



**CITY OF KINGSTON**  
**REPORT TO COUNCIL**

**Report No.: 09-128**

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**TO:** Mayor and Council  
**FROM:** Denis Leger, Commissioner, Corporate Services  
**RESOURCE STAFF:** Speros Kanellos, Director, Real Estate & Construction Services  
**DATE OF MEETING:** April 7, 2009  
**SUBJECT:** Municipal Accommodation Strategy

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**EXECUTIVE SUMMARY:**

This report seeks Council's approval to pursue the city's Master Accommodation Plan (MAP) for permanent accommodation. Given that the city is in the third year of a five year lease term in the British Whig Building, the city is at a decision point on whether or not to proceed now to implement the recommendations of the MAP, which called for an administrative centre owned by the city to be secured in the downtown core within a short distance of City Hall. The MAP recommends that in order to fill all medium to long term space requirements, the city pursue ownership space options rather than conventional lease arrangements.

This report further outlines the timing, financial and process considerations for moving forward, and an analysis of the risks of proceeding now versus in 2012. Staff is recommending the commencement of an RFP process and the allocation of capital budget to pursue this strategy that will take the city from leasing to owning an administrative centre.

In the strategic planning session of Council held in September 2008, the major projects report forecasted this expenditure to occur in 2010. The timing associated with the recommendations in this report coincides with that forecast and does not compromise the city's financial capacity to proceed with other identified major projects.

**RECOMMENDATION:**

**THAT** Council direct staff to develop and issue an RFP for a turn-key design-build project to accommodate the city's main administrative offices in city-owned space;

And

**THAT** Council approve a initial budget of \$500,000, funded from the municipal capital reserve fund, for project management, architectural, engineering and cost consultants, legal fees, in-house project management and contingency allowances to be incurred from now until the signing of the design-build contract;

And

**THAT** the upcoming capital budget for 2009/2010 include sufficient allocation for the project.

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**AUTHORIZING SIGNATURES:**

  _____
Denis Leger, Commissioner, Corporate Services
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Gerard Hunt, Chief Administrative Officer

**CONSULTATION WITH THE FOLLOWING COMMISSIONERS:**

Commissioner Beach, <i>Sustainability &amp; Growth</i>	
Commissioner Thurston, <i>Community Development Services</i>	
Commissioner Leger, <i>Corporate Services</i>	
Jim Keech, President, <i>Utilities Kingston</i>	

*(NR indicates consultation not required)*

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## OPTIONS/DISCUSSION:

The following sections of this report summarize the history of the Master Accommodation Plan (MAP) recommendations, lease vs. ownership options as well as timing & process considerations, risk management and financial strategy.

### History:

The City of Kingston approved the recommendations of the MAP on February 3, 2004, with the following motions passed by city Council:

*THAT City Hall be retained and repurposed to accommodate governance and greater public use, and;*  
*THAT an administrative centre of approximately 60,000 sq. ft. be developed in the downtown core, and;*  
*THAT the Montreal Street facility be configured to handle all social service functions, and;*  
*THAT the Counter Street facility be retained with its core purpose as the location of Utilities Kingston and Customer Service Centre, and;*  
*THAT the Midland Avenue facilities be prepared for sale in the next 3 to 5 years, and;*  
*THAT staff be directed to investigate the feasibility, time lines and the financial plan associated with achieving the above recommendations for Council's consideration.*

In 2006 the city proceeded to move towards an interim strategy, which was consistent with the long term strategic direction of the MAP. The interim strategy focused the general administrative functions of the municipality in the downtown core and created a development hub at 1211 John Counter Boulevard.

In order to meet the objective for an administrative centre in the downtown core, the city, through a competitive process, entered into a lease agreement to occupy three floors of the British Whig Building (BWB). Accordingly, certain functions at City Hall were relocated to the BWB. Concurrently, the city's Midland Avenue offices were closed and its functions were relocated to the John Counter Boulevard development hub and the BWB. The leasing of the British Whig Building brought the city one step closer to its long term strategic direction of developing and owning an administrative centre in the downtown core.

City Hall is a national historic site and a heritage showpiece for the city. Its central location is convenient for councillors and citizens, and supports the city's downtown core vision. The MAP recommended that City Hall be repurposed to focus on three primary functions: governance, governance support space and public use/meeting space. Governance, for the purpose of the MAP report, includes the offices of the Mayor, Chief Administrative Officer and Commissioners, their support staff, Council Chambers and the Clerk and Legal Departments. Through a functional programming exercise, staff and Council will have the opportunity to revisit these principles.

### Lease vs. Ownership

In May 2006, Council authorized the Mayor and Clerk to execute an agreement with Kincore Holdings Ltd. for the leasing of 24,087 sq. ft. of office space at the British Whig Building (BWB), at an annual base rent of \$14 per sq. ft. for a term of five years starting September 1, 2006, with options to renew for two additional five-year terms.

As the city is currently in its third year of the five year lease agreement at the BWB, which expires on August 31, 2011, Council may now wish to pursue the development of permanent administrative accommodations, rather than exercise a five-year option to renew in the year 2011 that would run until August 2016.

Pursuant to the terms of the lease, the city has two options to renew. The first renewal option is for a second term of five years with an increase in lease cost from the current net rate of \$14 per square foot to \$18 per square foot. The second renewal option is for a third term of five years at \$22 per square foot.

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The City's Master Accommodation Plan (MAP) recommended that the city acquire ownership of its administrative space. This recommendation was based on the long term financial benefit of owning property rather than leasing. Ownership would also provide the opportunity for environmental benefits of a LEED building, and a higher level of accessibility than might otherwise be available through a lease.

