(a) That City Council approve a new lease with H.G.H. Developments Ltd. subject to the following terms and conditions:

(i) **Term**: Ten (10) years commencing October 1, 2010 and terminating on September 30, 2020;

(ii) **Property**: 247 Centennial Parkway North, Unit 8, Hamilton, comprising 2,114 square feet of space within a plaza situated at the north-west corner of Barton Street East and Centennial Parkway North.

(iii) **Rental Rate**: From the date of commencement, meaning from October 1, 2010, the City shall pay rent based on $12.71 per square foot net, plus H.S.T. throughout the 10 year term.

(iv) **Operating Costs**: The operating costs are estimated at $7.50 per square foot for 2010. The landlord recognizes that the premises will become
exempt from property taxes. Operating costs less property taxes are estimated at $3.12 per square foot, for an overall rent of $15.83 per square foot, plus H.S.T.

(b) That all rent and operating costs will be funded from Account No. 677500 and any additional tenant improvements, furniture and moving costs be funded from the client department's Capital Accommodation account up to a maximum of $95,000.00.

(c) That the landlord will provide up to $52,000.00 in tenant improvements based upon the client department's specifications.

(d) 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;

(e) That the Mayor, General Manager of Finance, and City Clerk be authorized and directed to execute the Lease in a form satisfactory to Corporate Counsel.

**EXECUTIVE SUMMARY**

This report seeks direction from Council to enter into a lease agreement with the owner of 247 Centennial Parkway North. This will facilitate the relocation of Public Health Services from its existing space at 2255 Barton Street East, which accommodates clinics for sexual health and smoking cessation. Although the lease expired on July 30, 2010, the client department will remain at 2255 Barton Street East on overhold, without penalty, until the new premises are completed.

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** There will be a nominal decrease to the annual lease operating budget from $33,600.00 down to $33,464.62.

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

**Legal:** Legal Services Section has been involved in the development of the Lease Agreement and will continue its involvement until the lease transaction is completed. It will also provide its assistance in designation of the premises as a Municipal Capital Facility under Section 110 of the Municipal Act.
VISION: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

VALUES: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

HISTORICAL BACKGROUND (Chronology of events)

On August 1, 2005, Public Health Services moved its Sexual Health Clinic to Unit 8, 2255 Barton Street East, being a 1,200 square foot space. The overall rent paid including expenses was $33,600.00 per year or $28.00 per square foot gross. Approximately 20% of the rent paid included recapture of the tenant improvements provided by the landlord, Paletta International Corporation. Upon renewal the landlord indicated that it required an increased new rental rate of $31.00 per square foot which was well above market rates.

The existing leasehold consists of 1,200 square feet of space which has proven to be too small for the increased client demand for sexual health services, including expansion to offer Point of Care (POC) testing. Currently, Dundas is the only site that has capacity to offer POC testing. Clients are travelling from all areas of Hamilton for this test. The waiting room is too small. Currently up to 20 clients routinely wait outside in the parking lot to be served.

The current space does not meet all new AODA (Accessibility for Ontarians with Disabilities Act) or the changes to infection control standards that are expected to be implemented by 2012. These guidelines also state that compliance will be required to ensure that vaccines and medications are stored in a separate area from waste materials (i.e. discarded urine, dirty/used needles, and lab specimens). The current site will not be able to meet these guidelines without the loss of much needed examination rooms.

New space was found at a superior location, being at the north-west corner of Barton Street East and Centennial Parkway North, with greater visibility on a major intersection with public transit. Several other private clinics are located in the immediate area which will help provide improved synergetic levels of service.

The new premises are 2,114 square feet in size and will permit an improved layout and an additional examination room while conforming to current infection control standards. The landlord has agreed to provide $52,500.00 ($24.83 per square foot) in tenant improvements amortized into the lease rate. Including all expenses except property taxes, the new rent will be $26,868.94 per year ($12.71 net per square foot, plus HST) and remain fixed throughout the ten (10) year rental period. The lease terms provide for a renewal option of an additional five (5) years at market rates. The new premises will be full accessible to anyone who is physically challenged.

In summary, the negotiated rental rate is below market rates and is approximately half of what the current landlord is asking for less space. While the new space is 75% larger, the overall rent will be about 11% lower than the renewal rate quoted by the landlord.
current landlord, Paletta International Corporation. Finally, the landlord at 247 Centennial Parkway North would welcome Public Health Services as its first municipal tenant.

POLICY IMPLICATIONS

The proposed new lease was approved by the Portfolio Management Committee (PMC) on June 17 and by the Public Health Services Management Team (PHSMT) on July 14, 2010.

The recommendation is also 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. On June 29, 2005, City Council approved the Delegation of Authority to staff for the acquisition, disposition or lease of properties as follows:

- General Manager or designate not exceeding $150,000
- City Manager or designate not exceeding $250,000.

Although the amount of the annual lease payments are below the foregoing limits, Council approval is required for leases having a term of more than five years, as mandated by Council.

RELEVANT CONSULTATION

- Public Health Services Management Team
- City Manager’s Office, Legal Services Division
- Public Works, Fleet, Transportation, Energy and Facilities
- Portfolio Management Committee

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

With the lease recommendation being adopted, the City will have secured a long term lease of ten years at a fixed gross rental rate that is well below current market levels. The premises will offer 76% more space, and will conform to current building codes for such Public Health Service clinics. The new premises are better located, and will allow Public Health Services to improve the service it currently provides while drawing upon the proximity advantage to nearby private clinics.
If this lease recommendation is not adopted, the City will need to continue its search for alternative space or renew the existing lease at 2255 Barton Street East at a rental rate significantly higher than market levels. In addition, the existing premises are considered unsatisfactory and in contravention of current codes for Public Health clinics.

Pros:
- No moving costs

Cons:
- Client demand for service exceeds the current clinic capacity and there is no opportunity to lease additional space in that complex;
- In order to comply with 2012 infection control standards client rooms would need to be converted into lab space, further decreasing our ability to serve clients;
- Clients would continue to wait outside in parking lot for service;
- The proposed lease for 2255 Barton Street East is significantly above market rate; and
- Capital funds would need to be spent in order to address AODA standards and infection control standards regardless of clinic location

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)


**Skilled, Innovative & Respectful Organization**
- n/a

**Financial Sustainability**
- Gross rental rate is fixed for the entire ten year term.

**Intergovernmental Relationships**
- n/a.

**Growing Our Economy**
- n/a
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

**Social Development**
- n/a

**Environmental Stewardship**
- n/a

**Healthy Community**
- Will provide better service to the community

**APPENDICES / SCHEDULES**

Appendix “A” to Report PED10183