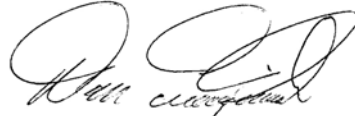



TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: January 28, 2008

SUBJECT: Proposed Lease - 7 Mellor Avenue, City of Lakes Business Park

ORIGIN

This report originates with a request from Provincial Emergency Measures Operations (EMO) to expand their offices at the Eric Spicer building and the Halifax Regional Police desire to relocate their Dartmouth Patrol offices and consolidate various other police programs.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Approve the terms and conditions of the Offer to Lease between OPB Realty Inc. (Landlord) and the Halifax Regional Municipality (Tenant) for the subject property, subject to Provincial Ministerial approval as required per s. 88.4 Municipal Government Act, as outlined in this report.
2. Approve an amount to be included in the 2008-09 operating budget for no greater than \$217,486 as per the budget implications section of this report.

BACKGROUND

In 2006, Provincial EMO expressed interest in expanding their office accommodation at the Joint Emergency Measure Centre at the Eric Spicer Building. The Province has advised they are interested in approximately 8,000 additional square feet; however, the Eric Spicer Building is currently fully occupied by Police, Municipal staff, and Joint EMO administration.

The Joint Emergency Measure Centre is of strategic importance to HRM and is often viewed by other Provinces, and by the Federal Government, as the optimum in service delivery. As a result staff is looking at the balance of the municipal occupancy to determine if a business or service function could be relocated to allow for the Provincial EMO expansion.

Most business units that could be relocated from this facility are either too large or too small, with the exception of the Police Patrol office. The indicative preference by Police is that a location more centrally located in Dartmouth would be an enhancement to the current service delivery and would provide a *strategic* opportunity to consolidate various HRP programs housed in other leased premises into a combined facility. In short a win-win for both Police and the Joint Emergency Operation Centre.

Strategic Rationalization of HRP Units:

The following units within HRP would be centralized to this new facility, East Division Patrol, East Division Watch Commanders, Victim Services (currently located in the old Dispatch Centre in Bedford), Community Relations and Crime Prevention (currently located at 10 Thornhill Drive in Burnside), Taxi Licensing (currently located in Sackville.) Community Projects (currently located at MacKintosh Street). It should be noted that Animal Control who were located in leased premises on Kempt Road recently moved back to MacKintosh Street.

Staff, through the "Request for Proposals" process, conducted a competitive search to locate suitable properties within the Dartmouth north area that met the operational and locational requirements for HRP.

DISCUSSION

The RFP yielded only one submission, 7 Mellor Avenue located in the City of Lakes Business Park.

Staff was aware of the limited availability of space going in to the process. The current vacancy and supply of overall office space has remained tight for 2007. The overall office vacancy rate as

of the 3rd quarter *remained at 8.5% with only 80,000 square feet of supply hitting the market*¹. Option for tenants over the 10,000 square foot range, whether in the CBD or suburban market is limited. The space or product is simply not there or is under construction and not ready for beneficial occupancy within the desired time line.

The current average asking lease rate, adjusted for turnkey requirements, for suburban office space ranges from *\$14.70 to \$18.65 per square foot*¹. The base rent averaged over the term for the recommended space at Mellor Avenue is well within this range at \$15.12 psf .

The proponent’s submission was reviewed by an evaluation team comprised of staff from Procurement, Real Property, TPW, and Halifax Regional Police. The proponent’s evaluation score was 90.5/100, which exceeded requirements, see attached Schedule “B”

The following are the key terms and conditions for the proposed lease for Council approval:

KEY BUSINESS TERMS AND CONDITIONS OF TRANSACTION	
<i>Property</i>	7 Mellor Avenue, City of Lakes Business Park, Dartmouth
<i>Landlord</i>	20 VIC Management acting as agents for OPB Realty Inc.
<i>Tenant</i>	Halifax Regional Municipality
<i>Use</i>	Halifax Regional Police Dartmouth North Patrol Administration Offices
<i>Area</i>	22,500 square feet
<i>Base Rent</i>	<i>\$14.00 psf per annum, year one (1)</i> <i>(with \$0.25 increase psf base rent every year there after)</i> <i>Average base rental rate over term of the lease \$15.12</i>
<i>Operating Costs</i>	Estimated rate \$4.62 psf per annum
<i>Parking</i>	Ample parking is available on site; free of charge
<i>Landlord Work/ Tenant Leasehold Improvements</i>	Turnkey fit up by Landlord as per Tenant specifications and requirements
<i>Term</i>	Ten (10) years
<i>Commencement Date</i>	July 1, 2008

