



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Energy, Fleet & Facilities Management Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 7, 2017
SUBJECT/REPORT NO:	Accommodation at 50 Main Street East, Floors 3 to 5 (PW17044) (Ward 2 and City Wide)
WARD(S) AFFECTED:	Ward 2 and City Wide
PREPARED BY:	Robyn Ellis 905-546-2424, Extension 2616
SUBMITTED BY:	Rom D'Angelo, C.E.T.; CFM Director, Energy, Fleet and Facilities Management Public Works Department
SIGNATURE:	

RECOMMENDATION

- (a) That the additional cost of \$2,570,00 for the Tenant Fit-up Renovations for Floors 3 to 5 at 50 Main Street East, Hamilton, as described in Report PW17044, be funded as follows;
 - (i) \$1,000,000 from the McMaster Facility Capital Reserve #108039;
 - (ii) \$1,570,000 to be debt financed over 15-years and the annual debt charge (approximately \$150,000) be funded from the annual budgeted lease cost savings starting in 2018 and 2019 (per 2017 budget - \$317,290);
 - (iii) That the residual budgeted lease cost savings identified in #2 above be used first to fund existing Capital funding requirement shortfalls for this portion of the project, second, any increase in budgeted operating costs for this project and third, to the newly renamed 50 Main St East Facility Capital Reserve #108039;
- (b) That the Tenant Fit-up Renovations for Floors 3 to 5 at 50 Main Street East, Hamilton, begin immediately in 2017 with the Construction Manager currently onsite performing renovations, Eastern Construction Company Limited., subject to subsections (e) and (f);
- (c) That Real Estate staff from the Planning and Economic Development Department, in consultation with Facilities Management and Legal Services staff, be authorized and directed to:

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

**SUBJECT: Accommodation at 50 Main Street East, Floors 3 to 5 (PW17044)
(Ward 2 and City Wide) ~ Page 2 of 13**

- (i) Terminate the lease agreement for space currently occupied by Legal Services on the 12 floor of 21 King Street West, in accordance with the terms and conditions of the lease agreement, and in a timeframe consistent with the recommended fit up and move;
- (ii) Allow the lease agreement for space currently occupied by Risk Management on the 11th floor of 21 King Street West to expire and not to renew on August 31, 2019;
- (d) That the General Manager, Planning and Economic Development be authorized and directed to execute all necessary documents relating to the termination and/or expiry of City leases at 21 King Street West, in a form satisfactory to the City Solicitor;
- (e) That pursuant to the City's Procurement Policy By-law (Policy #11 - Non-competitive Procurements), a single source procurement for the renovation of floors 3 to 5 of 50 Main Street East, Hamilton, to accommodate Legal Services, Risk Management and Audit Services, with budget increases as outlined in Appendix A to be awarded to:
 - (i) The Construction Manager currently onsite, Eastern Construction Company Limited;
 - (ii) The current Design Architect for the site, INVIZIJ Architects Inc.;
- (f) That the General Manager of Public Works be authorized and directed to negotiate, enter into and execute all required documentation to implement the single source procurements described in subsection (e), in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

On August 13, 2012, City staff was informed by the Ontario Realty Corporation (ORC) that this would be the final lease renewal of the John Sopinka Courthouse. On November 20, 2013, GIC approved the Recommendation Report (PED13204) (PW13079) (LS13035) (FCS13090) (City Wide), later approved by Council. This included approval and budget to renovate 50 Main Street East, which was approved as the new location of the Provincial Offences Administration (POA) courtrooms and offices along with other municipal divisions/departments on floors 1 and 2. As of the writing of this report, demolition work at 50 Main Street East has been completed and construction is well underway for floors 1 and 2, following the award of the Construction Manager Contract C11-15-15 to Eastern Construction Company Limited ("Eastern") through a public Request for Proposals ("RFP") process.

There is capacity within the project with the current construction manager to complete the added fit-up of the 3rd, 4th and 5th floors to house compatible City of Hamilton Division/Sections and project team staff are of the view it is cost-effective and beneficial

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

for the City to do so. There will be no City tax levy implication as a result of approving the recommendations in PW17044.

The purpose of this report is to provide recommendations with respect to the use of the balance of the Courthouse building, floors 3 through 5, for other City office functions. The project team engaged Colliers Project Leaders Inc. (formerly MHPM) to do a further analysis starting Q3 2016 to determine the feasibility of relocating candidate Departments or Divisions in Q2/Q3 2018 which currently occupy leased facilities.

