20
LEASE MANAGEMENT

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, May 17, 2006, from the Commissioner of Corporate Services:

1. RECOMMENDATION

It is recommended that this Report be received by Committee and Council for information purposes.

2. PURPOSE

The purpose of this Report is to provide Committee and Council with information regarding the management of the Region's leased accommodation, and an analysis of the Property Services Branch's efforts to centralize all leasing activity to ensure maximum efficiency and effectiveness in relation to cost, location, accessibility, suitability, safety and security.

3. BACKGROUND

Due to significant growth in both population and service delivery responsibilities over the years, the Property Services Branch was organized into its present form based on recommendations contained in the June 2001 Finance & Administration Committee report, which amalgamated the Regional Accommodation Planning, Real Estate, Facilities Maintenance & Operations and Capital Projects. This organizational structure provides a focused and co-ordinated approach to property issues by providing a more professional, business-like approach to its real property and providing the required expertise at the corporate level.

Previously, leasing administration was being handled by various departments in the Region such as Real Estate, Facility Management and Legal. Also, some direct service delivery departments had been negotiating, signing and administering their own leases. This resulted in inconsistent lease administration resulting in liability issues, expired leases, higher costs within the Corporation, lack of proper Regional representation and poor lease administration.

As part of this organizational structure, centralized lease administration within the Facilities unit, provides consistency in the way leases are handled when negotiated, signed, and administered. Thus potential legal issues, higher costs and poor lease administration associated with inconsistency, are reduced and client departments can concentrate on delivery of their core businesses.

In September of 2004, a new position of Lease and Property Coordinator (LAPC) was created with the overall responsibility for the lease portfolio.

3.1 Current Leasing Practises in the Corporation

With the exception of Police and third-party users within the Long Term Care facility, lease administration is currently managed centrally within Property Services. Various systems have been implemented to ensure that leases are administered consistently and efficiently. All leases are now renewed prior to their expiration dates. New leases are documented and tracked, ensuring that both landlords and tenants are compliant with all requirements under their leases. The LAPC provides a one-window interface with the landlord and provides an immediate response to landlord/tenant issues on behalf of the client departments.

3.2 Strategic Accommodation Plan

The Region's first ever Strategic Accommodation Plan (SAP) report was approved by Council on September 22, 2005. The purpose of the Strategic Accommodation Plan was to establish an accommodation strategy to best achieve the Region's objectives for service delivery over the next ten years, within a fiscally responsible framework, and while supporting the Corporation's primary goals for excellence in customer service and employee satisfaction.

All lease activities are now handled within this strategic umbrella. All new leases and lease renewals are reviewed within the context of the SAP and business cases are developed to compare various leases partnership options to maximize the real estate investment.

4. ANALYSIS AND OPTIONS

4.1 Value of Centralized Lease Management

A centralized lease management function has been providing the Region with many benefits, such as:

- maintaining the Region's legal position in court by keeping the lease agreements current and ensuring the Region's rights are exercised
- consistency in dealing with the market and ensuring the Region is paying current market rent
- a centralized up-to-date lease filing system containing current lease documents
- a lease reporting system that contains current information on all our leased facilities including Regional properties that are being leased to outside parties, such as Tele-communication, Long Term Care and other various tenants. It also contains a renewal tracking system

- cost savings through partnership and joint use of space
- a professional approach when searching for required leaseable space that meet Regional standards
- professional representation for the Region with regards to negotiating, and the day-to-day business of being a landlord or a tenant
- ensuring that landlords are in compliance with their lease responsibilities
- protection from liability when the Region leases facilities to outside parties
- a Real Estate Leasing Guide for Regional staff
- an Inspection Checklist for inspecting new facilities
- a Procedural Guide for new leased facilities setting out procedures that must be followed upon leasing a new facility

4.2 Current Lease Portfolio

The current lease portfolio is split between locations where the Region is the tenant and those where the Region leases out space within our facilities to third parties.

The following tables provide a summary of the existing portfolio.