¹ CBRE Market Survey 3rd Quarter 2007

Key Conditions:	<ul style="list-style-type: none">• Subject to Province of Nova Scotia Ministerial Approval under s. 88(4) of the Municipal Government Act (required for leases in excess of one year, and total lease commitment over \$100,000).• Tenant shall have the Option to Renew for an additional 10 year term.• Tenant shall have an option for additional space in the form of a mezzanine area.
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BUDGET IMPLICATIONS

The 10 year term lease at 7 Mellor Avenue for the Dartmouth Patrol Office will allow for the expansion of the Provincial EMO at Eric Spicer and subsequent consolidation of various other police program offices.

If approved the net impact on the 2008-09 operating budget is an estimated additional net expenditures to HRM of no greater than \$217,486. This is comprised of an increase for the cost of the lease at 7 Mellor Avenue for 9 months in the amount of \$324,986 offset by \$107,500 which represents reductions in overall operating expenses directly attributable to the proposed consolidation of offices at 7 Mellor Avenue. As noted in this report, there is some possibility that the vacated space at Eric Spicer will be formally approved as a lease extension by the Provincial EMO. Any lease revenues and operating costs recoveries from this space, whether it be from Provincial EMO or some other tenant will be offset against the incremental costs of the 7 Mellor Avenue space. Therefore, the net costs outlined above represent the maximum incremental costs to HRM for 2008/09. If approved these assumptions will form the basis for the 2008-09 budget. A detailed listing of assumptions by business unit is provided in Schedule "D". As noted, these costs are for less than a full year and the following year the net costs will be based on the 12 month impacts of these recommendations.

Qualitatively, additional space requirements are available at this facility and will allow for Head Quarter (HQ) expansion as funding opportunities arise for the addition of officers.

The HRM 10 year commitment at 7 Mellor Avenue for rental and operating costs inclusive of net HST, is projected to be \$4,696,426 and is comprised of a total rental commitment of \$3,519,818 with a projected total operating cost of \$1,176,608. A detailed schedule by year is provided under attachment Schedule "C".

The proposed lease at 7 Mellor Avenue commences on July 1, 2008 and will fall under the 2008-09 through to 2018-19 budgets.

If approved there is potential for the consolidation and sale of the vacant MacIntosh property with the adjacent municipally owned lands on Bayne Street. This option will be assessed and if feasible will be addressed in a future report with Staff's recommendation to Council.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

The Lease commitment, if approved, is further subject to Province of Nova Scotia Ministerial Approval under s. 88(4) of the Municipal Government Act (required for leases in excess of one year, and total lease commitment over \$100,000).

ALTERNATIVES

Council could consider the purchase or construction of a new facility; however, given the limited time line, product availability and capital constraints this is not the recommended alternative.

ATTACHMENTS


1. Schedule "A" - Site Plan
2. Schedule "B" - RFP Evaluation Score Sheet
3. Schedule "C" - 7 Mellor Avenue Total Lease Commitment Schedule
5. Schedule "D" - 2008-09 Budget Assumptions by Business Unit

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Brenda MacPherson, Coordinator, Leasing & Accommodation, TPW 490-5935
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Report Reviewed by: 
Peter Stickings, Manager, Real Property, TPW 490-7129

