# CITY OF HAMILTON

**PUBLIC WORKS DEPARTMENT**  
Transportation, Energy & Facilities Division  
and  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
Economic Development and Real Estate Division

| TO: | Chair and Members  
Public Works Committee |
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>WARD(S) AFFECTED:</td>
<td>2 and 15</td>
</tr>
<tr>
<td>COMMITTEE DATE:</td>
<td>April 19, 2010</td>
</tr>
<tr>
<td>SUBJECT/REPORT NO:</td>
<td>Accommodation and Leasing Strategy (PW10045/PED10101) - (Wards 2 and 15)</td>
</tr>
</tbody>
</table>
| SUBMITTED BY: | Gerry Davis  
General Manager  
Public Works Department  
Tim McCabe  
General Manager  
Planning and Economic Development  
Department |
| PREPARED BY: | Rom D’Angelo  
Manager of Corporate Buildings &  
Technical Services  
(905) 546-2424, Extension 7006  
Bill Farkas  
Manager of Real Estate  
(905) 546-2424, Extension 7019 |
| SIGNATURE: | ![Signature] |

## RECOMMENDATION

(a) That the City of Hamilton enters into a new lease agreement with Fercan Developments Inc. or its successor on title for the property known as Suite 400, 77 James Street North and for the adjacent storage space, subject to the following terms:

(i) **Term:**  
(ii) Property:
Comprised of Suite 400, 77 James Street North, with a total rentable area of 5,870 square metres (63,185 square feet) more or less and the adjacent storage space composed of Suites 410 & 420 with a total rentable area of approximately 929 square metres (10,000 square feet).

(iii) Rental Rate:
Suite 400, 77 James Street North:
June 1, 2010 to October 31, 2010, $460,723.95 (Mod-Gross) per annum, $92,144.79 per month, plus G.S.T. The rental rate is $17.50 gross, per square foot.
November 1, 2010 to October 31, 2015, $1,168,922.50 (Mod-Gross) per annum, $97,410.21 per month, plus G.S.T. The rental rate is $18.50 net, per square foot.
November 1, 2015 to June 31, 2021, $1,232,107.50 (Mod-Gross) per annum, $102,675.63 per month, plus G.S.T. The rental rate is $19.50 net, per square foot.

Storage Space:
June 1, 2010 to June 31, 2021, $50,000.00 (Mod-Gross) per annum, $4,166.67 per month, plus G.S.T. The rental rate is $5.00 gross, per square foot.

(iv) Operating Costs: The City shall be responsible for its share of the operating costs, plus GST/HST;

(b) That the Legal Services Division be authorized to prepare a by-law, under Section 110 of the Municipal Act, to propose that the 4th floor premises become designated as a City Capital Facility, whereby the City would be exempt from paying realty taxes at this location;

(c) That the Mayor and City Clerk be authorized and directed to execute the Lease in a form satisfactory to the City Solicitor and subject to all taxes being paid in full unless otherwise directed by the General Manager of Finance and Corporate Services;

(d) That the Recreation Section of the Community Services Department and Audit Section of the City Manager's Office remain in Suite 400 and that the following groups of Public Works Department assume occupancy of the remaining space in Suite 400: the Operations and Waste Management Section currently in Suite 350 and 351 at 77 James Street North; the Roads, Traffic Construction & Design Infrastructure Section in Suite 334 at 77 James Street North; the Operations and Waste Management Division currently in Suite 1170 at 120 King Street; and the Environment and Sustainable Infrastructure Division at 55 John 6th floor.
(e) That staff be authorized and directed to exercise the City's Right of Termination in the following:

(i) A Lease between the City of Hamilton (Tenant) and Fercan Developments Limited (Landlord) to the premises described as:

(a) Suite 350 and 351 in 77 James Street North, Hamilton, comprising an area of 11,000 square feet,

(b) Suite 334 in 77 James Street North, Hamilton, comprising an area of 11,000 square feet, more or less,

