



## City of Hamilton

# Report for Information

**To:** Chair and Members  
Audit, Finance and Administration Committee

**Date:** May 7, 2026

**Report No:** PED26077

**Subject/Title:** Corporate Real Estate Leases and Licences Audit – Status Update

**Ward(s) Affected:** City Wide

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## Recommendations

That Report PED26077, respecting Corporate Real Estate Leases and Licenses Audit – Status Update (City Wide) **BE RECEIVED** for information.

## Key Facts

- The purpose of this Information Report is to provide a status update on the Corporate Real Estate: Audit of Lease of Space at Pier 7, 121 Haida Drive (formerly 47 Discovery Drive) recommendations and management responses.
- In 2025, the Office of the Auditor General performed an audit of the lease of space at Pier 7, 121 Haida Drive (formerly 47 Discovery Drive) which concluded that while lease terms negotiated were reasonable, opportunities existed to improve

administration, documentation, and communication to Council during the negotiation and ratification process.

- The Office of the Auditor General made four recommendations, from which management developed responding action items. This Report provides an update on the implementation of these actions and next steps.
- In addition, this Report provides a further status update on the broader Corporate Real Estate: Leases and Licensing Audit recommendations approved by Council in September 2024.

## **Financial Considerations**

Not applicable.

## **Background**

On October 2, 2025, Report AUD25008 was presented at Audit, Finance and Administration Committee, detailing four recommendations and management responses resulting from an internal audit of leasing of space at Pier 7, 121 Haida Drive (the space currently known as Williams Fresh Café).

As described in Report AUD25008, the Office of the Auditor General performed an audit to review the process and analysis leading up to the City entering into a lease with Williams Leasing for the City-owned property operating as Williams Fresh Cafe in order to assess efficiency and effectiveness, and to evaluate and comment on the reasonableness of the lease terms and conditions from a value for money perspective.

The Office of the Auditor General made four recommendations to address the key audit findings, with a focus on strengthening governance, transparency, and due diligence in high-profile lease negotiations through improved utility cost assessment, clearer procurement and Council-approval protocols, enhanced market rent justification, and consideration of industry-standard leasing practices within a centralized lease administration framework.

As approved by Council at its meeting of October 2, 2025, through Audit, Finance and Administration Committee Report AUD25008, staff were further directed as follows:

“That the General Manager of Planning and Economic Development be directed to implement the management responses (contained in Appendix “C” to Report AUD25008) and report back to Audit, Finance and Administration Committee by April 30, 2026, on the nature and status of actions taken in response to the Audit Report.”

## **Analysis**

### *Corporate Real Estate: Audit of Lease of Space at Pier 7, 121 Haida Drive*

The Council-approved audit recommendations and management responses related to the lease of space at Pier 7 focused on four aspects of the City’s leasing of space:

1. Individual metering of tenanted units for accurate utility cost recovery;
2. Alignment with the City’s Procurement Policy;
3. Inclusion of appraisals or market rent studies in reports to Council; and,
4. Consideration of offering tenant inducements to attract prospective tenants.

Actions taken to date to address the recommendations are summarized below, with additional details and timelines for full implementation included in Appendix A.

Building on previous analysis completed with respect to the feasibility of installing separate utility metering for the Williams Fresh Cafe space, staff have reviewed municipal best practices and are developing a framework for assessing the cost versus benefit of separate metering in City-owned facilities that are leased out. This framework includes factors related to the functional layout of the facility, such as the extent of shared spaces or publicly accessible areas that the tenant may be responsible for.

With respect to alignment with the City's Procurement Policy, in particular Policy 11 - Non-Competitive Procurement and Schedule B - Exemptions to the Procurement Policy, Corporate Real Estate staff have reviewed municipal comparators related to delegated authorities for lease and license transactions. This will be further examined as part of the broader centralized Lease Administration procedural and delegated authority review that is currently in progress.

Similarly, staff have conducted a jurisdictional scan with respect to whether municipalities and other public sector organizations offer tenant inducements to prospective tenants. Due to Municipal Act requirements and funding constraints, tenant inducements are not being considered at this time. Discussion of these items will be brought forward to Council at a future date as part of the broader Lease Administration policy and procedure framework that is currently under development.

With respect to the inclusion of market rent studies in future reports to Council, staff have established a standard for enhanced discussion of market conditions and the assessment of appropriate rental terms that will be included in all future reports respecting real estate transactions. This will align with Corporate Real Estate's policies and procedures, which already requires that a professional appraisal and/or market rent analysis be prepared in accordance with the Appraisal Institute of Canada's requirements. A standardized checklist and supporting documentation requirements are being incorporated into the centralized Lease Administration program (consistent with broader improvements identified in Report PED25076).

