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NEW LEASE FOR INFORMATION TECHNOLOGY SPACE AND REGIONAL OVERFLOW OFFICE SPACE LOCATED AT 140 MULOCK DRIVE, UNITS 1, 8 AND 9, NEWMARKET

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated February 10, 2012, from the Commissioner of Corporate Services and the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. Council authorize a two-year lease, commencing on April 1, 2012, consisting of 5,648 square feet located at 140 Mulock Drive, Units 1, 8 and 9. The total lease payment for the two-year term is \$243,572 plus utilities and HST.
2. Council approve a one-time improvement and furniture allowance costs for the lease space of \$213,920.
3. The Commissioner of Corporate Services be authorized to sign the lease with 649501 Ontario Ltd., subject to review by Legal Services.
4. The Commissioner of Corporate Services be authorized to renew and amend the agreement with 649501 Ontario Ltd. for an additional term of up to two years, subject to review by Legal Services.

2. PURPOSE

This report seeks Council approval to enter into a lease agreement to provide 2,050 square feet of secure storage space for Information Technology Services (ITS). The lease will be for a two-year term, with an option to renew up to an additional two years. It will also provide 3,598 square feet of overflow office space, specifically for Regional staff requiring space in Newmarket. Currently, a secure storage area for technology assets does not exist, which is essential to the technology asset management strategy. The balance of this space will be used for client departments that may have a requirement for additional office space.

3. BACKGROUND

A program has been launched by ITS to refresh computers

ITS replaces computers that have reached 'end of life' in order to ensure optimal performance and reliability. This process is referred to as a 'refresh' program.

ITS is launching a refresh program for approximately 50% of all installed desktop and laptop PC's. The scale of this refresh, the volume of PCs being refreshed, and the tentative refresh schedule is more complex, and many times larger, than any refresh undertaking in the past.

PC assets that are "end of life" or have no residual value need to be replaced by new PC's. If older equipment is of no interest to other Regional departments or other municipalities and has no residual value, then ITS will dispose of this equipment in an environmentally responsible manner. For equipment with residual value, it will be disposed of according to the process described in the Purchasing By-Law and will be supervised by Supply and Services.

Secure technology asset storage is required

The need for a secure technology asset storage site is driven by the following:

- **The volume of PC's being refreshed make the previous process of delivering the new device to the user's office, and then waiting for the arrival of the installers, not feasible**
- The volume of end-of-life PC's that need disposal services makes the previous process of leaving the old PC in the user's office not feasible
- All PC's, servers, printers and some cellular devices need to have data purged from the hard drives and memory components. Given these devices may contain sensitive and confidential information, some Regional departments prefer that the data be removed while the device remains in possession of the Region. This process is referred to as 'sanitization'.
- Previous experience illustrates that attempts to maintain an accurate asset inventory will not be successful unless there is a central location where devices and information on assets entering and leaving the Region can be captured and updated in an asset database
- There needs to be a secure storage area for devices being kept as spares and loaners
- ITS can improve its response time to departments who need PC's and other equipment for new staff by maintaining a small inventory to anticipate upcoming needs. A secure, managed storage area is required for this function.

4. ANALYSIS AND OPTIONS

A need was identified for secured storage space for technology assets

ITS has identified specific requirements that are necessary for secure storage of technology assets. These requirements include:

- Controlled access for authorized ITS personal
- Parking and office areas for walk-in, reception and counter space where Regional staff can bring defective BlackBerry devices for repair and exchange
- A loading dock(s) where large quantities of PC's, printers, and computer devices can be received into asset inventory, configured and redeployed to Regional sites
- A work bench area where surplus devices can have data securely wiped and they can be bundled for sale or donation
- Locations close to the present ITS office location at 395 Mulock Drive
- Washrooms and a small kitchen area for staff

Research indicates that 140 Mulock Drive is the preferred location

The Property Services Branch has identified space at 140 Mulock Drive, Units 1, 8 and 9, that meets ITS' requirements. This space is available April 1, 2012 and provides over 50 parking spots secured through an existing lease agreement. There is no other suitable available space within Regional sites.

Link to Key Council-approved Plans

From Vision to Results: 2011 to 2015 Strategic Plan

Priority Area – Strengthen Organizational Capacity

Apply continuous improvement activities to core business systems and processes while supporting organization change

This report advises Council of leasing activities that will provide improved business systems and processes to support organizational change and growth.

5. FINANCIAL IMPLICATIONS

Property Services Branch staff has entered into negotiations with the landlord for 140 Mulock Drive, Units 1, 8 and 9. The space is conveniently located to other ITS sites at 395 Mulock Drive and the Administrative Centre. The following table outlines the cost of leasing this space:

Table 1
Lease Cost Analysis for 140 Mulock Drive, Units 1, 8 and 9

Proposed Lease Term Two-years	*Annual Base Rent (see note below)	Estimated Additional Rent \$5.00/s.f.	Proposed Total Annual Rent
Year 1 April 1/12-Mar 31/13	\$ 93,546.00	\$28,240.00	\$ 121,786.00
Year 2 April 1/13-Mar 31/14	93,546.00	28,240.00	121,786.00
TOTAL	\$187,092.00	\$56,480.00	\$243,572.00
Total Budgeted Leasehold Improvements - \$213,920.00			

***Unit 1 has a slightly higher rent due to its prime location. Unit 1 base rent is calculated on \$18.00 per square foot and Units 8 and 9 are calculated on \$16.00 per square foot.**

HST is applicable to both base rent and additional rent. Utilities are paid directly by the Region to the service provider. The annual additional rent consists of taxes, maintenance and landlord's insurance. The additional rent is subject to adjustment each year, based on an annual reconciliation of actual costs versus the tenant's additional rental payments.

The improvement and furniture allowance budget is largely for leasehold improvements. Additionally, this new operation will require configuration tables, technical workbenches, cabinets and approximately three desks and cubicles. ITS estimates that 2-3 full time staff will be transferred to this location. Workstations will be re-deployed from the surplus inventory pool to meet the needs of ITS.

6. LOCAL MUNICIPAL IMPACT

There is no direct impact to local municipalities associated with this report.

7. CONCLUSION

The space at 140 Mulock Drive, Units 1, 8 and 9 is conveniently located near 395 Mulock Drive and the Administrative Centre, and meets all of the ITS and Corporate Services requirements for overflow space. A two-year lease at this location will meet both ITS and Corporate Services space requirements.

For more information on this report, please contact Barry Crowe at Ext. 1684.

The Senior Management Group has reviewed this report.