

3. LEASE PROPOSAL, 370 CATHERINE STREET, OTTAWA

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Approve the lease for 29,953 square feet of office space at 370 Catherine Street with Three Seventy Catherine Limited for 6 years and 1 month from October 1, 2000 to October 31, 2006, at an annual cost of \$ 541,949.65 plus GST, and initial fit-up costs of \$500,000 plus GST.**
- 2. Authorize staff to exercise and enter into negotiations for a five year renewal option commencing October 18, 2001 for existing space of 29,700 sq.ft. at 370 Catherine Street with Three Seventy Catherine Ltd.**

DOCUMENTATION

1. Planning and Development Approvals Commissioner's report dated 17 Jul 00 is immediately attached.
2. Extract of Draft Corporate Services and Economic Development Committee Minute, 01 Aug 00 immediately follows the report and includes a record of the vote.

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf. (12) 09-98-50071-000
 Your File/V/Réf.

DATE 17 July 2000

TO/DEST. A/Co-ordinator
 Corporate Services and Economic Development Committee

FROM/EXP. Planning and Development Approvals Commissioner

SUBJECT/OBJET **LEASE PROPOSAL, 370 CATHERINE STREET, OTTAWA**

DEPARTMENTAL RECOMMENDATIONS

That the Corporate Services and Economic Development Committee and Council:

1. **Approve the lease for 29,953 square feet of office space at 370 Catherine Street with Three Seventy Catherine Limited for 6 years and 1 month from October 1, 2000 to October 31, 2006, at an annual cost of \$ 541,949.65 plus GST, and initial fit-up costs of \$500,000 plus GST.**
2. **Authorize staff to exercise and enter into negotiations for a five year renewal option commencing October 18, 2001 for existing space of 29,700 sq.ft. at 370 Catherine Street with Three Seventy Catherine Ltd.**

BACKGROUND

Regional Council at its meeting of June 14, 2000 received a confidential report dealing with the strategy for Social Services Delivery Sites. This report deals with the strategic direction for the Central District.

The Department is currently leasing 29,700 square feet which includes both the second and third floors at 370 Catherine Avenue for the delivery of Social Services. This lease proposal deals with all of the ground floor and lower level which results in Social Services occupying all of the building. The location of the property is shown on Annex "A".

This project would support the co-location and integration of the Employment Resource Centre and two other programs currently located at 880 Wellington. The lease currently held by the Department at

880 Wellington would be terminated, freeing approved funds to be applied against increased costs at 370 Catherine.

This will provide a cost-effective and lasting solution to the challenge of having appropriate service delivery space in the central core.

LEASE PROPOSAL

New Space

The term for the proposed lease is six years and one month for 29,953 square feet of office space. The rentable area includes approximately 14,850 sq.ft. on the ground floor and 15,103 sq.ft. on the lower level.

The base rent for the ground floor is calculated at a rate of \$12.00 per square foot for the first two years and increases \$ 1.00 per square foot every two years (this results in an average rent of \$13 sq.ft. over the term of the lease). Rent for the lower level will be \$5.00 per square foot for the term of the lease. Operating costs are estimated at \$9.05 per square foot. There is additional parking for 22 vehicles on site at an additional cost of \$ 65 per month per vehicle. The annual rent for the new space including parking will be \$541,949.65 plus GST or \$ 45,162.47 per month. The lease will include an option to renew for a further five years. The costs will be partially set-off from the annual operating lease costs of \$ 183,046.50 at 880 Wellington which will not longer be required.

Current Space

The current lease of 29,700 sq.ft. expires on October 17, 2001. The landlord requires written notice by September 30, 2000 for the Region to exercise its renewal option. Rent will be negotiated next year for the five year option. There is also a second renewal option for five years. The current lease costs are \$ 653,800 per annum.

Fit-up Requirements

The lease proposal does not include leasehold improvements. This will be the responsibility of the Region which is estimated at \$500,000 plus GST.

Summary

The Department proposes to absorb the additional costs for this project, both one-time and operating, within the existing 2000 Budget.

Considering the long-term commitment for this location, the purchase option was also explored with the owner. However, an agreement could not be reached on price so the lease option was pursued. With the lease option, the Region/New City will have the opportunity, with renewal options, to occupy the whole building up until October 31, 2011.