The following is the multi-point rationale for increasing the scope of the POA Renovation to include tenant accommodation of Legal Services, Risk Management and Audit Services on floors 3 to 5 of 50 Main Street East, extending project costs beyond the \$32.38 M originally approved by Council:

- Financial payback from Lease Savings
- Effective Project Timing
- Tenant Suitability & Beneficial Synergies
- Economic and Effective Use of City Owned Space

The above rationale for upper floor accommodation at 50 Main Street East is expanded upon in detail within the report, for example details around lease savings. Over the 15-25 year period of our analysis, relocating Legal Services, Risk Management and Audit Services to 50 Main Street East will reduce the lease costs for the three Divisions by 25% to 35%, saving about \$10M over 25 years as compared to remaining in the existing spaces. The business case for these savings is made in Appendix A –Business Case for Accommodations in POA Courthouse, a report by Colliers Project Leaders Inc. (formerly MHPM).

If the three Divisions move to 50 Main Street East at a later date, the cost of construction is expected to be about 30-40% more expensive because there will be additional overhead, premiums for night work and security, and the construction period will be longer because night work is less productive. It is important to utilize the same contractor for the accommodation renovations in order to avoid the legal conflict of constructor issues on the construction site.

Alternatives for Consideration – See Page 11

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial:

There will be no City tax levy implication as a result of approving the recommendations in PW17044. Table 1 below is a summary of the project costs/funding to date including the proposed Tenant Fit-up Renovation costs detailed in this report. The proposed Tenant Fit-up Renovation costs for floors 3 to 5 total \$2,570,000. \$1M of this cost would be funded from the current balance contained in the McMaster Facility Capital Reserve (balance as at March 31, 2017 = \$1,019,194). This would leave a \$19,194 balance in

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

**SUBJECT: Accommodation at 50 Main Street East, Floors 3 to 5 (PW17044)
(Ward 2 and City Wide) ~ Page 4 of 13**

the Reserve which staff is renaming as the “50 Main St East Facility Capital Reserve”. \$1.57M would be debentured over a 15-year period which would cost approximately \$150,000 per year over a 15-year period. Staff are recommending that the annual \$150,000 debt charge be funded from the annual operating budget lease cost savings (2017 = \$317,000) from the Legal Services and Risk Management Program areas. The budgeted operating cost for 50 Main St East for 2017 as a vacant building is \$322,000 for the entire building. This amount will be prorated to the new City program areas moving in to the renovated facility, including operating budget from POA plus operating costs for any additional office functions on floors 3 through 5.

**Table 1
POA Project Cost/Funding Update**

	Budget	Funding	Funding Details
November 2013 FCS13090(a) Original - Construction and related	\$32,380,000	\$17,000,000 \$10,480,000 \$4,900,000	Additional Net POA revenues and POA related lease cost savings (\$180k) Debt - Levy funded \$1.04M yr Hamilton Community Energy
December 2015 PW13079c Window insulation	\$500,000	\$500,000	Red Light Camera Reserve
2017 Tenant Fit-up Renovations floors 3 - 5 re; Legal, Risk Management and Audit	\$2,570,000	\$1,000,000 \$1,570,000	McMaster Facility Capital Reserve Budgeted Lease costs - Legal and Risk Management (\$256,330+\$60,960=\$317,290) Debt Costs = \$150,000 approximately \$167,000 residual.
Total	\$35,450,000	\$35,450,000	

Therefore, the identified 2017 lease cost savings of \$317,000 will be used to fund the following starting in 2018;

1. \$150,000 of the \$317,000 will be used to fund the debt charges pertaining to \$1.57M of the Tenant Fit-Up Renovations for floors 3 to 5.
2. The balance of the savings (\$167,000) on an annual basis would be used first to fund any existing Capital funding requirement shortfalls for this portion of the project, (Accommodation at 50 Main Street East, Floors 3 to 5).
3. If #2 above does not require additional funding, then any annual increase in budgeted operating costs for floor 3 – 5 would be funded.
4. And last, any residual funding would be deposited annually to the newly renamed 50 Main St East Facility Capital Reserve #108039.