Table 1
Total Lease Portfolio ***

	Total Leases	Total Square Feet/Sites/land	Total Cost	Total Revenue
Region as Tenant *	41	318,028 sq. ft.	$6,193,988.00	
Region as Landlord**	45	• 50,825 sq. ft. of space • 34 telecom. sites • 6 land sites		$90,853.00 $295,977.00 $15,000.00
TOTALS	86		$6,193,988.00	$401,830.00

***** Doesn't include Police Services as a tenant to outside parties.
** Includes Police Services as a tenant to the Region, but doesn't include Long Term Health units that are being leased to third parties.
*** Doesn't include Housing York Inc. portfolio

Table 2
Region as Tenant Portfolio *

Department	Total Leases	Square Feet	Annual Rent Paid (Base and Add. Rent)
Corporate Services	5	38,599	$ 609,548.00
CS&H	6	43,982	$ 899,496.00
Finance (I.T. Services)	1	1,100	$ 17,600.00
Health Services	4	31,366	$ 543,535.00
Health - EMS	17	56,710	$ 512,531.00
South Service Centre (Multi-tenant facility)	1	111,656	$3,226,798.00
T&W	6	34,615	$ 384,298.00
Police Services	10	37,777	$ 345,686.00
TOTALS	51	355,805	$6,539,674.00

*This chart includes Police Services as a tenant to outside parties.

Table 3
Region as Landlord Portfolio ***

York Region Department	Type of Tenant	Square Feet/Sites	Annual Rent Rec'd (Base and Add.)
T & W – Tele-communication	Various Tele-mobile Carriers	28	$295,977
T & W- Tele-communication	Police Services *****	6	Nominal fee
T & W	Transit Operations North	33,184	Nominal fee
CS&H	York Region Speech and language Program	2,141 (4 locations)	$55,008.00
CS&H	Children & Family Services/Daycare	15,500 (2 locations)	$35,845.00
CS&H	Recreation Centre	1 location	Nominal fee
Long Term Health Newmarket **	Various Health Programs	7 units	$69,169.00
Corporate	Ladies Golf Club of Toronto Limited	land	Nominal fee
Corporate Services	Doane House	land	Nominal fee

York Region Department	Type of Tenant	Square Feet/Sites	Annual Rent Rec'd (Base and Add.)
Corporate Services	Elman W. Campbell Museum	land	Nominal fee
Corporate Services	Newmarket Fire Hall	land	Nominal fee
Corporate Services	Duffin Creek Pollution Plan	land	$9,000.00
Corporate Services	Sutton Works Yard	land	$6,000.00
TOTAL REVENUE			**$470,999.00**

* Includes Police Services as tenant to the Region.
** Includes Long Term Health units that are being leased to third parties (currently in the process of being transferred to Property Services).

4.4 Audit Compliance

In 2005, the Audit Services Branch performed an audit of the Property Services lease tracking process.

Subsequently, Audit Services provided Property Services with a report that contained a variety of recommendations for improvements to the lease tracking process. Property Services have since implemented many of the recommendations and are continuing to do so.

4.4.1 Expired Leases

To date, most expired leases have been renewed, receiving approval from Regional Council and Legal Services. They have been documented and are currently being tracked through a lease tracking database.

4.4.2 Interim Agreements

Entering into interim agreements with landlords of expired lease agreements in order to ensure that the Region's legal position is not weakened, has become common practice in Property Services.

4.4.3 Maintaining Leasing Financial Records

All financial records pertaining to leasing activity are properly recorded. All cheque requisitions for rental payments are prepared annually with proper authorization attached.

4.4.4 Departmental Service Agreements

As recommended in the Audit report, all departmental lease budgets have been transferred over to Property Services, except for Health – EMS and some of T & W budgets. On-going discussions will continue regarding the transfer of the remaining budgets. Service agreements are required to be processed for Tele-communication licensing and Long Term Care occupancy agreements.

A standard license agreement and insurance template for T & W Tele-communication tenants have been created and approved by Legal Services. Licenses are currently being renewed, documented and tracked. A standard occupancy agreement and insurance template for Long Term Care is required. Existing occupancy agreements are being tracked for renewal through our lease tracking database.

4.4.5 "Right to Audit Clause"

All new leases currently contain a clause which allows the Region to audit landlords' records which pertain to monies that are charged to the Region as additional rent.

4.4.6 Corporate Leasing Guide

A corporate leasing guide has been developed.

4.5 Relationship to Vision 2026

Centralized lease administration ensures cost effective, quality accommodation for staff and reduces the Region's overall accommodation costs.

5. FINANCIAL IMPLICATIONS

Centralizing our lease administration has reduced financial costs through partnership and joint use of space, and by being consistent in dealing with the market, ensures the Region is paying current market rent.

6. LOCAL MUNICIPAL IMPACT

Partnerships and lease agreements with multiple EMS stations for co-location of station facilities with local municipalities have been developed.

7. CONCLUSION

Past and present management of the Region's leased accommodation, and an analysis of the Property Services Branch's efforts to centralize all leasing activity, has proven maximum efficiency and effectiveness in relation to cost, location, accessibility, suitability, safety and security.

The Senior Management Group has reviewed this report.