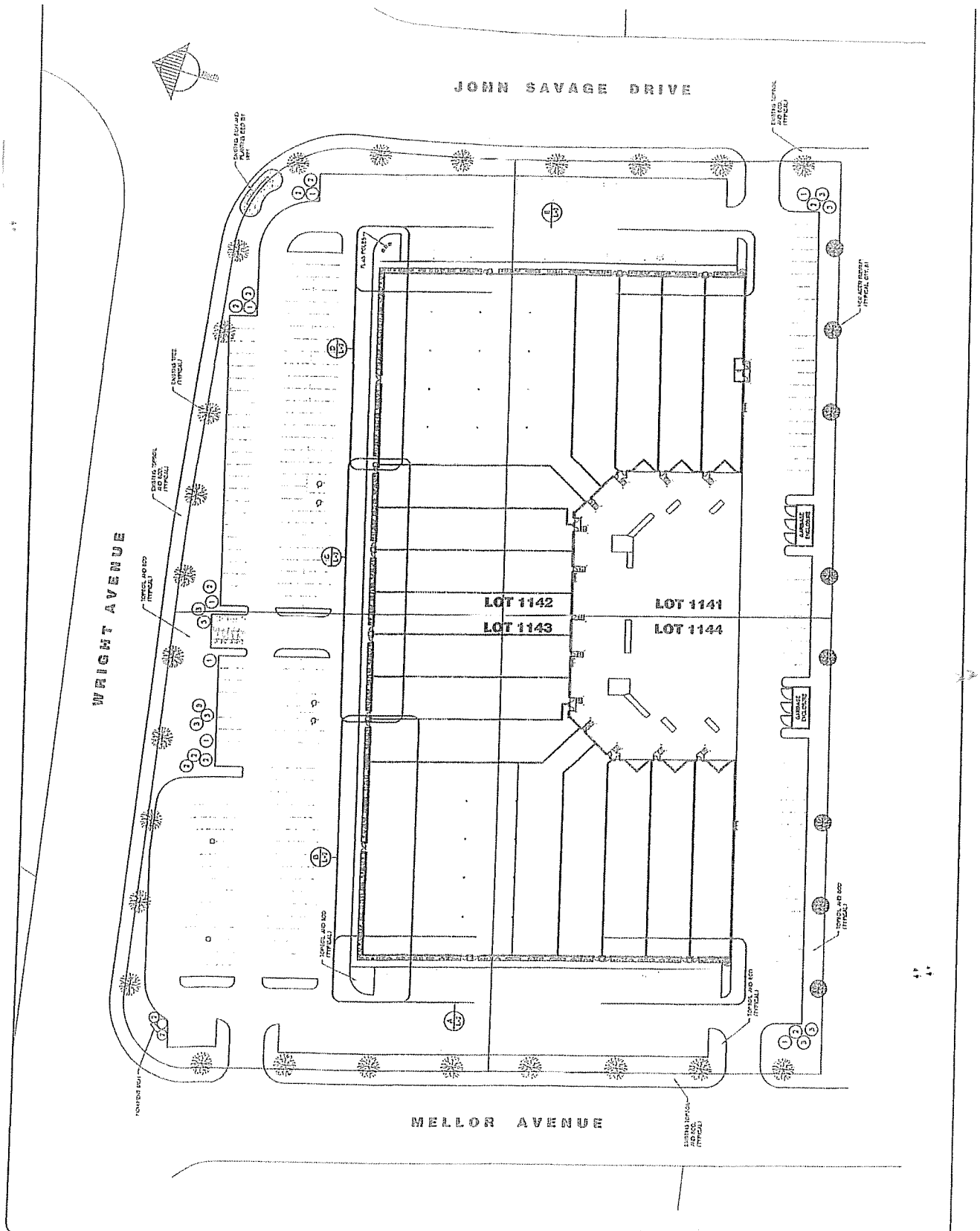

Tony Burbridge, Deputy Chief, Operational Support, HRP 490-7138

Financial Approval by: 
FOR Dale MacLennan, Director, Finance 490-6308

Report Approved by: 
Mike Labrecque, Director, TPW 490-4855


Frank Beazley, Chief of Police, HRP 490-6500

Schedule "A"