(ii) A Lease between the City of Hamilton (Tenant) and Fourth Real Properties Limited (Landlord) to the premises described as Suite 1165 & 1170 in 120 King Street West, Hamilton, comprising an area of 9,920 square feet,

(iii) A Lease between the City of Hamilton (Tenant) and Horizon Utilities Corporation (Landlord) to the premises described as 55 John Street North, 6th floor, Hamilton comprising an area of 10,537 square feet and 576 square feet storage,

(f) That the City owned property located at 594 5th Concession Road West, also known as Millgrove Regional Yard #1, comprising an area of approximately 5.51 acres, more or less, with a shop/garage with a 2-storey office area and 8 Truck Bays (11,906 square feet) along with a salt dome (6,361 square feet) at the rear of the property be declared surplus to the requirements of the City of Hamilton in accordance with the "Procedural By-Law for the Sale of Land", being By-law No. 04-299;

(g) That the City owned property located at 125 Barton Street comprising an area of approximately 4.46 acres, with a storage warehouse (56,401 square feet) and a shop (10,113 square feet), be declared surplus for the needs of the Public Works Department of the City of Hamilton and that this property be used for the Pan Am Game facilities.

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**EXECUTIVE SUMMARY**

The purpose of this report is to obtain direction from Council to consolidate staff in one location and to provide staff direction to enter into a lease agreement for Suite 400 and adjacent storage space with Fercan Developments Inc., the owners of 77 James Street North.

Subject to Council's approval, staff would terminate the existing leases for Suites 350/351 and 334 at 77 James Street North and the City's leases currently accommodating Public Works staff at 55 John, 6th floor and 120 King Street West, Suites 1165 & 1170.
By consolidating various leased locations for City staff into Suite 400 and terminating the leases listed above, the City will benefit in terms of a net savings of $3,216,835 over the new lease term. Staff from Public Works will be able to consolidate several operational groups into one physical location, thus encouraging more effective communication and greater productivity.

A further benefit of this proposal is that Suite 400 will provide space for the Audit Section to remain. It will also provide space for Recreation to remain until they are able to move into Lister Block upon completion of the renovations, thus reducing recreation staff moves from two to one coordinated move to Lister Block. The estimated time frame for the completion of the base building is February, 2011 with a six (6) month tenant fit-ups being undertaken and occupancy in July-August 2011.

When Recreation moves into the Lister Block, staff from other City locations will be moved to backfill this space. As per Staff Report PW09023 approved by Council on May 13, 2009, as public transit grows, it will be necessary for the Transit division to operate out of both 330 Wentworth Street and the MTC at 2200 Upper James. In order to create space for the HSR at 330 Wentworth, some of the current tenants will need to be relocated elsewhere.

Public Works currently has storage at 125 Barton St. and the Millgrove Yards, including storage space at 77 James will allow staff to rationalize the materials being stored to fit in the one location, This will allow 125 Barton St. to be declared surplus for Public Works needs for use as part of the Pan Am Games and will allow the Millgrove Yard to be declared surplus for sale at a fair market value.

Capital improvement requirements have been identified over the next 5 years for both the 125 Barton St. and Millgrove properties. The sale of these sites will avoid both operational and capital expenditures. The associated cost savings and revenue generated by the sale of the properties will help offset the accommodation costs in Suite 400.

Alternatives for Consideration - See Page 8

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS**

Financial:

The square footage of the proposed new lease space is comparable to the square footage of the existing lease spaces for which this report recommends lease terminations plus the square footage required to accommodate Audit and Recreation (which are currently accommodated in Suite 400).

The Operating Costs and Capital Improvement requirements for both 125 Barton and Millgrove Yard will be significant over the next 5 years.

