

COUNCIL REPORT

To: Mayor & Council

Date: September 2, 2009

From: Bill Preisentanz, CAO

Re: Agreement – Ontario Power Generation – Operations Centre

Background

The availability of space on the second floor of the Operations Centre was previously discussed at the Council level and included approximately 4,000 sq.ft. While some of the space was used for storage, a majority was available as rentable space. In addition, when Bell Aliant gave notice of their relocation in February 2009, additional space of approximately 2,200 sq. ft. on the main floor became available to rent.

Ontario Power Generation (OPG) recently approached the City with respect to leasing 4,600 sq. ft. of office space plus parking facilities at the Operations Centre. They had out-grown their present space at the former incubator mall in Keewatin and had been searching for a new location. This OPG operations provides technical support to the power dam operations north of Kenora and is based on four day week operation.

The resulting negotiations through the City's Building Manager and subsequent involvement of the City solicitor has resulted in a tentative 10 year lease agreement with further two 5 year extensions for Council consideration.

There are two capital components to the lease:

- i) City requirement to partition the open space on the 2nd floor to a rentable condition – estimated cost = \$50,000
- ii) OPG requirement to develop main floor office space – estimated cost = \$132,000

The City would administer and finance these works and recover the OPG portion over 10 years at 5% interest. The annual rent in year 1 would be \$107,083 including \$16,800 being the recovery of capital costs from OPG. It should be understood that the OPG capital cost of \$132,000 is only an estimate at this time and capital recovery costs from OPG would be based on actual construction costs.

The City's cost of \$50,000.00 to place the 2nd floor space into a rentable condition represents the maximum limit of contribution. Any costs in excess of the \$50,000 contribution would be the responsibility of OPG.

Lease Rate Calculations

Operations Building Lease - Ontario Power Generation

- 20 year lease based on 5 year increments, effective November 01, 2009
- Year 2 & 3 lease = 2% annual increase; year 4 & 5 = 3% annual increase
- Renovation cost recovery from OPG of \$132,000 over 10 years

Base Lease Calculation	Sq. Ft.	\$/Sq. Ft.	Annual \$	
Main Floor	2,200	\$13.00	\$28,600.00	
Second Floor	2,400	\$13.00	<u>\$31,200.00</u>	\$59,800.00
Secure Parking	12,500	\$1.25	<u>\$15,625.00</u>	\$15,625.00
Operating Cost Lease Calculation				
Main Floor	2,200	\$3.23	\$7,106.00	
Second Floor	2,400	\$3.23	\$7,752.00	
Outside Compound	12,500	\$0.00	\$0.00	
Cold Storage Bldg	500	\$0.00	<u>\$0.00</u>	\$14,858.00

	Sq. Ft.	Cost	Cost/Sq.Ft.
Gas, hydro, w&s	4600	\$4,500	\$0.98
Snow ploughing	12500	\$1,500	\$0.12
Janitorial	3200	\$2,400	\$0.75
Building maintenance	4600	\$1,540	\$0.33
Compound	12500	\$625	\$0.05
Administration			\$1.00
Total fixed cost lease			<u>\$3.23</u>

Renovation Cost Recovery - \$132,000 @5% over 10 year term

Capital Cost	Rate	Term	Monthly Cost	
\$132,000	5.0%	10	\$1,400.06	<u>\$16,800.78</u> \$16,800.78

Annual Lease Cost - Year 1 \$107,083.78

Financial

In discussion with the Manger of Finance & Administration, It is recommended that the City's funding of the OPG capital works be set up as a receivable and a portion of the annual rent (\$16,800.78) be applied against the initial capital works amount.

Recommendation:

That Council of the City of Kenora hereby give three readings to a bylaw ratifying a Lease Agreement between the City of Kenora and Ontario Power Generation for lease of office and parking space at the Operations Centre at 60 Fourteen Street North.