



CITY OF KINGSTON
REPORT TO COUNCIL

Report No.: 12-210

TO: Mayor and Members of Council

FROM: Denis Leger, Commissioner, Transportation, Properties & Emergency Services

RESOURCE STAFF: Peter Huigenbos, Acting Director, Real Estate & Construction Services

DATE OF MEETING: October 2, 2012

SUBJECT: Surrender of Lease – Red Cross – 150 West Street

EXECUTIVE SUMMARY:

The City has received a request from the Red Cross to surrender its 150 year lease of the former Gaoler's Residence at 150 West Street at the rear of the Frontenac County Court House. The building no longer meets the needs of its volunteer base and the equipment loan services program because the 2nd floor and basement level of the building are not accessible. The costs associated with the requirements to maintain the building according to heritage standards have also become increasingly prohibitive putting a strain on the Red Cross operating budgets. City staff had met with representatives of the Red Cross to consider alternative City owned locations and have been unable to accommodate their needs. Accordingly, the Red Cross has found an alternative location to lease at market rates and hence the request to surrender its lease to the City.

RECOMMENDATION:

THAT the Mayor and City Clerk be authorized to execute documents as may be required to accept the surrender of lease of 150 West Street from the Red Cross subject to the satisfaction of the Director of Legal Services; and

THAT operating costs for the balance of 2012 be expensed to the Real Estate & Construction Services Other Owned Properties budget; and

THAT staff investigate alternative uses for the property and report back to Council.

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AUTHORIZING SIGNATURES:

<u>ORIGINAL SIGNED BY COMMISSIONER</u> Denis Leger, Commissioner, Transportation, Properties & Emergency Services
<u>ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER</u> Gerard Hunt, Chief Administrative Officer

CONSULTATION WITH THE FOLLOWING COMMISSIONERS

Cynthia Beach, <i>Sustainability & Growth</i>	N/R
Lanie Hurdle, <i>Community Services</i>	N/R
Jim Keech, <i>President and CEO, Utilities Kingston</i>	N/R

OPTIONS/DISCUSSION:

The Red Cross has been an occupant of the former Gaoler’s Residence at 150 West Street since 1975. In 1989, the Red Cross entered into a 150 year lease with the County of Frontenac for the former Gaoler’s Residence. The City assumed the lease with the transfer of the Court House Complex in 1998.

Under the terms of the lease, the Red Cross paid the County \$150,000 as an upfront balloon payment in 1989 and \$1.00 per year for every year thereafter in lieu of rent. The Red Cross is responsible for all operating costs plus capital maintenance and repair subject to the approval of the landlord.

Since first taking occupancy in 1975, the Red Cross have undertaken capital repairs and maintenance totalling approximately \$555,900 in contract and supplier costs (Figure 1). The bulk of this expense was undertaken immediately following the new lease in 1988-1989 and included leasehold improvements, mechanical upgrades and structural repairs.

Figure 1: Capital Repairs and Maintenance by Red Cross 1975 to 2012

Renovation Date	Details	Cost
1975	Initial Renovations	\$45,000
1988	Renovations	\$25,000
1989-1991	General Renovations	\$250,000
1994	General Renovations	\$114,900
2006	New Boiler/General Renos	\$76,000
2010	Replace Chimney at Roof	\$45,000
Total		\$555,900

The Red Cross began discussions with city staff in 2010 to identify their long term concerns with continued occupation of the building. The building is finished on three floors however there is no elevator in the building to accommodate the accessibility needs of their clients and volunteers who require frequent access to the building for training and program delivery. The Red Cross also runs an equipment loan service. Storage and receipt of equipment in a location other than the first floor is difficult to manage.

The responsibilities associated with the requirements to maintain the building according to heritage standards has also become increasingly prohibitive. The difficulty experienced with respect to the roof and chimney repairs in 2010 is an example of the additional cost and challenges in meeting the heritage requirements of the building for an organization whose resources are focused in other community efforts.

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Staff considered alternative locations with them and have been unable to accommodate their needs in another City building. The Red Cross has recently undertaken the independent process of finding alternative locations and have secured space in a private location which meets their operational needs. They have already taken possession of the space and are requesting that the City release them from the balance of the term of the lease at 150 West Street.

The lease does not have any provisions for early termination and therefore requires consent of Council to approve. The Red Cross has also requested that the City give consideration to reimbursement for a portion of the original payment based on the balance of the 127 years remaining on the term which equates to \$127,000. The lease contains no provisions to address this circumstance either.

Staff does not recommend reimbursement for the following reasons:

- a) The original \$150,000 payment was made to the County. The City did not receive any funds with the transfer of the property in 1998 nor have any funds been identified in a reserve for this purpose.
- b) The Red Cross paid for capital repairs and maintenance in lieu of market rent for the building. If the capital maintenance and repairs costs since 1988 are annualized to represent rent payments, the average "rent" per year would be approximately \$22,213 representing an average net rent of \$4.45 per square foot for the 5,000 sq. ft. building. This is good value for occupancy costs and accordingly no refund of the balloon payment is warranted.
- c) The transfer of this building back to the City was not anticipated in preparation of 2012 budgets and accordingly represents a budget exposure for the balance of this year in the Real Estate & Construction Services operating budget and into 2013 pending a new use for the building. The City will need to consider additional capital funding to remediate the building.

In 2010, staff undertook a review of capital maintenance costs for City owned Heritage Buildings and estimated that this building would require approximately \$100,000 to address a range of capital maintenance requirements including: door and window repairs and restoration; repairs to foundations where current building linked to the demolished jail on the east side and other repointing of stone; and minor roofing repairs including fascia and flashing. There is also a further issue with continued moisture seepage into the basement which may require some re-grading of the parking lot.

An allocation of \$100,000 would bring the building into generally good condition to be further protected by ongoing preventative maintenance but it does not address capital costs for a potential adaptive reuse of the building including the introduction of accessibility features.

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City staff has contacted Infrastructure Ontario who manage all of the province's leasehold interests including the Ministry of the Attorney General who occupy the Court House to advise that the building will be vacant. Staff will report back to Council with the results of these discussions and proposals for future use of the site. In the interim, the City will assume security, insurance, maintenance and care of the building.

EXISTING POLICY/BY LAW:

By-Law No. 2010-1, Council Procedural By-Law provides authority for the Mayor and Clerk to sign all agreements approved by Council.

NOTICE PROVISIONS:

N/A

FINANCIAL CONSIDERATIONS:

The City did not anticipate the return of this building to its portfolio and have not provided funds for its operation in the 2012 Real Estate & Construction operating budget. This represents an exposure of approximately \$10,000 for the balance of the year to maintain security and building systems and will be expensed to the Other Owned Properties budget, thereby not requiring a budget amendment for the current year.

An allocation of \$100,000 will be subject to inclusion in future Capital Budgets to address the short to medium capital remediation noted above.

CONTACTS:

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Kathy Gray, Property Specialist, Real Estate & Construction Services	Ext 2429

OTHER CITY OF KINGSTON STAFF CONSULTED:

Alan McLeod, Senior Legal Council
Stephen Dickey, Deputy Treasurer, Finance

EXHIBITS ATTACHED:

N/A