

- 5. LEASE RENEWAL – 35 GEORGE STREET – NATIONAL CAPITAL COMMISSION – OTTAWA SCHOOL OF ART**
- RENOUVELLEMENT DE BAIL - 35, RUE GEORGE – COMMISSION DE LA CAPITALE NATIONALE – ÉCOLE D'ART D'OTTAWA**

COMMITTEE RECOMMENDATION

That Council approve the renewal of the lease for the approximately 22,605ft² building at 35 George Street owned by the National Capital Commission and housing the Ottawa School of Art for a term of five (5) years commencing 1 January 2013 and ending on 31 December 2017 for a total estimated cost over the term of \$1,364,179.91 plus HST.

RECOMMANDATION DU COMITÉ

Que le Conseil approuve le renouvellement du bail qui possède une superficie approximative de 22 605 pieds carrés de l'immeuble portant l'adresse municipale 35, rue George, et appartient à la Commission de la capitale nationale. L'immeuble abrite l'École d'art d'Ottawa et le renouvellement porte sur une période de cinq (5) ans débutant le 1^{er} janvier 2013 et se terminant le 31 décembre 2017. Le montant estimatif total pour cette période est de 1 364 179.91 \$, TVH en sus.

DOCUMENTATION

- 1. Nancy Schepers, Deputy City Manager report dated 25 February 2013 (ACS2013-PAI-REP-0005) / Rapport du Greffier municipal et chef des contentieux daté du 25 février 2013 (ACS2013- PAI-REP-0005).**
- 2. Extract of Draft Minute 5 March 2013 / Extrait de l'ébauche du procès-verbal, le 5 mars 2013.**

Report to/Rapport au :

Finance and Economic Development Committee
Comité des finances et du développement économique

and Council / et au Conseil

February 25, 2013
25 février 2013

Submitted by/Soumis par : Nancy Schepers, Deputy City Manager/Directrice
municipale adjointe, Planning and Infrastructure / Urbanisme et Infrastructure

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RIDEAU-VANIER (12)

Ref N°: ACS2013-PAI-REP-0005

**SUBJECT: LEASE RENEWAL – 35 GEORGE STREET – NATIONAL CAPITAL
COMMISSION – OTTAWA SCHOOL OF ART**

**OBJET : RENOUELEMENT DE BAIL - 35, RUE GEORGE – COMMISSION
DE LA CAPITALE NATIONALE – ÉCOLE D'ART D'OTTAWA**

REPORT RECOMMENDATION

That the Finance and Economic Development Committee recommend Council approve the renewal of the lease for the approximately 22,605ft² building at 35 George Street owned by the National Capital Commission and housing the Ottawa School of Art for a term of five (5) years commencing 1 January 2013 and ending on 31 December 2017 for a total estimated cost over the term of \$1,364,179.91 plus HST.

RECOMMANDATION DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'approuver le renouvellement du bail qui possède une superficie approximative de 22 605 pieds carrés de l'immeuble portant l'adresse municipale 35, rue George, et appartient à la Commission de la capitale nationale. L'immeuble abrite l'École d'art d'Ottawa et le renouvellement porte sur une période de cinq (5) ans débutant le 1^{er} janvier 2013 et se terminant le 31 décembre

2017. Le montant estimatif total pour cette période est de 1 364 179.91 \$, TVH en sus.

BACKGROUND

The City has been leasing the building at 35 George Street since 1981. The building houses the Ottawa School of Art which has been a fixture in the City since 1879. The City's original lease expired on 31 August 2006 and has been renewed up to 31 December 2012.

The Parks, Recreation and Cultural Service Department (PRCSD) confirmed to the Real Estate Partnerships and Development Office that continued tenancy at 35 George Street was required in order to provide space to the Ottawa School of Art. The City's lease allowed for one further five year renewal option and the Real Estate Partnerships and Development Office began discussions with the National Capital Commission (NCC) in the summer of 2012.

PRCSD entered into a Service Agreement with the Ottawa School of Art commencing 1 January 2012 and ending 31 December 2013 in which the Ottawa School of Art provides the operation of the School in exchange for both funding and this leased City space and services. A new agreement between the City and Ottawa School of Art will be forthcoming later in 2013 commencing 1 January 2014 to coincide with the term of this lease renewal.

DISCUSSION

Discussions with the NCC have resulted in an agreement for the renewal of the lease for a further five-year term commencing 1 January 2013 and ending 31 December 2017 at a total estimated cost of \$1,364,179.91 plus HST for the term.

The base rent payable to the NCC for the first year of the renewal term is \$73,586 plus CPI and for each year thereafter there will be a CPI increase. The estimated total base rent for the term is \$390,678.07 plus HST.

The operating costs for the building over the term of the lease renewal are estimated at \$473,501.85 plus HST.

Under the lease renewal, the City will be responsible for a series of lifecycle improvements to the building to be performed over the term of the lease renewal. These items include re-pointing stonework, replacing/upgrading the fire panel, repair and paint window frames, painting and the like. The total estimated lifecycle costs over the term of the lease renewal are \$200,000.00.

Prior to Parks, Recreation and Cultural Service making the decision to renew this lease, the City was advised by the NCC that the steam fired heating system serving the building needed to be replaced. The work is currently in progress and is estimated at

\$300,000 plus HST. Asset Management provided the funding, within current budgets, for the project and Public Works has undertaken the works.

All estimated costs for the lease renewal total \$1,364,179.91 (base rent, operating expenses, life cycle and replacement of heating system) plus HST over the term and equates to an annual rate of \$10.30 per square foot. This rate is well below the current market rent (based upon gross rates) which is substantiated by both the Valuation Unit and an independent Market Study.

Upon completion of this renewal term there are no further renewal options remaining on the original lease.

RURAL IMPLICATIONS

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

CONSULTATION

The Real Estate Partnerships and Development Office has consulted with Parks, Recreation and Cultural Services, Asset Management, Legal Services and Risk Management in the negotiation of this lease renewal.

COMMENTS BY THE WARD COUNCILLOR(S)

Ward Councillor Fleury is aware of this report and support staff's recommendations. This lease renewal will provide continued space for the Ottawa School of Art, who represents an important and complimentary use in our community that contributes to the vitality of the Byward Market.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendation of this report.

RISK MANAGEMENT IMPLICATIONS

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

FINANCIAL IMPLICATIONS

Approval of the renewed lease represents an increase of 8% which has been accommodated within in the 2013 operating budget.

ACCESSIBILITY IMPACTS

The City is responsible for adhering to the City's Accessibility Policy and the *Accessibility for Ontarians with Disabilities Act* and has and will do so in these leased premises.

ENVIRONMENTAL IMPLICATIONS

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

TECHNOLOGY IMPLICATIONS

There are technological implications associated with the recommendation of this report.

TERM OF COUNCIL PRIORITIES

This report responds to Priority HC4 – Improve arts and heritage.

The renewal of the lease for 35 George Street allows the City, in partnership with the Ottawa School of Art, to continue to provide public programming to citizens across the city from this central location.

DISPOSITION

Upon approval of this report the Real Estate Partnerships and Development Office will execute the lease renewal.