

**3. EXTENSION OF LEASE AGREEMENT – 2020 WALKLEY ROAD – SOCIAL
SERVICES SOUTH OFFICE**

**PROLONGATION DU BAIL – 2020, CHEMIN WALKLEY – CENTRE DES
SERVICES SOCIAUX – SUD**

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Approve a lease extension for 38,390 square feet at 2020 Walkley Road with Manulife Ontario Property Portfolio Inc. to continue to house the Social Services Centre south-east office for a further term of three (3) years commencing 1 May 2021 and ending 30 April 2024 for a total estimated consideration of \$3,390,604.80 plus HST for the full term; 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 une prolongation du bail auprès de Manulife Ontario Property Portfolio Inc., concernant un espace de 38 390 pieds carrés situé au 2020, chemin Walkley, pour une période de trois (3) ans débutant le 1er mai 2021 et se terminant le 30 avril 2024, afin de continuer à héberger le bureau du Centre des services sociaux – Sud-Est, le montant total de la location pour cette période étant estimé à 3 390 604,80 \$, TVH en sus; et**
- 2. délègue au directeur du Bureau des services immobiliers municipaux le pouvoir de conclure et de signer la convention de prolongation du bail conformément aux modalités décrites dans le présent rapport.**

DOCUMENTATION/DOCUMENTATION

1. Director's report, Corporate Real Estate Office, Planning, Infrastructure and Economic Development dated 22 May 2020 (ACS2020-PIE-CRO-0012).

Rapport du Directeur, Bureau des biens immobiliers municipal, Services de la planification, de l'infrastructure et du développement économique, daté le 22 mai 2020 (ACS2020-PIE-CRO-0012).

**Report to
Rapport au:**

**Finance and Economic Development Committee / Comité des finances et du
développement économique
June 2, 2020 / 2 juin 2020**

**and Council / et au Conseil
June 10, 2020 / 10 juin 2020**

**Submitted on May 22, 2020
Soumis le 22 mai 2020**

**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: GLOUCESTER-SOUTHGATE (10) File Number: ACS2020-PIE-CRO-0012

**SUBJECT: Extension of Lease Agreement – 2020 Walkley Road – Social
Services South Office**

**OBJET: Prolongation du bail – 2020, chemin Walkley – Centre des services
sociaux – Sud**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council:

- 1. Approve a lease extension for 38,390 square feet at 2020 Walkley Road with Manulife Ontario Property Portfolio Inc. to continue to house the Social Services Centre south-east office for a further term of three (3) years commencing 1 May 2021 and ending 30 April 2024 for a total estimated consideration of \$3,390,604.80 plus HST for the full term; 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 au Conseil :

- 1. d'approuver une prolongation du bail auprès de Manulife Ontario Property Portfolio Inc., concernant un espace de 38 390 pieds carrés situé au 2020, chemin Walkley, pour une période de trois (3) ans débutant le 1er mai 2021 et se terminant le 30 avril 2024, afin de continuer à héberger le bureau du Centre des services sociaux – Sud-Est, le montant total de la location pour cette période étant estimé à 3 390 604,80 \$, TVH en sus; et**
- 2. de déléguer au directeur du Bureau des services immobiliers municipaux le pouvoir de conclure et de signer la convention de prolongation du bail conformément aux modalités décrites dans le présent rapport.**

BACKGROUND

The Community and Social Services Centre (CSSC) at 2020 Walkley Road is one of four centres located in Ottawa that provides a wide range of integrated community and social service supports to residents of Ottawa. Services include Ontario Works financial assistance; Essential Health and Social Supports; Child Care Subsidy Services; Housing Services; Employment Services and a range of social supports through Community Hubs located within the Centre.

The Employment and Social Services (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 Walkley Road Centre predominantly services the residents of south-east Ottawa, generally bounded by the Queensway to the north, Merivale Road to the west, Smyth/Russel Road to the east and the City limit to the south, the services are available to all residents of Ottawa.

The Centre's highly visible 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 38,390 square feet of office space at 2020 Walkley Road to house the Community and Social Support Centre (south-east) (CSSC) since March 2003. In September 2002, pursuant to report [ACS2002-CRS-RPR-0078](#) Council approved a sublease (the "Sublease") with JDS Uniphase Inc. for a period of seven (7) years and two months, from 01 March 2003 to 30 April 2010 (the "Original Term"), to relocate the Financial Assistance office in the city's southeast from 24,878 square feet of leased space at 2505 St. Laurent Boulevard to 38,390 square feet of space at 2020 Walkley Road, and with the addition of an Employment Resource Area established the South District's EFAC.

In May 2009, before the completion of the Original Term in April 2010, the City entered into negotiations directly with the then landlord, Great West Life to continue to occupy 38,390 square feet of space at 2020 Walkley Road and operate the South District EFAC. Pursuant to report ACS2013-PAI-REP-0002, Council approved the renewal of lease for a term of five (5) years commencing 1 May 2013 and ending 30 April 2018.