The Millgrove Yard is deemed surplus, the associated operational and capital cost savings and the revenue generated by the sale of the property will help to offset the accommodation costs.
The financial impacts are presented in the following tables:

### Existing ANNUAL Accommodations Operating & Lease Costs

<table>
<thead>
<tr>
<th>Square Feet</th>
<th>Year 1-5</th>
<th>Year 6-10</th>
<th>Year 11-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,000 (Suite 350/351)</td>
<td>$192,500</td>
<td>$203,500.00</td>
<td>$214,500.00</td>
</tr>
<tr>
<td>11,000 (Suite 334)</td>
<td>$192,500</td>
<td>$203,500.00</td>
<td>$214,500.00</td>
</tr>
<tr>
<td>9,920 (Suite 1170)</td>
<td>$173,600</td>
<td>$183,520.00</td>
<td>$193,440.00</td>
</tr>
<tr>
<td>11,113 (55 John)</td>
<td>$194,477</td>
<td>$205,590.50</td>
<td>$216,703.50</td>
</tr>
<tr>
<td>10,000 (+ Recreation)</td>
<td>$175,000</td>
<td>$185,000.00</td>
<td>$195,000.00</td>
</tr>
<tr>
<td>1,600 (+ Audit)</td>
<td>$28,000</td>
<td>$29,600.00</td>
<td>$31,200.00</td>
</tr>
<tr>
<td>54,633 (Existing Lease Total)</td>
<td>$956,078</td>
<td>$1,010,711</td>
<td>$1,065,344</td>
</tr>
<tr>
<td>11,906 (Millgrove Yard)</td>
<td>$24,685</td>
<td>$25,178</td>
<td>$25,681</td>
</tr>
<tr>
<td>66,514 (125 Barton Yard)</td>
<td>$162,480</td>
<td>$165,648</td>
<td>$168,960</td>
</tr>
<tr>
<td>133,053 (Overall Existing Total)</td>
<td>$1,143,243</td>
<td>$1,201,537</td>
<td>$1,259,985</td>
</tr>
</tbody>
</table>

### New ANNUAL Accommodations Operating & Lease Costs

<table>
<thead>
<tr>
<th>Square Feet</th>
<th>Year 1-5</th>
<th>Year 6-10</th>
<th>Year 11-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>63,185 (Suite 400)</td>
<td>$1,105,738</td>
<td>$1,168,923</td>
<td>$1,232,108</td>
</tr>
<tr>
<td>10,000 (Storage)</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>73,185 (Sub-Total)</td>
<td>$1,155,738</td>
<td>$1,218,923</td>
<td>$1,282,108</td>
</tr>
</tbody>
</table>

The average annual leasing cost to the City is virtually the same between the existing and the proposed "new" accommodation costs.

Further Funding Sources to Offset Accommodation Costs:

- Market Value Assessment of Millgrove Yard  
  $398,000 (revenue)
- Market Value Assessment of 125 Barton  
  (To be used for Pan Am Games)  
  $1,000,000 (revenue)
- The 5-Yr Capital Requirements of Millgrove Yard  
  $518,374 (avoidance)
- The 5-Yr Capital Requirements of 125 Barton  
  $2,156,952 (avoidance)

**TOTAL FUNDING SOURCES**  
$4,073,335
SUBJECT: Lease - 77 James Street North, Suite 400 and Storage Space - Fercan Developments Inc
(PW10045/PED10101) - (Wards 2 and 15) - Page 6 of 9

Less Move and Reconfiguration Costs:

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Amount</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content Move Costs</td>
<td>$105,000</td>
<td>(cost)</td>
</tr>
<tr>
<td>IT Costs</td>
<td>$93,000</td>
<td>(cost)</td>
</tr>
<tr>
<td>Workstation Costs</td>
<td>$510,000</td>
<td>(cost)</td>
</tr>
<tr>
<td>Construction Costs</td>
<td>$182,500</td>
<td>(cost)</td>
</tr>
<tr>
<td><strong>Moving Costs</strong></td>
<td>$890,500</td>
<td>(cost sub-total)</td>
</tr>
<tr>
<td><strong>Recreation Costs Savings</strong></td>
<td>$34,000</td>
<td>(savings)</td>
</tr>
</tbody>
</table>

There will be a cost savings by not having to relocate the Recreation Group twice before their final move to Lister Block.

