

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: WARD 2
COMMITTEE DATE: January 9, 2012	
SUBJECT/REPORT NO: Lease Extension for Public Health Services - 35 King Street East / 1 Hughson Street North – Park Place Real Estate Limited Partnership (PED12013) (Ward 2)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Darlene Cole (905) 546-2424, Ext. 7910
SIGNATURE:	

RECOMMENDATIONS

- (a) That a lease extension with Park Place Real Estate Limited Partnership for the premises occupied by Public Health Services in the Right House, municipally known as 35 King Street East / 1 Hughson Street North, Hamilton, be approved with the following conditions:
- (i) **Extended Term:** From March 31, 2013 to June 30, 2014;
 - (ii) **Property:** 35 King Street East / 1 Hughson Street North, Hamilton, comprising Suites 202 and 204 on the second floor (storage space) and 32,713 square feet of office space distributed across floors 3, 4 and 6;
 - (iii) **Rental Rate:** The City shall continue to pay rent based on \$19.50 per square foot plus H.S.T. for the area occupied as office space. The second floor storage space will also remain at the current rent which is \$6.00 per square foot plus H.S.T.;

SUBJECT: Lease Extension for Public Health Services - 35 King Street East / 1 Hughson Street North – Park Place Real Estate Limited Partnership (PED12013) (Ward 2) - Page 2 of 5

- (iv) **Operating Costs:** The City shall be responsible for its share of the actual operating costs over the 2007 Base Year;
- (b) That all rent and operating costs be funded from Account No. 791403-55358;
- (c) That Legal Services be authorized to prepare a by-law under Section 110 of the Municipal Act to designate the leased space as a Municipal Capital Facility, thereby exempting the City from payment of realty taxes; and,
- (d) That the Mayor, General Manager of Finance and Corporate Services and City Clerk be authorized and directed to execute the Lease in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

This Report seeks Council's direction to extend existing lease(s) with the owner of 35 King Street East / 1 Hughson Street North to accommodate Public Health Services staff until its permanent space is available in 2014. Negotiations with McMaster University and the Hamilton-Wentworth District School Board are the current focus of relocating Public Health Services to new office space which will be shared with McMaster Health Sciences.

Alternatives for Consideration – See Page 4

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial: Lease costs will continue to be funded from Account No. 791403-55358. As the contract rent is to remain the same, there will be no increase to the annual operating budget. The proportionate share of increased operating costs will be accommodated within the Department's annual operating budget.

Staffing: Staff will take the necessary steps to complete the lease extension.

Legal: Legal Services Division will be involved in the development of the lease extension and, if not already completed, will provide its assistance in designation of the premises as a Municipal Capital Facility under Section 110 of the Municipal Act.

HISTORICAL BACKGROUND

Public Health Services and Community Services Departments have shared space in the Right House since 1998. The property is situated on the northwest corner of King and Hughson Streets, as shown in Appendix “A” attached to Report PED12013. Implementation of the City’s Accommodation Strategy will relocate the Community Services Department from the Right House to the Lister Block in 2012. Public Health Services, in 2014, will relocate its staff to new space at 100 Main Street West which will be shared with McMaster Health Sciences.

The existing lease(s) with Park Place Real Estate Limited Partnership will expire on March 31, 2013. Planning for the relocation and consolidation of Public Health Services staff with McMaster Health Sciences will stretch beyond March of 2013. Accordingly, Public Health Services has directed the Real Estate Section to extend its tenure at 35 King Street East / 1 Hughson Street North to June 30, 2014. This will allow for sufficient time to co-ordinate the relocation of Public Health Services staff to 100 Main Street West.

Public Health Services will retain 32,713 square feet of office space and 4,666 square feet of storage space in the Right House after Community Services Department vacates its space in 2012. The current rent, contracted at \$19.50 per square foot, plus HST for office space and \$6.00 per square foot, plus HST for storage space, will remain the same until the lease(s) terminate on June 30, 2014. On a monthly basis, rent will amount to \$55,491.62, plus HST, or, \$665,899.50 per annum, plus HST. As before, the City will pay its share of operating cost escalation over the 2007 base year.