### *Corporate Real Estate: Leases and Licensing Audit*

In addition to providing an update on the implementation of the audit recommendations respecting leasing of space at Pier 7, as outlined in Report AUD25008, an overall update respecting the Corporate Real Estate Leases and Licenses Audit approved by Council in September 2024, as outlined in Report AUD24005, is also provided for awareness. A previous status update was provided to Council in September 2025 as outlined in Report PED25076.

For ease of reference, the 35 audit recommendations and associated management responses from the 2024 audit were classified into six areas of focus, which are summarized at a high level in Table 1 below. Appendix B captures these 35 recommendations and current implementation status in greater detail.

**Table 1: Audit Recommendations and Responses – Areas of Focus**

Area of Focus	High Level Description of Action Items
<b>Data Management</b>	<ul style="list-style-type: none"> <li>• Consolidate and reconcile existing lease and license data held by each responsible Department/Section.</li> <li>• Define the data collection and monitoring requirements for effective management of all leases and licenses.</li> </ul>
<b>Policies and Procedures</b>	<ul style="list-style-type: none"> <li>• Develop/update leasing and licensing policies, procedures and processes that facilitate and support cost effective and responsible leasing.</li> <li>• Develop a framework for lease decision-making, including an assessment of options where the city acquires space.</li> </ul>
<b>Oversight Structure and Service Level Agreements</b>	<ul style="list-style-type: none"> <li>• Create a dedicated and centralized Lease Administration Team within the Corporate Real Estate Office.</li> <li>• Update/develop service level agreements among the Sections involved in lease and license administration to align with the new central oversight model.</li> </ul>
<b>Standardized Agreements</b>	<ul style="list-style-type: none"> <li>• Review and develop a repository of precedent lease and license agreements, clauses and supporting documents.</li> </ul>
<b>Finance and Accounting</b>	<ul style="list-style-type: none"> <li>• Maintain and enhance monthly rent rolls and prompt identification and actioning of overdue receivables.</li> </ul>
<b>Systems</b>	<ul style="list-style-type: none"> <li>• Investigate and implement a new lease administration/ portfolio management software package that captures cross-functional responsibilities and integration.</li> </ul>

Since September 2025, the Lease Administration Team established in the Corporate Real Estate Office has advanced working groups with stakeholders across the organization to fully centralize the lease and license functions within Corporate Real Estate. The Council-approved Full Time Equivalent in Financial Planning Administration and Policy to support this work has also been filled.

With respect to data management, an interim centralized database and tracking system for all leases and licenses has been established, along with protocols for data collection and monitoring. This includes automatic notifications for upcoming expiries, renewals, and insurance reporting requirements, among other critical terms and milestones. Investigation of a new lease administration/portfolio management software package is also advancing through the City's Procurement Policy processes.

Staff are actively working on updating and/or creating Service Level Agreements with Sections involved in lease and license administration. With respect to the development of leasing and licensing policies and procedures, staff have completed jurisdictional scans and benchmarking of leasing policies, delegated authorities, market and below-market rent policies and practices, and third-party use of space policies and practices. This benchmarking is informing the development of a comprehensive Lease Administration policy and related procedures.

Overall, implementation of the 35 audit recommendations remains on track to be completed in 2026. Where these actions require further reports for consideration to Council, this is expected to occur early in 2027. Additional details respecting the status and next steps are provided in Appendix B.

## **Alternatives**

Not applicable.

## Relationship to Council Strategic Priorities

### 3.Responsiveness & Transparency

#### 3.3Prioritize customer service and proactive communication

The recommendations in this Report support Council's Priority 3 by strengthening how the City manages its lease administration portfolio and helps ensure the City's real estate portfolio is managed with greater accuracy and consistency.

## Previous Reports Submitted

[Report PED25076 Corporate Real Estate Leases and Licenses Audit: Status Update](#)

[Report AUD25008 Corporate Real Estate: Audit of Lease of Space at Pier 7, 121 Haida Drive \(formerly 47 Discovery Drive\)](#)

[Report AUD24005 Corporate Real Estate: Leases and Licensing Audit](#)

## Consultation

Not applicable.

## Appendices and Schedules Attached

Appendix A: AUD25008 Corporate Real Estate: Audit of Lease of Space at Pier 7, 121 Haida Drive (formerly 47 Discovery Drive) Status

Appendix B: AUD24005 Corporate Real Estate: Leases and Licensing Audit Status

### Prepared by:

Catherina Khadoo, Supervisor, Lease Administration, Corporate Real Estate Office,  
Planning and Economic Development

Danielle Sbeiti, Manager Real Estate Services, Corporate Real Estate Office, Planning  
and Economic Development

**Submitted and Recommended by:**

Ray Kessler, Chief Corporate Real Estate Officer, Corporate Real Estate Office,  
Planning and Economic Development

Norm Schleeahn, Director, Economic Development, Planning and Economic  
Development