**TOTAL ESTIMATED MOVING COSTS**

$856,500 (TOTAL)

**NET CITY BENEFIT**

$3,216,835 (NET BENEFIT)

**Staffing:** There are no staffing implications as a result of the recommendations in this report being approved.

**Legal:** Legal Services Section will be involved in the review of the Lease Agreement to be prepared and submitted by the Landlord and assist in the completion of the sale transactions. It will also provide its assistance in the designation of the premises as a Municipal Capital Facility under Section 110 of the Municipal Act. Further, appropriate lease termination notices will be prepared in accordance with the term and conditions of the leases.

**HISTORICAL BACKGROUND**

The City of Hamilton has leased space at 77 James Street North since November 1, 2005. The City currently has long term leases in Suites 320, 334, 350/351, 305, 250, and 256. The City has short term leases in Suites 400, 220, and 230.

In May, 2005 City Council directed staff to proceed with the renovations of the existing City Hall building for the period between 2005 and 2010 in accordance with the details set out in Staff Report PD05088/PW03010c/FCS03064c. The approved renovation plan was to relocate all staff and functions away from City Hall into temporary swing space for a period of approximately 2 to 2.5 years to facilitate comprehensive renovation of the building. In October, 2005 Council directed staff to enter into short term leases at 77 James Street North in accordance with the details set out in Staff Report PED05178/PW05132/CM05036. With this report Council also directed that a short to
mid-term accommodation strategy be approved incorporating the following directions and principles:

- That consolidation of office space for all Departments be focused in the Downtown Core Area in as few building locations as practical and economically viable.
- That the Downtown Core consolidations be strategically chosen and linked to maximize efficiencies within and between Departments and to enhance customer service delivery, and that any associated financial enhancements be identified for the 2006 Budget.
- That leasing strategies include high priority consideration to redevelopment plans and adaptive re-use of key existing buildings that would contribute towards achieving the City’s Downtown revitalization goals.
- That for purposes of integrating with the recommended long term accommodation strategy, new leases, generally be structured to not exceed a 15 year total term, beyond 2020.

As well, the long term strategy set out in Staff Report PD05088/PW03010c/FCS03064c references:

- That the long term accommodation strategy be approved, in principle, providing for the construction of a second office tower of approximately 250,000 square feet, integrated with the existing renovated City Hall and including a new parking structure; this new facility to be targeted to start construction in 2018 and all subject to an acceptable capital financing plan.

In June, 2007 the City of Hamilton entered into these leases which expire in 2010 when staff return to the newly renovated City Hall.

The City of Hamilton has leased space from Fourth Real Properties Limited at 120 King Street West since April 01, 2003. The current lease is a month-to-month arrangement.

The City of Hamilton has leased space from Horizon Utilities Corporation at 55 John Street North since May 01, 2003.

The 125 Barton Street Yard has been deemed a strategic location for the Pan Am Games. Currently this yard houses some supervisory and trade staff from Public Works and Community Services (approx. 10 in total). Existing storage will be relocated to 77 James and other Public Works locations.

With multiple leases in the downtown, the Public Works Department is separated. By terminating leases in 55 John and Suite 1170 in 120 King and entering into a lease in Suite 400, the Public Works staff can be consolidated thus encouraging more effective communication, greater teamwork and operational efficiencies.
POLICY IMPLICATIONS

The recommendations are consistent with the City's Real Estate Management Portfolio Strategy Plan as approved by City Council on November 24, 2004, and the "Procedural By-law for the Sale of Land", By-law 04-299. This By-law and in accordance to Item 21, Committee of the Whole Report 01-029 adopted by Council on September 18, 2001 as amended by Item 9, Corporate Administration Committee Report 05-011 adopted by Council 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; and to the City Manager or designate not exceeding $250,000.

Since the amount of the lease payments are in excess of the above referenced limits, Council approval must be sought to approve the recommendations contained within this report.

