



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

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| TO: | Mayor and Members General Issues Committee |
| COMMITTEE DATE: | May 20, 2015 |
| SUBJECT/REPORT NO: | Lease Renewal Agreement – Suite 300, 21 Hunter Street East, Hamilton (PED15066) (Ward 2) |
| WARD(S) AFFECTED: | Ward 2 |
| PREPARED BY: | John Hamilton (905) 546- 2424 Ext. 7045 |
| SUBMITTED BY: | Jason Thorne General Manager Planning and Economic Development Department |
| SIGNATURE: | |

RECOMMENDATION

- (a) That a Lease Renewal Agreement with Office Mortgage Investments Inc. (the “Landlord”) for the space occupied by Public Health Services being Suite 300, 21 Hunter Street East, Hamilton (see Appendix “A” to Report PED15066), substantially based on the terms and conditions contained in attached Appendix “B” to Report PED15066, and such other terms and conditions deemed appropriate by the General Manager, Planning and Economic Development, be approved;
- (b) That the rents and any other costs related to the lease, including Real Estate and Legal Fees (\$4,790 to be credited to Account No. 45408-3560150200), be funded from Account No. 55358-791410;
- (c) That the Mayor and City Clerk be authorized and directed to execute all necessary documents, and in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

Public Health Services has operated its Alcohol, Drug and Gambling Services Section from offices space located at 21 Hunter Street East since 1985. The City has exercised its option to renew the lease for another five years and negotiated a further option of five years. Terms of this renewal, acceptable to Public Health, have been agreed to by the Landlord. Staff are seeking Council approval to proceed.

Alternatives for Consideration – See Page 3

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Net lease payments of \$29,282 in year one and growing annually to \$34,606 in year five, are to be paid monthly. These costs plus common expenses of approximately \$9.50 p.s.f. (\$50,578) per annum will be funded from Account Number 55358-791410. The client department will also be charged a fee of \$4,790, credited to account No. 45408-3560150200 (Civic Property Purchases and Sales) for Real Estate and Legal Services fees.

Staffing: Real Estate Services will be involved in the negotiation of final terms and conditions of the Lease Renewal Agreement.

Legal: Legal Services Division will be involved in the development of the Lease Renewal Agreement through to its completion.

HISTORICAL BACKGROUND

Hamilton-Wentworth Regional Council approved a five year lease at the subject location on May 3, 1988. On April 27, 1993, Regional Council approved Report HEA-93-023, authorizing a five year lease renewal. In October 1999, Regional Council approved a three year lease renewal from May 1, 1998 to April 30, 2001.

By Delegated Authority Report dated October 26, 2000, the lease was renewed until December 31, 2005, and with an increase in space from 3,674 s.f. to 4,400 s.f. By Delegated Authority Report dated April 14, 2005, the lease was further renewed to December 31, 2010 – at that time, the space was re-measured in accordance with the new BOMA standard, resulting in an increase of the space size to 5,324 s.f. but also a corresponding reduction in the rental rate. By Delegated Authority Report dated June 26, 2010, the lease was renewed until December 31, 2015, and including a further renewal option.

Real Estate was requested by Public Health to exercise the City's option to renew the lease and to negotiate the terms of a renewal.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The programs delivered by Alcohol, Drug and Gambling Services are 100% funded by the Province. Due to the highly sensitive and confidential nature of these programs, it is not suitable to incorporate these services and office space with other municipal services and spaces.

RELEVANT CONSULTATION

- City Manager's Office, Legal Services Division, and,
- Public Health Services Department, Clinical and Preventive Services Division.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Public Health Services has been at this location since 1985, occupying the entire third floor since 2000. The current term of this lease expires in December 2015. The intent of this Lease Renewal Agreement is to continue to operate the addiction programs independently of other downtown Public Health locations.

Real Estate has negotiated a renewal of the lease on behalf of Public Health whereby net rent for the first year will be \$5.50 p.s.f (\$29,282), and grow \$0.25 each year to \$6.50 p.s.f. (\$34,606) in year five. Common expenses will amount to approximately \$9.50 p.s.f. These terms are similar to the current agreement, with minor increases in rent, and offer the City substantial value. The rented space is currently exempt from municipal taxes as it is designated a municipal capital facility. The City has a right to rent six surface parking spaces at market rent. Further, the City has the right to terminate the lease early at any time without penalty, upon providing nine months' written notice.

Real Estate staff considers the terms and conditions of the agreement to be fair, reasonable and at market value.

ALTERNATIVES FOR CONSIDERATION

As part of the lease renewal review process, Real Estate consulted with Public Health on alternatives, including the potential for relocation and consolidation. At this time there are no alternatives that would be more cost effective than the recommendations. Factors in this consideration were the nature and location requirements of the unique services, moving and fit-up costs, and rental costs in alternative locations.

If the recommendations are not adopted, the City will face a logistical issue in that the existing lease may expire prior to securing an alternative, and the cost is likely to be higher.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED15066 – Location Map

Appendix “B” to Report PED15066 – Major Terms and Conditions

JH/sd