

- 5. LEASE RENEWAL – 2339 OGILVIE ROAD, EMPLOYMENT AND SOCIAL SERVICES EAST OFFICE
RENOUVELLEMENT DE BAIL – 2339, CHEMIN OGILVIE, SERVICES SOCIAUX ET D’EMPLOI EST**

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Approve the lease renewal of 3,238.32 square metres of space at 2339 Ogilvie Road with Metcalfe Realty Company Limited to continue to house Employment and Social Services East Office for a further 10-year term commencing July 15, 2021 and terminating on July 14, 2031. The total consideration for the term is estimated to be \$4,182,840.00 plus HST; and**
- 2. Delegate authority to the Director of Corporate Real Estate to finalize and execute the lease extension agreement in accordance with the terms and conditions detailed in this report.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

- 1. Approuve l’approbation du renouvellement de bail pour un espace de 3238,32 mètres carrés situé au 2339, chemin Ogilvie, avec Metcalfe Realty Company Limited, pour une durée additionnelle de 10 années débutant le 15 juillet 2021 et se terminant le 14 juillet 2031, afin de continuer d’accueillir les Services sociaux et d’emploi Est. Le montant total de la location pour cette période est estimé à 4 182 840,00 \$, TVH en sus; et**
- 2. Délègue au directeur du Bureau des biens immobiliers municipaux le pouvoir de conclure la prolongation du bail, conformément aux modalités décrites dans le présent rapport.**

DOCUMENTATION/DOCUMENTATION

1. Director's report, Corporate Real Estate Office, Infrastructure and Economic Development Department, dated April 22, 2021 (ACS2021-PIE-CRO-0007)

Rapport du Directeur, Bureau des biens immobiliers municipal, Direction générale de la planification, de l'infrastructure et du développement économique, daté le 22 avril 2021, (ACS2021-PIE-CRO-0007)

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
18 May 2021 / 18 mai 2021**

**and Council
et au Conseil
26 May 2021 / 26 mai 2021**

**Submitted on April 22, 2021
Soumis le 22 avril 2021**

**Submitted by
Soumis par:
Derrick Moodie,
Director / Directeur**

**Corporate Real Estate Office / Bureau des biens immobiliers municipal, Planning,
Infrastructure and Economic Development / Services de la planification, de
l'infrastructure et du développement économique**

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Ward: BEACON HILL-CYRVILLE (11) File Number: ACS2021-PIE-CRO-0007

**SUBJECT: Lease Renewal – 2339 Ogilvie Road, Employment and Social
Services East Office**

**OBJET: Renouvellement de bail – 2339, chemin Ogilvie, Services sociaux et
d'emploi Est**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council:

- 1. Approve the lease renewal of 3,238.32 square metres of space at 2339 Ogilvie Road with Metcalfe Realty Company Limited to continue to house Employment and Social Services East Office for a further 10-year term commencing July 15, 2021 and terminating on July 14, 2031. The total consideration for the term is estimated to be \$4,182,840.00 plus HST; and**
- 2. Delegate authority to the Director of Corporate Real Estate to finalize and execute the lease extension agreement in accordance with the terms and conditions detailed in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :

- 1. Approbation du renouvellement de bail pour un espace de 3238,32 mètres carrés situé au 2339, chemin Ogilvie, avec Metcalfe Realty Company Limited, pour une durée additionnelle de 10 années débutant le 15 juillet 2021 et se terminant le 14 juillet 2031, afin de continuer d'accueillir les Services sociaux et d'emploi Est. Le montant total de la location pour cette période est estimé à 4 182 840,00 \$, TVH en sus; et**
- 2. Délégation au directeur du Bureau des biens immobiliers municipaux le pouvoir de conclure la prolongation du bail, conformément aux modalités décrites dans le présent rapport.**

BACKGROUND

The Employment and Social Services (ESS) Branch has the responsibility for the delivery of the Ontario Works program under contract with the Province of Ontario and includes financial assistance and employment services. These programs are delivered at four centres across Ottawa: 2339 Ogilvie Road (east); 100 Constellation (west); 370 Catherine Street (central) and 2020 Walkley Road (south). Other services the Community and Social Services Department (CSSD) deliveries at the four centres include Child Care Subsidy, Home Support Services, and the Domiciliary Hostel Program.

ESS clients are typically those with the most barriers to employment and other services and many are single parents and new Canadians. The four ESS sites are geographically located to facilitate access to these key social supports for clients across the city.