SCHEDULE “B
RFP - Evaluation Score Sheet

RFP NUMBER 07-418
LEASED OFFICE ACCOMMODATIONS - DARTMOUTH
HALIFAX REGIONAL POLICE

PROPOSAL EVALUATION CRITERIA

Criteria	Max. Score	20 Vic Management Inc.
1. Corporate Experience and Background: <ul style="list-style-type: none"> • Project team composition and representation by all necessary disciplines • Relevant experience in completing assignments of similar scope and complexity • Experience of the proponent and key personnel with similar leasing and property management assignments for the range of specified services. • Completeness of team and experience of individual team members. • Organizational structure and team coordination. • Availability of back-up personnel, if necessary. 	10	9.5
2. Proposed Approach <ul style="list-style-type: none"> • Approach to scope of services, project management and suitability of proposed work plan, including breakdown structure and Gantt chart. 	10	6
3. Building Design <ul style="list-style-type: none"> • Building design, quality of space being offered, location, access and amenities. 	35	30
4. References	5	5
5. Fee Proposal <ul style="list-style-type: none"> • Fee 	40	40
Total	100	90.5

SCHEDULE "C"

7 MELLOR AVENUE TOTAL LEASE COMMITMENT

Year	Base Rent (BR) BR X sq.ft. X Net HST (R)	Operating (OP) (Est)\ OP X sq.ft. X Net HST (R) (escalated 2%/annum)		
1	\$14.00 x 22,500 x 1.03429 = \$325,801	\$4.62 x 22,500 x 1.03429 = \$107,514		
2	\$14.25 x 22,500 x 1.03429 = \$331,619	\$4.71 x 22,500 x 1.03429 = \$109,609		
3	\$14.50 x 22,500 x 1.03429 = \$337,437	\$4.80 x 22,500 x 1.03429 = \$111,703		
4	\$14.75 x 22,500 x 1.03429 = \$343,255	\$4.90 x 22,500 x 1.03429 = \$114,030		
5	\$15.00 x 22,500 x 1.03429 = \$349,073	\$5.00 x 22,500 x 1.03429 = \$116,358		
6	\$15.25 x 22,500 x 1.03429 = \$354,891	\$5.10 x 22,500 x 1.03429 = \$118,685		
7	\$15.50 x 22,500 x 1.03429 = \$360,709	\$5.20 x 22,500 x 1.03429 = \$121,012		
8	\$15.75 x 22,500 x 1.03429 = \$366,527	\$5.30 x 22,500 x 1.03429 = \$123,339		
9	\$16.00 x 22,500 x 1.03429 = \$372,344	\$5.41 x 22,500 x 1.03429 = \$125,899		
10	\$16.25 x 22,500 x 1.03429 = \$378,162	\$5.52 x 22,500 x 1.03429 = \$128,459		
Total Rental Commitment (R)		\$3,519,818	Total Operating Cost Commitment (R)	\$1,176,608

SCHEDULE "D"

2008-09 Budget Assumptions by Business Unit

	Hfx. Reg.	Real	
	Police	Property	HRM
	Budget	Budget	Budget
Description	Implication	Implication	Implication
7 Mellor Avenue lease commitment commencing July 1, 2008 (\$325,801 * 9/12)		\$ 244,351	\$ 244,351
7 Mellor Avenue operating cost requirement commencing July 1, 2008 (\$107,514 * 9/12)		80,636	80,636
Total Budget increase	\$ -	\$ 324,986	\$ 324,986
Other savings directly attributable to space consolidation at 7 Mellor Ave.:			
1. Reduction in MacIntosh property operating budget commencing July 1, 2008 (\$90,000 * 9/12) - Cost Centre W200-6911		67,500	67,500
2. Kempt Rd. lease termination - Cost Centre W202-6911		17,200	17,200
3. Thornhill Dr. lease termination - Cost Centre P425-6911	22,800		22,800
Total Budget decrease	\$ 22,800	\$ 84,700	\$ 107,500
Operating Budget Net Expenditure Increase	\$ (22,800)	\$ 240,286	\$ 217,486

In 2006, Provincial EMO expressed interest in expanding their office accommodation at the Joint Emergency Measure Centre at the Eric Spicer Building. The Province has advised that they are interested in approximately 8,000 additional square feet. If a letter of commitment is received confirming their intention, it is estimated that this will result in annual revenue of \$160,000 comprised of rental revenue of \$100,000 for space leased and reimbursement of operating costs for \$60,000. For the 2008-09 fiscal period this amount would not be for a full year and would be contingent on the timing of the expansion of their office accommodation.