The business case to renovate levels 3 to 5 at 50 Main Street East is based on annual lease savings by locating staff to the owned facility from leased facilities, a decision which saves the City annual operating funds. It does not impact the decision respecting the POA to renovate the first two floors of 50 Main Street East approved by Council

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

January 29, 2014. Based on the most current estimates, the capital cost for design, fit-out construction, moving and other costs for levels 3 to 5 at 50 Main Street East can be budgeted at \$2.57M. This is based on a unit cost of \$108/USF for tenant fit-up of the upper floors which is consistent with the typical unit costs for interior renovation projects at this time in Hamilton.

The original project budget of \$32.8M has been updated since initial tender packages have been awarded as part of construction management. As part of the existing budgeted renovation, base-building renovation has already been budgeted for floors 3 to 5. The existing updated budget includes items such as electrical wiring and HVAC for floors 3 to 5, however does not include items such as tenant fit-up of floors 3 to 5.

Staffing:

There are no new staffing implications associated with this Report. Staffing for additional courts and POA operations was covered within the previous report: Relocation of Provincial Offences Administration (POA) Courtrooms and Offices (PED13204) (PW13079) (LS13035) (FCS13090) (City Wide), November 20, 2013.

As it relates to Facilities operations and maintenance, there are no new staffing implications when this building comes back on line in 2018. Over the past five years we have seen an increase in the facilities stock to over 500 facilities, without the offsetting request to increase staff. This creates a gap in the relative needs in sustaining, maintaining and operating the building systems within the existing and the new stock of facilities. Meanwhile, existing facilities face a growing backlog of deferred capital. While recognizing the need to be frugal and responsible in managing resources, the staff originally stationed 50 Main St. East was redeployed during construction to help address the backlog at the other sites, this move provided management the flexibility to schedule work and avoid outsourcing of services at these site thereby avoiding a higher cost. Staff will now be moved back to 50 Main St. East to operate & maintain the 50 Main St. East facility upon completion of construction.

Legal:

There are no new legal implications associated with this Report. All agreements will be in a form acceptable to the City Solicitor. Lease termination provisions will be followed. There will be no constructor issues under the Occupational Health and Safety Act as long as the same contractor is used for all of the accommodation renovations.

HISTORICAL BACKGROUND

On August 13, 2012, City staff was informed by the Ontario Realty Corporation (ORC) that this would be the final lease renewal of the John Sopinka Courthouse. The reason provided was identified as the escalating and projected demands for courtrooms and related space in the JSCH.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

**SUBJECT: Accommodation at 50 Main Street East, Floors 3 to 5 (PW17044)
(Ward 2 and City Wide) ~ Page 6 of 13**

On November 20, 2013, GIC approved the Recommendation Report (PED13204) (PW13079) (LS13035) (FCS13090) (City Wide), later approved by Council. This included approval and budget to renovate 50 Main Street East, which was approved as the new location of the Provincial Offences Administration (POA) courtrooms and offices along with other municipal divisions/departments on floors 1 and 2. These renovations are currently underway.

On January 17, 2014 Information Report (PED13204b) (PW13079b) (LS13035b) (FCS13090b) (City Wide) first considered occupancy for the upper floors, floors 3 to 5, of 50 Main St. East. This included a preliminary assessment of some Divisions which might be relocated to the upper floors.

In Q3 2016, the project team engaged Colliers Project Leaders Inc. (formerly MHPM) to do a further analysis to determine the feasibility of relocating candidate Departments or Divisions which currently occupy leased facilities. Please refer to Appendix A – Business Case for Accommodations in POA Courthouse, a report by Colliers Project Leaders Inc. (formerly MHPM) which concluded Q2 2017.

After a preliminary review, Colliers Project Leaders Inc. determined that the specialized facility security requirements and amount of available space in the Courthouse building made it impractical for some of the Divisions considered. Therefore, a short-list of Divisions was developed for further analysis including Legal Services, Risk Management and Audit Services. The further analysis included:

- Developing a functional program to define the spaces required for the next 15-25 years,
- Developing test-fit diagrams to confirm the adequacy of the space;
- Developing cost estimates for the construction and relocation;
- Developing a business case analysis to assess cost savings for each unit.

This analysis concluded that lease cost savings would be realized by relocating all of the short-listed Divisions (Legal, Risk and Audit) to the Courthouse building. These moves will provide a starting point for a phased Downtown Accommodation Strategy.

Demolition work at 50 Main Street East has been completed and construction is well underway for floors 1 and 2, following the award of the Construction Manager Contract C11-15-15 to Eastern through a public RFP process. The latest project schedule indicates that substantial performance is anticipated for Q2 2018. POA are currently scheduled to move into their new location in Summer 2018 and to commence court operations at 50 Main Street East August 2018.