The ESS works closely with many local community agencies, Partner and Stakeholders Initiatives, Recreation, Culture and Facility Services and Ottawa Public Health to build linkages and provide a wide variety of supports and services to residents. Many community agencies are available onsite to provide consultation, workshops and information sessions to residents. While the Ogilvie Road Centre predominantly services the residents of east end Ottawa, the services are available to all residents of Ottawa.

The Centre's location is on major bus routes with plenty of parking to assist with the community integration required to provide these services. This location has proven to be optimal in terms of services delivery, offering the convenience and services required in this area of the City.

The City has been leasing approximately 3,238.32 square metres of office space in the Beacon Hill Shopping Centre at 2339 Ogilvie Road since 2001. In February 2001, pursuant to Report No. [ACS-2001-CRC-RPR-007](#), Council approved a lease with Metcalfe Realty Company Limited for a period of 10 years from June 1, 2001 to May 31, 2011 to house the Community and Social Support Centre (east). The lease included a provision that would allow the City the option to renew the term of the lease for a further period of five-years upon written notice to the Landlord.

Pursuant to Report No. [ACS2011-CMR-REP-0003](#), Council approved the renewal of Lease between the City and Metcalfe Realty for a term of five years commencing July 15, 2011 and ending July 14, 2016. This first lease extension allowed the City the option to further renew the lease for a term of three years at market rent to be determined between the parties at the time of renewal.

Although the first lease renewal allowed for a further renewal option of three-years, staff thought it would be in the City's best interest to renew the lease for a term of five years from July 15, 2016 to July 14, 2021. A five-year lease renewal for 2339 Ogilvie Road would align the lease terms for this site with those of the other ESS leases, namely the ESS South office, at 2020 Walkley Road and ESS Central Office at 370 Catherine Street. This would mean that all three leases expire in 2021 which would allow future service delivery planning options to be explored by ESS.

Pursuant to report [ACS2016-PAI-REP-0010](#), Council approved the second lease renewal for 2339 Ogilvie Road for a further term of five years commencing July 15, 2016 and terminating on July 14, 2021. It allows the City a third renewal option to renew for a further five-year term upon providing the landlord with written notice.

DISCUSSION

Options Explored

As stated earlier, the three leases, namely, 2020 Walkley Road, 2339 Ogilvie Road and 370 Catherine Street were positioned to expire in 2021. This afforded ESS staff the opportunity to explore service delivery planning options. With uncertainty in the continuation and scope of future provincial programs and potential changes to the client's service delivery model, ESS requested Corporate Real Estate Office (CREO) staff to undertake a search for suitable space in the area bounded by the Vanier Parkway to the west, Blair Road to the east and Highway 417 to the south. Space in this area would allow for a co-locate of two of the three offices, namely 370 Catherine Street and 2339 Ogilvie Road.

Firstly, CREO reviewed the City owned buildings in Ward 11 and found no City facilities available to accommodate this space requirement. CREO then searched for approximately 3,252.32 square metres of space and found two locations that met the required criteria; office space and retail space in the St. Laurent area. After careful examination of the two locations, ESS staff determined that it would be in the City's best interest to continue operations in the two existing locations and to renew both leases. The lease for 2020 Walkley Road has been renewed and will expire on April 30, 2024. The lease for 370 Catherine Street expires November 2021 and is presently being renegotiated.

Renewal

ESS directed the CREO to exercise its option to renew the lease for approximately 3,238.32 square metres of office space at 2339 Ogilvie Road. The renewal will allow the ESS to continue service delivery to residents in its location of choice. As per the terms of the lease, notice of the City's intention to renew, subject to delegated authority approval, was sent to the landlord six months prior to the expiry of the lease.

The City requested a term of 10 years with an option to extend the lease for a further term of five years. The City also requested a one-time option to terminate the lease early either after 3.5 years, namely January 15, 2025 or after 8.5 years, January 15,

2030 by giving the landlord 12 months' notice, without penalty to the City or bonus or compensation to the landlord.