The Landlord has agreed to maintain all existing terms and conditions of the lease(s) except the six month termination clause which has been deleted. The Landlord has requested a fixed term to June 30, 2014, meaning that neither party can terminate before that date.

The Real Estate Section is seeking approval to proceed with completing the lease extension on the foregoing terms.

POLICY IMPLICATIONS

The recommendation is consistent with the City’s Real Estate Portfolio Management Strategy Plan as approved by City Council on November 24, 2004 and Procedural By-Law No. 04-299.

RELEVANT CONSULTATION

- Portfolio Management Committee
- Public Health Services Department, Planning and Continuous Improvement Division

ANALYSIS / RATIONALE FOR RECOMMENDATION

Currently, Public Health Services employees are located in several buildings across the City that are either leased or owned by the City of Hamilton. Although past attempts to consolidate Public Health Services staff were unsuccessful, the McMaster Health Campus is proposing to house Public Health Services in a downtown redevelopment at 100 Main Street West in June of 2014. Extension of the existing lease(s) to June 30, 2014 will accommodate the time required to facilitate the relocation of Public Health Services to this new facility.

ALTERNATIVES FOR CONSIDERATION

If the lease recommendation is not adopted, the City will face a logistical issue in that the existing lease with Park Place Real Estate Limited Partnership terminates on March 31, 2013. The City would need to either commit to a new lease with this Landlord, or search for alternative space in another downtown location which would involve brokerage fees and the costs associated with fitting up new premises (architectural and space planning consultants).

CORPORATE STRATEGIC PLAN

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative & Respectful Organization

- ♦ An effective work environment enabling effective communication, well-being and safety.

Financial Sustainability

- ♦ Lease costs will be fixed to June 30, 2014.

Growing Our Economy

- ♦ Reduces vacant commercial space within downtown core.

Healthy Community

- ◆ Compatible uses and/or social services are located within close proximity.

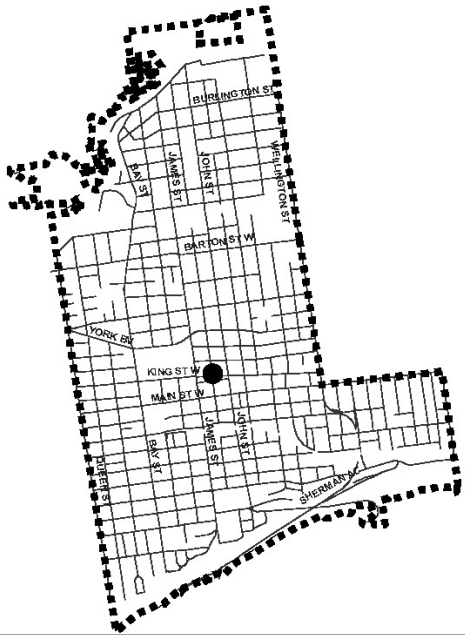
APPENDICES / SCHEDULES

Appendix “A” to Report PED12013 – Location Map

DC/sd



● Site Location



Ward 2 Key Map

N.T.S.

Location Map



PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:
2004-096

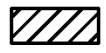
Date:
October 18, 2011

Appendix "A"

Scale:
N.T.S.

Planner/Technician:
DC/AL

Subject Property



35 King Street East

Public Health Services
LEASE EXTENSION
35 King Street East / 1 Hughson Street

Leased Premises (Sq. Ft):

Suite 202		3,316
<i>(Office space used for storage)</i>		
Suite 204	Storage	1,350
Suite 300	Office	13,100
Suite 400	Office	13,100
Suite 600	Office	6,513
Total Sq. Footage		37,379