection to the longer term versus the shorter term with a payback of tenant improvements. There is provision however that the City of Winnipeg may terminate this agreement on the 5th and 10th anniversary and pay the unamortized portion of the tenant improvement costs.

The following is a summary of negotiated terms/conditions of the proposed lease:

Address	211 Bannatyne Avenue
Tenant	City of Winnipeg
Landlord	Shelter Canadian Properties Limited
Space Description	All of the Third Floor
Rentable Area, Tenant Space	8,110 square feet approximate
Rental Rate	$13.00 per square foot partial gross
Common Area Costs	Common area costs are included in the rental amount except for escalations in utility costs
Taxes	Included
Parking	None provided within the lease.
Term	Fifteen (15) years
Tenant Improvements	A tenant improvement allowance of $25.00 per square foot is provided.
Termination Clause	On the 5th and 10th anniversary with a payback of unamortized tenant improvements.

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211 Bannatyne Avenue is a Grade III historical building, which met all of the criteria of the Expression of Interest along with the proximity to the Public Safety Building and the Civic Centre Parkade

The Standing Policy Committee on Property and Development recommends:

I. That the lease of the Third Floor of 211 Bannatyne Avenue be approved in accordance with the terms and conditions as negotiated, incorporating such other terms and conditions deemed necessary by the City Solicitor/Manager of Legal Services in order to fulfill the intent of Council.

II. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.