In 2017, it is anticipated that all subcontractor contracts on the current renovation project at 50 Main Street East will be approaching completion. There is therefore capacity within the project with the current construction manager, Eastern, to complete the added fit-up of the 3rd, 4th and 5th floors to house compatible City of Hamilton

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

Division/Sections. This added scope cannot be easily completed once the POA Courthouse is occupied and operational.

➤ Design

The latest design for floors 1 and 2 is an expansion from the current POA courtrooms which includes 4 courtrooms, 15 intake, early resolution and settlement rooms, and a shelled area for a possible future courtroom. Rotating judicial chambers and office space for court administration and prosecution are also included in the design. This is an expansion from the current capacity of the POA which addresses current needs, while also providing room for expansion in the future, meanwhile not oversizing the design. Floors 3 to 5 have yet to be designed, with the exception of electrical and HVAC infrastructure which have been roughed in as base building renovations. Block diagrams have been used to demonstrate test-fit for various tenants on floors 3 to 5.

➤ Past Council Reports

Past council reports regarding the relocation of Provincial Offences Administration (POA) courtrooms and offices are as follows:

1. Relocation of Provincial Offences Administration (POA) Courtrooms and Offices (PED13204) (PW13079) (LS13035) (FCS13090) (City Wide)
November 20, 2013
Recommendation Report
Key recommendations of the report include the following:
 1. Option 1: Renovation of 50 Main Street East, be approved as the new location of the Provincial Offences Administration (POA) courtrooms and offices along with other municipal divisions/departments.
 2. Analysis of 3 options and reasons why Option 1 is the least costly option to accommodate the POA offices
 3. Short Term and Long Term Feasibility Studies
 4. Provided the funding strategy for Option 1 (\$32.38 M), Amended per approved PW Committee Report 13-003
 5. Historical background on the POA
 6. MHPM Feasibility reports
2. Relocation of Provincial Offences Administration (POA) Courtrooms and Offices (PED13204b) (PW13079b) (LS13035b) (FCS13090b) (City Wide)
January 17, 2014
Information Report
Key content within the report includes the following:
 1. Response to the queries raised by Councillors regarding the preferred option of the relocation of POA courtrooms and offices to 50 Main Street East.
 2. Summary of additional POA revenues and savings

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

3. Construction model
 4. Tenants and total area
 5. Financing details
3. Relocation of Provincial Offences Administration (POA) Courtrooms and Offices (PW13079c) – City Wide (Outstanding Business List Item)
November 27, 2015, (postponed to December 4, 2015)
Recommendation Report
Council direction to proceed with \$500,000 for the installation of insulation for the Provincial Offences Administration Offices and Courtroom building envelope, approved by Council December 10, 2015, to be funded from the Red Light Camera Reserve account #112203, and be incorporated into the 2016 Capital Budget.
Key content within the report includes the following:
1. Project update –award of a construction manager
 2. Summary of additional POA costs for replacement of windows & curtain wall (not approved)

Pending Council approval, the project team has an opportunity to begin this newly added work to accommodate Legal, Risk and Audit on floors 3 to 5 of 50 Main Street East while the contractor is already mobilized onsite for the approved renovations to the building.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

➤ Single Source

The recommendation of a single source is consistent with Procurement Policy #11, Non-competitive Procurements. Public RFPs were utilized originally to procure an Architect, INVIZIJ Architects Inc., and a Construction Manager, Eastern. These public processes facilitated a competitive and transparent process as per the City's Procurement Policy and processes recommended by the City of Hamilton Procurement Section. It is recognized that, with construction already underway at 50 Main Street East, it is cost-effective and beneficial for the City to continue to work with the current Construction Manager and Design Architect for the completion of the tenant fit-up renovations for floors 3 to 5. In accordance with Procurement Policy #11, Council approval is being requested given that the recommended single source procurement is of a value of greater than \$250,000.

➤ Facility Design

There are no new policy implications associated with the design of the facility. The recommendation is in compliance with all existing Corporate and Provincial policies and procedures, The Memorandum of Understanding and the Local Side Agreement (POA transfer documents), and the Province of Ontario Architectural Design for Court Houses.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

A design that is consistent with Standards and Guidelines as well as heritage conservation will be developed to address the interior renovations of floors 3 to 5. The design will also take into account all applicable policies (e.g. The Accessibility for Ontarians with Disabilities Act (AODA), Ontario Building Code (OBC), etc.) and develop an approach that minimizes impact on the heritage features and is compatible with heritage value.

