

Report to / Rapport au:

**OTTAWA POLICE SERVICES BOARD
LA COMMISSION DE SERVICES POLICIERS D'OTTAWA**

23 September 2019 / 23 septembre 2019

Submitted by / Soumis par:

Chief of Police, Ottawa Police Service / Chef de police, Service de police d'Ottawa

Contact Person / Personne ressource:

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SUBJECT: 19 FAIRMONT AVE – LEASE RENEWAL

OBJET: 19, AVENUE FAIRMONT – RENOUVELLEMENT DU BAIL

REPORT RECOMMENDATIONS

That the Ottawa Police Services Board approve a lease extension with Beldemer Holdings Ltd. for approximately 28,749 sq. ft. of space located at 19 Fairmont Ave for a period of 5 years commencing November 1, 2019 and ending October 31, 2024. The total consideration for the lease extension is \$4,341,099 plus HST.

RECOMMANDATIONS DU RAPPORT

Que la Commission de services policiers d'Ottawa approuve une prolongation de bail auprès de Beldemer Holdings Ltd. pour un espace d'environ 28 749 pieds carrés situé au 19, avenue Fairmont pour une période de cinq ans à compter du 1^{er} novembre 2019 jusqu'au 31 octobre 2024. Le montant total pour la prolongation du bail se chiffre à 4 341 099 \$, plus la TVH.

BACKGROUND

The purpose of this report is to seek Board approval for a five year lease extension for 19 Fairmont Avenue. This approval is sought in accordance with the procedures outlined in the Financial Accountability Procedures Manual (FAP), whereby Board approval is required in order to pre-commit funding in future budget years.

The OPS has occupied 19 Fairmont Avenue since November 1, 2009. Space was originally acquired when Elgin station reached capacity as a result of staffing increases. To relieve pressure on the headquarters facility, Corporate Support functions and the Planning, Performance and Analytics Section were relocated to 19 Fairmont Avenue. In addition, the Professional Standards Section was moved from their City Hall location when space needed to be recaptured to support City functions.

As part of the Facilities Strategic Plan (FSP), these occupants will be relocated once the South Facility Phase B project is completed in 2024.

DISCUSSION

The original lease was signed for a period of 10 years with an end date of October 31, 2019 plus two five year extensions. The first extension is for the term November 1, 2019 to October 31, 2024. The second extension of November 1, 2024 to October 31, 2029 remains as an option with a newly negotiated early termination clause of twelve months written notice. Should the OPS choose to exercise the second extension, option they can issue a termination notice on or any time after November 1, 2024.

As identified in the FSP, there is a critical need to continue to lease the existing space at 19 Fairmont until the South Facility (Phase B) is delivered in Q1/Q2 2024. Exercising our first option to extend this lease will provide a stable interim solution for OPS functions until that time and provides some flexibility to support a smooth transition between facilities and/or if the South project encounter delays. As space becomes available it will be used as swing space and to support other short term police initiatives. OPS will continue to benefit from the original capital investments made in this building as the space is appropriately fit up to meet our needs. No additional major capital investments are expected for the extension period.

City of Ottawa Corporate Real Estate Office (CREO) provides expertise and represents OPS in real property transactions. At OPS' request, CREO entered into negotiations with Beldemer Holdings Inc. earlier this year. Each party obtained independent market appraisals to establish a baseline and then negotiated an equitable agreement for the rental increase, setting a base rent of \$14.75 PSF. This represents a \$1.75 PSF increase over the previous base rent of \$13.00 PSF or 13% over the 5 year term (roughly 2.6% annually). The operating costs will remain at \$15.45 PSF and are subject to annual reconciliation.

CONSULTATION

Public consultation is not a requirement for this report.

FINANCIAL IMPLICATIONS

Currently, funding for the lease at 19 Fairmont is provided for in Ottawa Police Service cost centre 124178. For the 5 year period, November 1, 2019 to October 31, 2024, a budget of \$868,219.80 plus HST will be identified annually to support the leasing and operational requirements for this space.

Lease Term: November 1, 2019 to October 31, 2024

	Rent	Op Costs	Total (hst extra)
Per Square Foot Cost	\$14.75	\$15.45	\$30.20
Annual Cost	\$424,047.75	\$444,172.05	\$868,219.80

The total consideration for this lease commitment over 5 years is \$4,341,099.

SUPPORTING DOCUMENTATION

N/A

CONCLUSION

In accordance with the approved Facilities Strategic Plan, a requirement exists to continue to lease space at 19 Fairmont Avenue. A fair and reasonable rent, supported by independent market appraisals, has been negotiated by CREO on behalf of the OPS. With significant capital investments already made in the Fairmont location and no requirement for additional investment, it stands to reason that continued occupancy of the space is in the best interests of the OPS. Additionally, this will allow the services to remain in place and provide stability until the delivery of the new South Facility Phase B.