PUBLIC CONSULTATION

As this is an internal administrative matter only, public consultation on this lease was not considered necessary.

NEW CITY IMPACT - TRANSITION BOARD

The services delivered from 370 Catherine will remain a responsibility of the People Services Department with the new City of Ottawa.

In accordance with Ottawa Transition Board Regulation 100/200 - Section 4, Guidelines - Financial Guideline No. 1, Section 5.1 b) this transaction requires the approval of the Transition Board.

EXPENDITURE JUSTIFICATION

This property will be the Service Delivery site (Financial Assistance programs and Employment Support services) for the Central core and will provide improved integration of services and cost-effectiveness for the residents of Ottawa-Carleton. It will be the first step in establishing a strategic direction for service delivery sites which will see a reduction from the current 9 sites to 5 sites. When the strategy is complete, the Department will have four Social Services Centres (Central, East, West and South) plus the office at 170 Laurier, which delivers a range of more specialized services, primarily for clients who are not Ontario Works participants.

FINANCIAL STATEMENT AND APPROVAL

The Social Services Department has confirmed that funds are available to pay the increased lease costs of \$ 89,725.78 for the balance of the year. It will come from the Department's 2000 Operating Budget, Ontario Works Case load savings. Funds are available for the one-time cost of \$ 500,000 in Capital Account No.900133..

CONCLUSION

The square foot rate and the operating costs are considered fair and reasonable. Approval is therefore recommended.

*Approved by
Nick Tunnacliffe, MCIP, RPP*

Attach (1)

FLORA STREET

ANNEX "A"

PERCY STREET

ARLINGTON AVENUE

BAY STREET

CATHERINE STREET

LYON ST.

KEYPLAN
SCALE 1:25000

THE CORPORATION
OF THE CITY OF OTTAWA

PIN 04122-0528

THREE SEVENTY
CATHERINE LTD.

PIN 04122-0527

160901
CANADA INC.

PIN
04122-0526

PIN
04122-0525

NOTE: APPROXIMATE LOCATION OF NEW BUILDING

QUEENSWAY HIGHWAY 417

CAUTION
BOUNDARY AND TOPOGRAPHICAL
INFORMATION SHOWN ON THIS SKETCH
MAY NOT BE CURRENT AND ARE
NOT BASED ON AN ACTUAL SURVEY

370 CATHERINE STREET

REGION OF OTTAWA-CARLETON
INFORMATION TECHNOLOGY OFFICE

OWNER THREE SEVENTY CATHERINE LTD. AREA 3138 SQ. METRES

SCALE 1:1500 METRIC DATE JUNE 22/2000 FILE

BRANCH SURVEYS & MAPPING 4191s.dgn PLANS.PEN

Extract of Draft Minute
Corporate Services and
Economic Development Committee
01 August 2000

LEASE PROPOSAL, 370 CATHERINE STREET, OTTAWA

- Planning and Development Approvals Commissioner's report
dated 17 Jul 00

Councillor van den Ham expressed concern about the \$500,000 required for capital improvements to the property and inquired whether other capital projects are being neglected in order to complete this work. Mr. R. Ennor, Director, Property Services, noted that the funds are in a Social Services account dedicated to capital improvements at service delivery sites, and in this instance will be used for improvements refurbishing the space at 370 Catherine Street. Mr. Ennor added that there are a number of other capital projects that will be better defined in the year 2001 with regard to a new service delivery model that will be brought forward.

Councillor van den Ham noted that the new space is much more expensive in terms of annual cost for rental space. Mr. Ennor noted that the rent for Catherine Street will be \$541,000 per year, while the rent at Wellington Street was \$183,000 per year.

That the Corporate Services and Economic Development Committee and Council:

- 1. Approve the lease for 29,953 square feet of office space at 370 Catherine Street with Three Seventy Catherine Limited for 6 years and 1 month from October 1, 2000 to October 31, 2006, at an annual cost of \$ 541,949.65 plus GST, and initial fit-up costs of \$500,000 plus GST.**
- 2. Authorize staff to exercise and enter into negotiations for a five year renewal option commencing October 18, 2001 for existing space of 29,700 sq.ft. at 370 Catherine Street with Three Seventy Catherine Ltd.**

CARRIED