RELEVANT CONSULTATION

- Corporate Services, Budgets and Finance Division
- Corporate Services, Legal Services Division
- Planning & Economic Development Department, Real Estate Section
- Public Works, Transportation, Energy and Facilities Division
- Key stakeholders from the Portfolio Management Committee whose staff would be directly impacted by this report.

ANALYSIS / RATIONALE FOR RECOMMENDATION

Leasing Suite 400 at 77 James will improve organizational effectiveness of the Public Works Department; provide the immediate required space for Public Works Staff, Recreation, and Audit; provide the long term space required for staff once Transit moves to 330 Wentworth and Recreation moves to Lister; provide space to house the archive files and surplus product from 125 Barton- a site which is necessary for the Pan Am Games; and provide space to house the surplus furniture product from Millgrove Yard. The land value of the sale of Millgrove Yard as well as the operational and capital costs avoided will help offset the accommodations costs.

ALTERNATIVES FOR CONSIDERATION

Should Council not endorse/approve the lease at Suite 400, 77 James and the lease terminations at 55 John and Suite 1170 at 120 King Street West, the City will continue to honour its lease commitments until the end of the terms and staff will remain where they are currently located. In that event, staff will search for alternate locations to accommodate Recreation and Audit. In the short term, Recreation will be accommodated in Suite 250 at 77 James and Audit will be accommodated in the 9th
floor of 120 King. For Recreation, these accommodations will be short term because there is insufficient room to accommodate their full staff complement following their organizational restructure. Implementation of this alternative will result with Parking and By-law Services having insufficient space to meet their organizational structure, operational in-efficiencies and customer service levels in the event Recreation co-locates within Suite 250. Further, the disadvantage to the short term arrangement is that Recreation will have to move twice prior to their final move to Lister Block. This will cause disruption to their operations and it will be significantly more costly to them than remaining in the existing Suite.

Additionally, surplus product located at 125 Barton will be moved to Millgrove Yard and/or Centre Road Yard and Millgrove Yard will not be deemed surplus or sold. Operational and Capital costs will be incurred to maintain these sites.

The status quo option would also result in higher operating costs.

**CORPORATE STRATEGIC PLAN**


**Skilled, Innovative & Respectful Organization**

- Consolidation of staff in the same department to encourage more effective communication, greater teamwork, operational efficiencies and improved customer service.

**Financial Sustainability**

- Opportunity to save accommodation costs, as well as eliminating aging infrastructure by declaring Millgrove Yard and 125 Barton Street West surplus.

**APPENDICES / SCHEDULES**

None
Memorandum

Date: April 29, 2010

To: Chair and Members
   Public Works Committee

From: Carolyn Biggs
      Legislative Assistant

Subject: Item 4 of Public Works Committee Report 10-006
         respecting Accommodation and Leasing Strategy
         (PW10045/PED10101) (Wards 2 and 15)

Mr. Chair and Members:

At the April 28, 2010 meeting of City Council, Item 4 of Public Works Committee Report 10-006 respecting the above-noted matter was referred back to the Public Works Committee for further discussion.

At the Council meeting, staff presented three amendments for the consideration of Council, as follows:

Firstly,

That the following be added as sub-section (h):

"(h) That the following funding sources and amounts in relation to one-time costs for the relocation of staff to 77 James Street North, Suite 400, be approved:

   (i) $735,300 from the Unallocated Capital Reserve 108020;
   (ii) $164,700 from the Sanitary Sewer Capital Reserve 108005;

Secondly,

That sub-section (f) be amended by adding the following after "By-law No. 04-299":

"...and that the net proceeds from the sale be directed to the funding sources of the one-time costs for the relocation of staff to 77 James Street North, Suite 400";
Thirdly,

That sub-section (g) be deleted in its entirety and replaced with the following in lieu thereof:

“(g) That the City-owned property located at 125 Barton Street comprising an area of approximately 4.46 acres, with a storage warehouse (56,401 square feet) and a shop (10,113 square feet) be declared surplus for the needs of the Public Works Department of the City of Hamilton and that this property be considered for Strategic City Initiatives, and that any net proceeds from the potential sale of this property be directed to the funding sources of the one-time costs for the relocation of staff to 77 James Street North, Suite 400, with the balance to be deposited in the Property Purchases Reserve 10035.”

