**CITY OF HAMILTON**

**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**

**Economic Development Division**

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<td>General Issues Committee</td>
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<td>WARD(S) AFFECTED:</td>
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| COMMITTEE DATE: | July 4, 2011 |

| SUBJECT/REPORT NO: | Lease Agreement for Social Housing and Homelessness Division - First Place, 350 King Street East, Unit 110; Lessor - City Housing Hamilton Corporation (PED11130) (Wards 2 & 3) |

| SUBMITTED BY: | Tim McCabe  |
|               | General Manager  |
|               | Planning and Economic Development Department |

| PREPARED BY: | John Hamilton  |
|              | (905) 546-2424, Ext. 7045 |

| SIGNATURE: |  |

**RECOMMENDATION**

(a) That City Council approve a new lease with City Housing Hamilton Corporation (CHHC) subject to the following terms and conditions:

(i) **Term**: Ten (10) years commencing October 1, 2011 and terminating on September 30, 2021;

(ii) **Property**: 350 King Street East, Unit 110, Hamilton, comprising a gross rentable area of 8,400 square feet of ground floor and mezzanine space within First Place;

(iii) **Rental Rate**: From the date of commencement, being October 1, 2011, the City shall pay fixed rent at $15.00 per square foot gross, plus H.S.T., throughout the 10 year term;
(iv) Lease provides for 12 underground parking spaces at $35.00 per month; and,

(v) **Operating Costs**: Operating costs are included in the gross rent; however, the City will pay any escalation in costs over the 2011 base year. The landlord recognizes that the premises will become exempt from property taxes once they are declared as a municipal capital facility and that the rental amount will be reduced by a proportionate amount equal to the tax savings of about $2.55 per square foot (2010), for an overall gross rent of $12.45 per square foot, plus H.S.T.

(b) That all rent and operating costs be funded from Account No. 673000-55358 and any additional tenant improvements, furniture and moving costs be funded from the client’s Capital Project Account No. 6731141100;

(c) That the landlord will pay tenant improvement costs estimated between $400,000 to $425,000 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; and,

(e) That the Mayor, General Manager of Finance, 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 enter into a lease agreement with City Housing Hamilton Corporation (CHHC) for lease of office space within First Place located at 350 King Street East, Unit 110. This will facilitate relocation of the Social Housing and Homelessness Division from co-located sites shared with Ontario Works and CHHC.

Space pressures experienced by Housing and Homelessness Division (H&H), Ontario Works (OW), and CHHC will be resolved and all current and forecasted space needs for those Divisions will be addressed.

This relocation will utilize commercial space within First Place that has been vacant for over 10 years, providing ancillary financial benefit to City owned CHHC. In addition, it is anticipated this relocation will be successful in attracting additional commercial tenants wishing to relocate near H&H.

*Alternatives for Consideration – See Page 4*
FINANCIAL / STAFFING / LEGAL IMPLICATIONS

**Financial:** Lease costs will be funded from the approved Community Services 2011 Operating Budget.

The approved 2011 Capital Budget identified the relocation of Housing and Homelessness Division.

**Staffing:** There are no increases to staff levels associated with the recommendations of this Report.

**Legal:** Legal Services Division will be involved in the development of the Lease Agreement through to its completion. It will also provide assistance in designation of the premises as a Municipal Capital Facility under Section 110 of the Municipal Act.

HISTORICAL BACKGROUND

Several Divisions within Community Services are facing space pressures that cannot be accommodated within existing leased facilities:

- The H&H within Community Services Department currently has 46 staff spread across five locations, with the majority co-located with CHHC on Hess Street and OW at 250 Main Street;

- Relocating H&H to a separate office location at 350 King Street East, would allow that Division to bring all 46 staff into one location. The vacated space within OW and CHHC sites will then be available to address the space pressures of those Divisions and meet all current and forecasted space needs for these units.

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. 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**

- Community Services Management Team
- City Manager’s Office, Legal Services Division
- Public Works, Facility Services Division
- Portfolio Management Committee
- City Housing Hamilton Corporation

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

First Place is well located for clients of the Housing and Homelessness Division. This building is on a major transit route and the space, being on the ground floor, is accessible.

With the lease recommendation being adopted, the City will have secured a ten year lease at a fixed gross rental rate of $126,000 per year (before tax exemption), that is below market levels. These premises will offer sufficient space for the H&H Division, allowing all H&H staff to be situated in one office. In addition, this relocation will reduce space pressures in other City offices currently used by H&H staff.

Upon approval, H&H will occupy space which has long been vacant within CHHC owned premises. Filling this space will likely stimulate additional interest from other community agencies wishing to locate in close proximity to CHHC.

**ALTERNATIVES FOR CONSIDERATION**

If the lease recommendation is not adopted, the City can continue to search for alternative space within the downtown core. A recent review of available space found that no suitable space was available at a lower price. Further, locating H&H in a building owned by another landlord would not result in an ancillary benefit to City owned CHHC.

Pros:
- Relieves space pressures for H&H, CHHC and OW;
- Staff within the affected operating divisions will benefit from an effective work environment that enables effective communication, respectful culture, well-being and safety.
Cons:
- Lease costs will remain higher;
- Tenant improvement costs would need to be funded;
- Lease payments would be paid to an independent landlord, without benefit to CHHC;
- Opportunities for CHHC to lease long-vacant space to additional agencies interested in locating near H&H would be reduced.

CORPORATE STRATEGIC PLAN


Skilled, Innovative & Respectful Organization
- An effective work environment that enables effective communication, respectful culture, well-being and safety.

Financial Sustainability
- Lease Costs are fixed for a ten year term.

Growing Our Economy
- Reduces vacant commercial space within downtown core.

Social Development
- Improved customer service to clients and community stakeholders who use Housing and Homelessness Division’s services.

Healthy Community
- Compatible uses and/or social; services will be located within a close vicinity.

APPENDICES / SCHEDULES

Appendix “A” to Report PED11130 – Location Map

JH/sd
Location Map

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number: 2010-100
Date: May 9, 2011

Appendix "A"

Scale: N.T.S.

Planner/Technician: JH / MB

Subject Property

350 King Street East, Unit 110
First Place Lease - City Housing - Community Services
Gross Rentable Area: 8,400 square feet, Ground Floor