The current rent at the BWB would be used to pay down part of the debt in a city-owned facility. It is in the city's best long-term interest to own its own administrative facility based on the stability of known long-term financial commitments of debt issuance and equity. Ownership would also provide the benefits of corporate identity and civic presence through building signage and better control over facility design, image and maintenance. A city-owned facility in the downtown ensures a stable long-term location.

### Timing & Process Considerations

Staff has determined that there are two options – to continue to lease for now and exercise the first 5-year renewal option in 2011 or to actively begin the process of having dedicated space built to accommodate our downtown administrative needs.

The two options are summarized as follows:

Option 1: Council opts to postpone the project and continue to lease for now:

- No further action is required at this time.
- Before February 28<sup>th</sup>, 2011, exercise the 5-year lease renewal option at the BWB.
- In 2012, reconsider the strategy of leasing or owning our downtown municipal accommodations.

Option 2: Council opts to pursue an ownership strategy:

- The time constraints would require immediate action in order to avoid having to exercise the first 5-year lease option in the BWB.
- Hire appropriate professional expertise on a sole-source basis as required to meet the timelines and as per the provisions of the purchasing bylaw. The consultants, in cooperation with staff, will develop the detailed program requirements and design standards, the RFP documents, the contract documents and a preliminary budget and schedule, and evaluate the RFP submissions. Costs for this scope of work and the additional in-house project management costs are estimated at \$500,000. All consulting contracts will be in phases. The detailed program requirements and design standards will include:
  - The project vision
  - Artist's renderings
  - Current and long-term floor area requirements. Planning will be to a 40 to 50-year time horizon.
  - Space planning and adjacency diagrams
  - Detailed room requirements
  - Specifications for furniture, fixtures, materials & finishes, power & communications, signage, A/V, security
  - Standards for structural, mechanical and electrical systems, elevators, landscape and civil site work
  - Accessibility standards
  - LEED requirements.
- Issue an RFP in the fall of 2009 for a turn-key design-build project based on the detailed program of requirements. In order that the August 2011 deadline not disqualify certain projects or properties that would take longer to develop (such as the North Block properties) swing space may be required.
- Handle the RFP as a two-stage process. In stage 1, the proponents present their team's qualifications, along with a preliminary design and budget. In stage 2, the shortlisted proponents present more in-depth work to help in the evaluation process.
- Evaluate the proposals;

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- Subject to Council approval, contract with the successful proponent for the turn-key project by December 2009.
- Depending on the time frame, to proceed with a standard design and construction process, or fast track it by overlapping phases wherever possible.
- Staff will develop a contingency plan in case the new space is not available by August 2011.

The entire RFP process, including the procurement of consultants, programming, space planning, design development, specifications, proposal call, evaluation of proposals, negotiation and contract signing, is expected to take 8 to 9 months. With an April 2009 start, the city should be in a position to issue an RFP in the fall, and sign a contract with a design/build proponent by December 2009. The length of time needed for design, permits and approvals, site work and construction will depend on the selected site as well as the size and complexity of the project.

### Risk Management

There are risks to proceeding now, and also risks to waiting.

If the city proceeds now and any slippage in the schedule occurs at any stage of the process this will result in the new space not being ready when the current BWB lease expires. Should that occur, the city would have to either exercise the 5-year lease renewal option or find temporary accommodations.

If the projected is postponed until 2012 some of the options for suitable accommodation close to City Hall may no longer be available.

### Financing Strategy

It is estimated that the cost associated with this project will be in the \$300 per square foot range. The estimated requirement of 40,000-50,000 square feet will mean a total expenditure in the range of \$12,000,000 to \$15,000,000. The financing strategy will include a combination of pay as you go financing from reserve funds and the issuance of long term debt. Assuming the issuance of \$10,000,000 in long term debt financing, which is well within the city's debt capacity, an annual payment of approximately \$650,000 would be required. The city currently pays approximately \$340,000/year for approximately 24,000 square feet in rent at the BWB. If the City were to exercise its first five-year renewal option in 2011, the annual lease payment would increase to approximately \$450,000.

In the strategic planning session of Council held in September 2008, the major projects report forecasted this expenditure to occur in 2010. The timing associated with the recommendations in this report coincides with that forecast and does not compromise the city's financial capacity to proceed with other identified major projects.

### **EXISTING POLICY/BY LAW:**

There is no existing policy or by-law with this report.

### **NOTICE PROVISIONS:**

There is no notice provisions required for this report.

### **ACCESSIBILITY CONSIDERATIONS:**

The City needs to determine the accessibility standards to be included in the detailed program of requirements in the RFP. Consideration should be given to using the City of London accessibility standards for new construction. These standards are

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based on universal design principles, and go well beyond the requirements of the Ontario Building Code. They have been adopted by several other municipalities.

#### **FINANCIAL CONSIDERATIONS:**

It is in the city's best long-term interest to own its own administrative facility based on the stability of known long-term financial commitments of debt issuance and equity. The current base rent of approximately \$340,000/year at the BWB, which in 2011 would increase to approximately \$450,000 could be used to pay down part of the debt on a city-owned facility.

The cost of the work required to take us from now to the award of a design-build contract is estimated at \$500,000. The budget includes fees for project management, architectural, engineering and cost consultants, legal fees, in-house project management, and contingency allowances.

#### **CONTACTS:**

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#### **OTHER CITY OF KINGSTON STAFF CONSULTED:**

Alan McLeod, Senior Legal Counsel  
Lanie Hurdle, Director of Recreation & Leisure Services  
Sheila Kidd, Director of Corporate Assets  
Nancy Taylor, Vice President of Utilities Kingston

#### **EXHIBITS ATTACHED:**

None