Attached hereto is a memo from Rob Rossini, General Manager, Corporate Services Department, which explains the need to amend the staff recommendations contained in Report PW10045/PED10101 to identify a funding source for the one-time costs related to the associated relocation of staff, and expands upon the financial analysis presented in the aforementioned report.

Therefore, the issues before the Committee for consideration are the above-noted amendments and the balance of the recommendations contained in the staff report.
Memorandum

Date: April 28, 2010

To: Mayor and Members, City Council

From: Roberto Rossini, General Manager
Corporate Services Department

Subject: Accommodation and Leasing Strategy - 77 James St. North
(PW10045/PED10101)

Report PW10045/PED10101, which was presented to and approved by Public Works Committee on April 19, 2010, recommends approval to enter into a new lease agreement with Fercan Developments Inc. for the property known as Suite 400, 77 James Street North and for adjacent storage space. This memo builds upon the aforementioned report as it identifies the need to amend the recommendations to identify a funding source for the one-time costs related to the associated relocation of staff, and expands upon the financial analysis presented in the above mentioned report.

Report PW10045/PED10101, contains a recommendation to enter into a lease, commencing June 1, 2010, terminating June 31, 2021 (11 year term). The property terms identifies the need for 63,185 square feet of rentable office area, as well as 10,000 square feet of rentable storage space. As reported, the relocation of staff includes a forecast one-time cost of $890,500.

<table>
<thead>
<tr>
<th>One-Time Costs: Move and Reconfiguration Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content Move Costs</td>
</tr>
<tr>
<td>IT Costs</td>
</tr>
<tr>
<td>Workstation Reconfiguration Costs</td>
</tr>
<tr>
<td>(dismantle, move &amp; reassembly)</td>
</tr>
<tr>
<td>Construction Costs</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

A recommendation identifying a source of funding for one-time costs was omitted from the report, therefore staff recommends the following:

"That Council approve the following funding sources and amounts, in relation to one-time costs for the relocation of staff to 77 James St. N., Suite 400: $735,300 from the Unallocated Capital Reserve 108020; and $164,700 from the Sanitary Sewer Capital Reserve 108005."

Staff recommend, that Recommendation “F” of Report PW10045/PED10101 be
amended to include:

"... that the net proceeds from the sale be directed to the funding sources of the one-time costs for the relocation of staff to 77 James St. N., Suite 400."

Similarly, staff recommend that Recommendation “G” of Report PW10045/PED10101 be amended to read:

"That the City owned property located at 125 Barton Street comprising an area of approximately 4.46 acres, with a storage warehouse (56,401 square feet) and a shop (10,113 square feet), be declared surplus for the needs of the Public Works Department of the City of Hamilton and that this property be considered for Strategic City Initiatives, and that any net proceeds from the potential sale of this property be directed to the funding sources of the one-time costs for the relocation of staff to 77 James St. N., Suite 400 with the balance be deposited in the Property Purchases Reserve 100035."

The table below provides further information related to the estimated demolition costs for the two yards recommended to be declared surplus. Demolition costs are normally funded through the proceeds of the sale of the surplus property.

<table>
<thead>
<tr>
<th>City Owned Facilities</th>
<th>Square Footage</th>
<th>2009 Operating Costs</th>
<th>2010 Budget</th>
<th>Assessed Value</th>
<th>Est Demolition Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millgrove Yard</td>
<td>11,906</td>
<td>31,050</td>
<td>$19,480</td>
<td>$398,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>125 Barton Street Yard</td>
<td>66,514</td>
<td>119,940</td>
<td>$162,860</td>
<td>$1,000,000</td>
<td>$265,000</td>
</tr>
<tr>
<td>Total</td>
<td>78,420</td>
<td>150,990</td>
<td>$182,340</td>
<td>$1,398,000</td>
<td>$340,000</td>
</tr>
</tbody>
</table>

As previously stated, I would also like to expand upon the financial analysis, as presented in the aforementioned report, to identify 2009 actual costs, 2010 budgeted costs, and the financial and budget impacts associated with the recommended lease terms.