The initial Lease Renewal Agreement provided by the Landlord allowed for early termination after three and half years and eight and a half years but only if the programs and services offered by Employment and Social Services Centre are cancelled in its entirety or are amalgamated in its entirety with other City of Ottawa programs or services at a City of Ottawa owned building that was owned by the City prior to the commencement of the 2021-2026 Renewal Term. Under this initial proposal, the termination would be conditional on the City providing the Landlord with six months' notice in writing and paying the landlord a bonus payment equal to three months gross rent. The Landlord also reserved the right to terminate the lease at any time during the renewal term should they wish to demolish or redevelop the building upon providing the City 180 days or six months written notice. The renewal was at a rental rate of \$145.31 per square metre (\$13.50 per square foot).

City staff were looking for flexibility in the lease renewal to exit the premises should the need arise but to get that flexibility a longer overall lease term would be required. Negotiations with the Landlord resulted in a lease renewal for a 10-year term commencing July 15, 2021 and terminating on July 14, 2031. Flexibility in the lease was achieved as the City will have options to terminate the lease early, regardless of whether the program is cancelled or amalgamated, either on January 15, 2025 or January 15, 2030 by giving the landlord 12 months' written notice without penalty to the City or bonus or compensation to the landlord. As in previous leases for this location, the landlord retained a right to terminate the lease at any time should they wish to demolish or redevelop the building and can be terminated upon giving the City 12 months written notice.

Both parties agreed that base rent would continue at the rate of \$118.40 per square meter (\$11.00 per square foot) (plus HST) for the first five years, July 15, 2021 to July 14, 2026 and at the rate of \$139.39 per square metre (\$13.00 per square foot) (plus HST) for the last five years, July 15 2026 to July 14, 2031. Operating rent for the renewal term will commence at \$179.43 per square metre (\$16.67 per square foot) per annum and are estimated to increase annually by two per cent. The total base rent costs for the term are \$4,182,840.00 plus HST.

A review of independent market data and an external appraisal provided by CBRE Limited Valuation and Advisory Services indicates that the Net Effective Rate as of July 15, 2021 would be in the range of \$92.03 to \$108.18 per square metre (\$8.55 to \$10.05

per square foot). The appraiser notes that the concluded rental range represents the rent for “as-is” space. The fact that the base rent will continue for the next five years at the same rate the City is presently paying, and taking into consideration several other factors such as the location of the building, the length of time ESS has been established at this location, potential costs incurred to vacate, move and re-establish, staff have concluded that the rate being offered is reasonable.

The City will have an option to renew this lease for a further five-year term.

Three of the four ESS offices serve a vast area and adjusting boundaries is a larger discussion in order to be accessible and available to partners to support vulnerable residents. A significant portion of ESS’s mandate is to deliver Provincial programs and services. The 10-year extension and early termination options will enable ESS to engage with the Ministry of Children, Community and Social Services (MCCSS) with respect to future services from various locations with the community, and the impact this will have on various existing Provincial policies and procedures requiring input. This extension will also allow ESS to assess the impact that the COVID-19 pandemic has placed on future service delivery requirements as it relates to staff’s ability to be more mobile and to develop a comprehensive plan to consider what changes may be considered to the ongoing operational requirements such as office space and the various costs and benefits associated with this change across the four ESS centres.

CREO presented the proposed lease renewal to ESS and they accepted the proposal based on the terms being offered.

Finally, the lease extension provides the ESS with stability of location. ESS has the required budget to cover the 10-year extension of the lease. ESS’s lease expenditures are cost shared with the Province.

RURAL IMPLICATIONS

There are no rural implications associated with the recommendations of this report.

CONSULTATION

Corporate Real Estate Office consulted with ESS and Legal Services in the completion of this lease renewal.

COMMENTS BY THE WARD COUNCILLOR

Ward Councillor Tierney is aware of this report and concurs with the recommendations made herein.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations contained in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with the recommendations of this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with the recommendation of this report.

FINANCIAL IMPLICATIONS

This lease renewal represents a total estimated cost over the 10-year term of \$4,182,840.00 plus HST plus operating costs and will be charged to account 171716-502610.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with the recommendations of this report.

TERM OF COUNCIL PRIORITIES

This report's recommendation supports the following strategic priorities of City Council:

- Financial Responsibility (FS): Practice prudent fiscal management of existing resources and make sound long-term choices that allow City programs and services to be sustainable.
- Healthy and Caring Communities (HC): Help all residents and visitors enjoy a good quality of life and a sense of community well-being by providing healthy, safe, secure, accessible and inclusive places and services.

DISPOSITION

Upon approval by Council, Corporate Real Estate Office, in consultation with Legal Services will complete the necessary documentation for the Lease Renewal.