RELEVANT CONSULTATION

The following Departments/Divisions/Sections have reviewed and contributed to this report:

- City Manager's Office, City Clerk (with respect to informing past Council reports)
- City Manager's Office, Human Resources
- Corporate Services, Audit Services
- Corporate Services, Financial Planning and Policy
- Corporate Services, Finance & Administration
- Corporate Services, Legal Services
- Corporate Services, Procurement
- Corporate Services, Customer Service and POA
- Corporate Services, Risk Management (now part of Legal Services)
- Planning & Economic Development, Real Estate
- Planning & Economic Development, Development Planning, Heritage and Design (with respect to informing past Council reports)

External agencies were consulted for past reports, including but not limited to: Justices of the Peace (reporting to Ministry of the Attorney General), Colliers Project Leaders Inc. (formerly MHPM), HCE (Hamilton Community Energy), sub to Hamilton Utilities Inc. (HUC), McMaster University (with respect to informing past Council reports), Hamilton Municipal Heritage Committee.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Final recommendation to proceed with Option 1: Renovation of 50 Main Street East was approved by Council January 29, 2014. This was based on lowest cost per square foot concluded by two feasibility studies conducted by MHPM Project Leaders, included as Appendices to the original Council Report dated *November 20, 2013* (PED13204) (PW13079) (LS13035) (FCS13090) (City Wide). The studies concluded that the City not delay the implementation and completion of the long term solution for POA offices. This was based on the City's need to start receiving the revenue stream from the increased demand on the POA offices as soon as possible.

RFP number C11-15-15 for Construction Manager for POA Renovations has been awarded. The RFP award was based on the initial scope of work for \$32.38M. The existing updated budget includes items such as electrical wiring and HVAC for floors 3 to 5, however does not include items such as tenant fit-up of floors 3 to 5.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

**SUBJECT: Accommodation at 50 Main Street East, Floors 3 to 5 (PW17044)
(Ward 2 and City Wide) ~ Page 10 of 13**

The following is the multi-point rationale for increasing the scope of the POA Renovation to include tenant accommodation of Legal, Risk and Audit on floors 3 to 5 of 50 Main Street East, extending project costs beyond the \$32.38 M originally approved by Council:

➤ Financial Payback from Lease Savings

Over the 15-25 year period of our analysis, relocating Legal Services, Risk Management and Audit Services to 50 Main Street East will reduce the lease costs for the three Divisions by 25% to 35%, saving about \$10M over 25 years as compared to remaining in the existing spaces. The business case for these savings is made in Appendix A –Business Case for Accommodations in POA Courthouse, a report by Colliers Project Leaders Inc. (formerly MHPM). There is the potential to realize additional tax revenues pending the confirmation of the relocation strategy.

Lease costs of Risk Management and Legal Services at 21 King West will be saved upon lease termination. The lease budgets of Risk Management and Legal Services are \$60,960 and \$256,330 respectively. Audit Services occupies a portion of Suite 400 with Public Works for a total lease budget of \$109,380. Vacated Audit Services space at 77 James will be re-occupied by other City occupancy requirements until the lease expires in 2021.

➤ Effective Project Timing

With the Construction Manager, Eastern, currently mobilized onsite at 50 Main Street East, there is a cost savings to the City to approve renovations while construction is underway.

If the three Divisions move to 50 Main Street East at a later date, the cost of construction is expected to be about 30-40% more expensive because there will be additional overhead, premiums for night work and security, and the construction period will be longer because night work is less productive. It is important to utilize the same contractor for the accommodation renovations in order to avoid constructor issues on the construction site. Continuity of the renovations will also help to ensure that renovations are completed before the POA operations at 50 Main Street East commence in late August 2018 and allow for well-coordinated moves into the building.

➤ Tenant Suitability & Beneficial Synergies

The tenants Legal, Risk and Audit proposed for 50 Main Street East are suitable tenants based on the criteria of size, security compatibility, tenant functionality and lease costs.

The three floors combined provide a gross floor area of 31,200 sf, which includes ancillary spaces, lobbies and service areas, deducting these non-usable spaces, leaves approximately 21,750 useable square feet (USF) available for office development.

