

DATE OF MEETING April 19, 2021

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SUBJECT LEASE TO RCMP – 575 FITZWILLIAM STREET

## **OVERVIEW**

### **Purpose of Report**

To obtain Council approval to grant a new five-year lease to the federal RCMP for office space at 575 Fitzwilliam Street.

### **Recommendation**

That Council:

1. Grant a new five-year lease at 575 Fitzwilliam Street to the federal members of the Royal Canadian Mounted Police; and,
2. authorize the Mayor and Corporate Officer to execute the lease agreement.

## **BACKGROUND**

575 Fitzwilliam Street is a City-owned building located across the road from the 303 Prideaux Street municipal detachment (Attachment A). The building was purchased by the City in 2004 for \$1,445,000 as a multi-use civic building, and in past years, it was rented to various community groups.

The building has been occupied by federal members of the Royal Canadian Mounted Police (federal RCMP) since 2009. The most recent lease agreement expired on 2019-OCT-31. Since expiration of the existing agreement, the federal RCMP has been in discussions regarding a new five-year lease for the building. The federal RCMP has maintained an interest in the building by providing rent to the City in a timely manner.

The building is currently part of the ongoing Civic Precinct Strategy. In addition to 575 Fitzwilliam Street, the City owns seven other properties (approximately six acres of land) within the 'Civic Precinct', which is centred around Prideaux and Fitzwilliam Streets.

The Civic Precinct Strategy was undertaken to address the space needs of the municipal detachment and determine a holistic approach for the area surrounding the detachment located at 303 Prideaux Street. The intention of the strategy is to review options for the municipal detachment as well as an overall phased real estate plan for the area and civic buildings within this important downtown neighbourhood. The new lease agreement for 575 Fitzwilliam Street has been structured as a five-year term, with the first three years guaranteed. This enables the City to move forward with redevelopment plans for the property after July 2023.

Council is in a position to grant a new five-year lease with two options for one-year renewals for 575 Fitzwilliam Street.

## **DISCUSSION**

The federal RCMP has been a tenant at 575 Fitzwilliam Street since 2009, and seeks to retain an interest in the building. Along with the lease of the building, the federal RCMP also leases 28 parking spaces at 336 Prideaux Street – the neighbouring parking lot – for its members.

575 Fitzwilliam Street is part of the Civic Precinct Strategy and is expected to be an important part of the ongoing phased real estate strategy for this downtown neighbourhood.

The building will be leased for an annual base rental amount of \$238,032, payable in monthly installments of \$19,836 plus GST. The federal RCMP will also lease 28 parking spaces at 336 Prideaux Street for an annual amount of \$20,160 plus GST. If the agreement is granted, it would have an effective term commencing 2020-JUL-01, and terminate 2025-JUN-30, unless renewed or terminated as per the terms and conditions of the agreement. The lease has been structured such that it would permit the City to terminate the lease after three years.

Staff have published a Notice of Disposition as required under Section 26 of the *Community Charter*.

## **OPTIONS**

### **1. That Council:**

1. grant a new five-year lease at 575 Fitzwilliam Street to the federal members of the Royal Canadian Mounted Police; and
2. authorize the Mayor and Corporate Officer to execute the lease agreement.
  - **Advantages:** Provides short-term stability for the federal RCMP, with a continued presence in the downtown neighbourhood. This also allows time for the Civic Precinct Strategy to be defined, as the lease provides the City with options within the five-year term of the agreement, including an early termination after three years, if so required. The new lease builds on the existing relationship with the federal RCMP.
  - **Disadvantages:** By signing a new five-year agreement with the RCMP, it will remove this building from use for other potential occupiers, including overflow from the municipal detachment, for approximately two years and two months until the three-year guaranteed occupancy has been reached. The earliest the City could look at new potential occupiers would be 2023-JUL-01. The City would also be required to make reasonable efforts to find a new space for the federal RCMP to occupy if early termination is optioned.
  - **Financial Implications:** Leasing the building to the federal RCMP provides the City with an annual revenue source of \$238,032, plus \$20,160 in parking revenue.

### **2. That Council deny a new five-year lease at 575 Fitzwilliam Street to the federal members of the Royal Canadian Mounted Police.**

- **Advantages:** Federal RCMP occupation would continue on a month-to-month basis. This provides the possibility that the space could be made available to another

- occupier, as approved by the City, including members of the municipal detachment, on short notice.
- Disadvantages: Relations with the federal RCMP could be impacted going forward without the certainty of a fixed-lease term. This may result in the economic loss of these federal positions being located within the City, with the most severe implication being these positions may be relocated to a neighbouring municipality if adequate space within the city is unavailable. If the City optioned this space to be made available to the municipal detachment, the City would be missing out on the potential market rent from the federal RCMP, as the City is responsible for costs associated with RCMP municipal detachment positions. Providing the space to another occupier, like a community group, may result in a discounted rent and/or tenant improvements may be required to convert the space to their needs.
  - Financial Implications: The City would not receive \$238,032 in annual revenue and additional \$20,160 in parking revenue.

### **SUMMARY POINTS**

- 575 Fitzwilliam Street is a City-owned building and has been occupied by the federal RCMP since 2009.
- The federal RCMP have a desire to remain in the building and the building is functional for their intended use.
- 575 Fitzwilliam Street is part of the Civic Precinct Strategy, and its long-term use of the property has not yet been determined.
- The new lease, if approved, will be for a five-year term with two options for one-year renewals.
- Leasing the building to the federal RCMP provides the City with an annual revenue source of \$238,032, plus \$20,160 in parking revenue.
- The new lease would be effective as of 2020-JUL-01, expiring 2025-JUN-30.
- Early termination of the lease is an option after 2023-JUN-30.

### **ATTACHMENTS:**

ATTACHMENT A: Location Plan |

#### **Submitted by:**

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Director, Community Development |

#### **Concurrence by:**

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General Manger, Corporate Services

Dale Lindsay  
General Manager, Development Services