The table below identifies that the continued accommodation of the Recreation division and the Audit section, at Suite 400, 77 James St. N., represents a pressure as these two organizations do not currently budget lease related costs in their respective operating budgets, as they were previously accommodated at City Hall.

<table>
<thead>
<tr>
<th>Current Lease Arrangements</th>
<th>Square Footage</th>
<th>2009 Actual Costs</th>
<th>2010 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Centre Suite 350/351 *</td>
<td>11,000</td>
<td>$195,910</td>
<td>$211,420</td>
</tr>
<tr>
<td>City Centre Suite 334 *</td>
<td>11,000</td>
<td>$192,030</td>
<td>209,500</td>
</tr>
<tr>
<td>Standard Life Suite 1170</td>
<td>9,920</td>
<td>208,960</td>
<td>200,430</td>
</tr>
<tr>
<td>55 John St N (Horizon Bldg) **</td>
<td>11,113</td>
<td>171,830</td>
<td>189,990</td>
</tr>
<tr>
<td>City Centre Swing Space - Recreation ***</td>
<td>10,000</td>
<td>175,000</td>
<td>-</td>
</tr>
<tr>
<td>City Centre Swing Space - Audit ***</td>
<td>1,600</td>
<td>28,000</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>54,633</td>
<td>$971,730</td>
<td>$811,340</td>
</tr>
</tbody>
</table>

* $35,000 annual operating costs allocated equally to these suites
** includes 576 sq ft of storage space currently leased at $11.34/sq ft
*** actual costs funded from one-time budget for swing space of the City Hall project.
Subject: Accommodation and Leasing Strategy - 77 James St. North  Page 3 of 3
April 28, 2010

The terms of the recommended lease agreement result in an annualized lease costs incurred of $490,770 in the first full year of implementation. Off-setting these costs, in part, are operating savings totalling approximately $182,340, associated with the closing of the Millgrove yard and the 125 Barton Street yard once these properties are closed and sold. Therefore the net impact of the recommended lease terms, as well as the forecast savings owing to the yard closings is approximately $308,430. Further, staff have identified other savings whereby departments are moving out of lease space and into City Hall. These will further reduce the costs as identified below:

<table>
<thead>
<tr>
<th>Proposed Lease Space</th>
<th>Current Lease Arrangement</th>
<th>Proposed Lease</th>
<th>Budget Pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Square Footage</td>
<td>2010 Budget</td>
<td>Square Footage</td>
</tr>
<tr>
<td>Millgrove Yard</td>
<td>54,633</td>
<td>$811,340</td>
<td>73,185</td>
</tr>
<tr>
<td>125 Barton St Yard</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Development sections returning to City Hall from lease space</td>
<td>$168,860</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Budget Impact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There will be no budget impact as we are going to absorb and mitigate these costs.

Additionally, this memo also provides, as per the table below, an updated forecast of the associated accommodations operating and lease costs over the recommended 11 year term. The corresponding table on page 5 of the report inadvertently omitted operating costs and are therefore incorrect.

<table>
<thead>
<tr>
<th>Proposed City Centre Annual Accommodations Operating &amp; Lease Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Space</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>Suite 400</td>
</tr>
<tr>
<td>Storage</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

As part of the 2011 budget process, staff will continue to make efforts, such as the re-statement of the two identified yards operating budgets and identifying staff teams moving from leased space to City Hall, to capture savings in an effort to eliminate the impact of the recommended lease terms.

Thank you,

[Signature]

Roberto Rossini
General Manager
Finance & Corporate Services