The POA Courthouse will have security provided by the Hamilton Police Service. All persons entering the building (staff and general public) will enter at a single entry point

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

where they will be screened by Police using a walk-through metal detector. From a security perspective it will be imperative to minimize the number of people entering the building on an ongoing basis. From a client service perspective, Divisions that require daily public interactions should not be located in the facility because of the disruptive effect of this security screening on members of the public.

In addition to the consideration of tenant suitability, there are beneficial synergies that the City can realize by locating Legal, Risk and Audit at 50 Main Street East. The Prosecution Unit serving the POA Court Services would be close to Legal Services, to which it reports. Legal Services and Risk Management remain close to each other in order to support their ongoing collaborative work. Risk Management was recently made part of Legal Services through City reorganizations.

➤ Economic and Effective Use of City Owned Space

The proposed plan to accommodate Legal, Risk and Audit on floors 3 to 5 of 50 Main Street East is an economic use of the City's owned space. Without internal tenant opportunities, the City will be unlikely to achieve market rent and may not be able to find tenants for the top three floors of 50 Main Street East. This is because of the challenge of having to pass through building security to access the spaces. Leaving the upper floors of 50 Main Street East vacant would leave the City bearing the operating costs for that portion of the building, estimated to be about \$260,000 with no tenants.

There is an opportunity to gain efficiencies of scale in providing common meeting rooms and staff facilities such as lunch rooms, first aid rooms, etc. and align work spaces to the City's space standard. Furthermore, relocating Audit Services would free up space at 77 James Street North that could relieve space pressures in other departments at that location, avoiding the need to lease additional space. The space available in the upper floors of 50 Main Street East will have a modest vacancy which will also allow for necessary ongoing flexibility for the City Divisions over the 15-25 year period used in our analysis.

The economic and effective use of space as proposed by moving Legal, Risk and Audit to the upper floors of 50 Main Street East helps to provide opportunities and set the stage for the first phase of the Downtown Accommodation Strategy.

ALTERNATIVES FOR CONSIDERATION

This report strictly addresses recommendations of accommodations on the upper floors of 50 Main Street East.

Alternative #1 – keep floors 3 to 5 vacant

As an alternative, the project can proceed within the original project budget without accommodating tenants on floors 3 to 5 of 50 Main Street East. Legal, Audit and Risk can stay in the current leased location. However, this alternative is not recommended as it misses an opportunity of utilizing the Construction Manager currently onsite while the

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

facility is closed for construction within the original project scope. Also, without accommodating tenants on the upper floors it would not be possible to ensure the following:

- Financial Payback from Lease Savings
- Effective Project Timing
- Tenant Suitability & Beneficial Synergies
- Economic and Effective Use of City Owned Space

Leaving the upper floors of 50 Main Street East vacant would leave the City bearing the operating costs for that portion of the building, estimated to be about \$260,000 annually with no tenant.

If the three Divisions move to 50 Main Street East at a later date, the cost of construction is expected to be about 30-40% more expensive because there will be additional overhead, premiums for night work and security, and the construction period will be longer because night work is less productive.

Alternative #2 – Other City Tenants

Other potential 50 Main Street East tenants currently paying leases elsewhere were considered as part of this report such as Human Resources, Return to Work and Finance. The tenants Legal, Risk and Audit proposed for 50 Main Street East are the most suitable tenants based on the criteria of size, security compatibility, tenant functionality and lease costs.

Alternative #3 – Issue a RFP for Fit-Up of Floors 3 to 5

An alternative to approving a Procurement Policy #11 and single sourcing Eastern Construction Co. Ltd. and INVIZIJ ARCHITECTS INC. and would be to issue a competitive RFP for a Construction Manager/General Contractor and Architect. For this project, it is recognized that construction has already advanced where it is cost-effective and beneficial to the City in keeping continuity with resources already mobilized onsite. The impact of RFPs at this stage would mean a delay to the project schedule, higher costs and potential constructor issues under the Occupational Health and Safety Act. Therefore the RFP alternative is not recommended by the project team.

ALIGNMENT TO THE 2016 – 2025 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.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.

Strategic Objective

- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 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.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

- 3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix A – Business Case for Accommodations in POA Courthouse, a report by Colliers Project Leaders Inc. (formerly MHPM)

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

OUR Priorities: Community Engagement & Participation; Economic Prosperity and Growth; Healthy and Safe Communities; Clean and Green; Built Environment and Infrastructure; Culture and Diversity and Our People and Performance.