Pursuant to report [ACS2017-CSD-CRE-0012](#), Council approved a Second Lease Extension and Amending Agreement with the new landlord, Manulife Ontario Property Portfolio Inc. for the space at 2020 Walkley Road for a term of three (3) years commencing 1 May 2018 and ending 30 April 2021. The Second Lease Extension agreement allowed the City a further extension for three (3) years on the same terms and conditions as the Lease save and except Basic Rent. Notice to the Landlord of the City's intention to exercise the renewal option was to be given by the City between

eighteen (18) and twelve (12) months prior to the expiration of the expiring term, 30 April 2021.

DISCUSSION

The current lease between the City and Manulife Ontario Property Portfolio Inc. expires on 30 April 2021. As per the terms of the Second Lease Extension and Amending Agreement and in consultation with the City's Community and Social Services Branch, on April 7, 2020, the Corporate Real Estate Office (CREO) provided written notice to the Landlord of the City's interest in extending the lease for a further term of three (3) years subject to Council approval.

The City requested a Five (5) year lease extension and an early termination clause to be included in the lease extension. However, negotiations with the Landlord resulted in a proposal of a three (3) year lease extension with a base rent of \$14.00 per square foot and estimated operating costs of \$10.18 and taxes in the amount of \$5.26. This represents an increase of approximately 3.5 per cent in the base rent from \$13.50 per square foot and decrease in Operating costs from \$12.35 per square foot to \$10.18 per square foot. Staff also requested the same rent-free basic rent period offered in the Second Lease Extension – two months of free rent per year. The Landlord declined our request citing that a survey of the market, the availability of space, the absorption levels and prevailing market rents in the surrounding area of the building indicate that the offer of base rent of \$14.00 is adequate.

A review of independent market data and an external appraisal provided by Juteau Johnson Comba Inc. indicates that the Net Effective Rate as of May 1, 2021 would be in the range of \$12.00 - \$13.00 per square foot. The appraiser notes that the concluded rental range represents the rent for "as-is" space and further concludes that the net effective rent would be the same as the contract rent as it assumes no inducements are provided. If a tenant improvement allowance or free rent were to be provided, they would be amortized over the term of the lease such that a higher contract rent would be payable.

No further options to extend the lease past April 2024 were included in the Lease Extension Agreement.

Operating rent, including taxes, is estimated at \$15.44 per square foot for the first year. A three per cent (3%) annual increase to the operating rent has been estimated for the term.

The fact that the base rent of \$14.00 is fixed for the whole three year term and taking into consideration several other factors, such as the ideal location of the building, the length of time CSSC 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 total consideration for the term, which includes base rent and operating rent is estimated to be \$3,390,640.80 plus HST. CREO presented the proposal to the Community and Social Services Department (CSSD) and they accepted the proposal based upon the rates being offered.

CREO has reviewed the City owned buildings in Ward 10 and found no City facilities available to accommodate this space requirement. CREO also reviewed space availability on the open market and found no suitable property able to accommodate this space requirement within the Ward or service area.

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 CSSD's mandate is to deliver Provincial programs and services. The three-year extension will enable CSSD 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 CSSD to assess the impact that the COVID-19 emergency 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.

Finally, the lease extension provides the CSSD with stability of location. CSSD and Employment and Social Services have the required budget to cover the three-year extension of the lease. The lease costs are eligible costs shared with the Province.

CONCLUSION

Staff recommend that Council approve a three-year lease extension of 38,390 square feet at 2020 Walkley Road from May 1, 2021 to April 30, 2024 with Manulife Ontario Property Portfolio Inc. to continue to house the Social Services Centre south-east office for a total estimate of \$3,390,604.80 plus HST for the full term. As there are no

inducements being offered by the Landlord, the Net Effective Rent per square foot is \$14.00 for the full term. Staff has reviewed the City owned buildings in Ward 10 and reviewed space availability on the open market and found no suitable property able to accommodate this space requirement within the Ward or service area.

RURAL IMPLICATIONS

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

CONSULTATION

The Corporate Real Estate Office consulted with the Community and Social Services Department and Legal Services in completing the Lease Extension Agreement.

COMMENTS BY THE WARD COUNCILLOR

Councillor Deans is aware and supportive of maintaining these critical social services in the community.

LEGAL IMPLICATIONS

There are no legal impediments to the implementation of the report recommendations. Legal Services has reviewed the proposed third lease extension and amending agreement and it reflects the report recommendations.

ASSET MANAGEMENT IMPLICATIONS

The recommendations documented in this report are consistent with the City's [Comprehensive Asset Management \(CAM\) Program](#) objectives. The implementation of the Comprehensive Asset Management program enables the City to effectively manage existing and new infrastructure to maximize benefits, reduce risk, and provide safe and reliable levels of service to community users. This is done in a socially, culturally, environmentally, and economically conscious manner.

Alternative public and private locations for these services were reviewed and staff found no suitable property able to accommodate this space requirement within the Ward. Staff conclude the proposed is the best use for the site.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with the recommendation in this report.

FINANCIAL IMPLICATIONS

There are no financial implications from the report recommendations.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support City Council's Thriving Communities Priority: Promote safety, culture, social and physical wellbeing of our residents.

DISPOSITION

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