

# Office/Building Space Review

Community Services Department  
Building & Property Division

**Core Service Review**



# What are we doing now?

- Building and Property Division is responsible for most of City's administrative facilities, multi-tenant facilities and facilities with 3rd party occupants. Examples: City Hall, Service Centres, and Lindsay Library Building.
- Division's portfolio is a legacy from pre-amalgamation, comprising mainly administrative buildings of former municipalities. Example: Former Bethany Town Hall, now a City library and service centre, City offices, and a Nurse Practitioner Clinic.
- The portfolio accommodates a variety of different kinds of occupancies.

These include:

- City programs - Examples: libraries, services centres, offices, and storage.
- Shared ownership – Example: the Boyd Building in Bobcaygeon
- Pre-amalgamation tenancies - Example: Kirkfield Medical Centre - lease agreement at less than cost
- Post-amalgamation tenancies - Example: Lindsay & District Model Railroaders – 710 Cameron Road (former Fenelon Township Municipal office) - agreement at less than cost
- More recent tenancies - Example: OCWA office space at Bobcaygeon – lease agreement at market rate
- City Occupancies are generally not governed by space or occupancy standards.
- 3rd Party Occupancy Agreements are often not to current pro forma standards and sometimes not with any official documentation/agreement and often at less than the cost to operate.

# Problem & Goal Statement

Past focus has been on paying the bills and carrying out operations and repairs. It has not been on managing strategically. There have been no performance standards by which to manage ...

**There is now a need for a Plan to do something about that.**

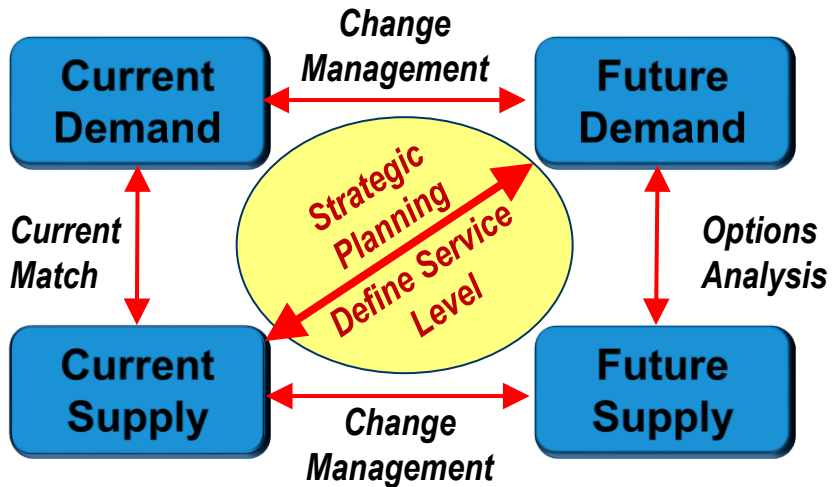
This presentation is intended to;

1. Inform about the Space Portfolio that is managed by Building and Property
2. Raise awareness about some issues and possible opportunities
3. Consider an initial approach to managing building space better

# There is need for a New Approach

- Building Space is a valuable asset. It has value on the City's financial statements and is important to delivering City Programs. It also presents a liability that needs funding to pay for the cost of operation, maintenance and repair, as well as amortization expense. **Building Space has significant financial implications.**
- The City has lacked the data/information to know whether there is enough, too little, or too much Building Space. There are no standards for allocating. There are no standards for charging for space. There are only limited controls for the acquisition and/or disposal of Building Space. There no procedures for tracking and reporting.
- Current management processes are concerned with operating buildings and payment of invoices. There is no over-arching Strategic Plan or Building Space Policy to ensure that our portfolio is efficient, well-aligned with program needs, and configured to deliver optimum value for money.

# Portfolio Management – Essential to New Approach



*Portfolio Analysis and Planning Framework*

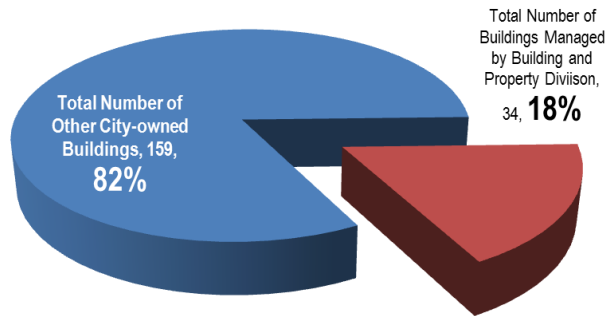
- Proposed that the approach to managing the City's building space be based on a Portfolio Management Framework.
- Objective to ... establish a formal method to support decision-making about policies and plans for building space, to align with the City's overall strategic and financial plan, to achieve optimum value / performance, considering cost and risk.
- The Framework can be applied on a City-wide basis and also on a local community level.

# Other Important Aspects of a New Approach

- Ongoing monitoring of buildings and their use to identify: space pressures and surpluses, location and quality issues, and opportunities to be more efficient/effective.
- An annual building space update report regarding status of the building portfolio, and recommend actions to improve: cost efficiency, effectiveness and quality of fit with program delivery needs, and possible acquisition / disposition of space.
- Policy improvements to provide more effective controls on the acquisition and / or disposition of building space
- A link with asset management planning and with financial planning, to support a robust strategic management system.

# Overview of the Building and Property Space Portfolio

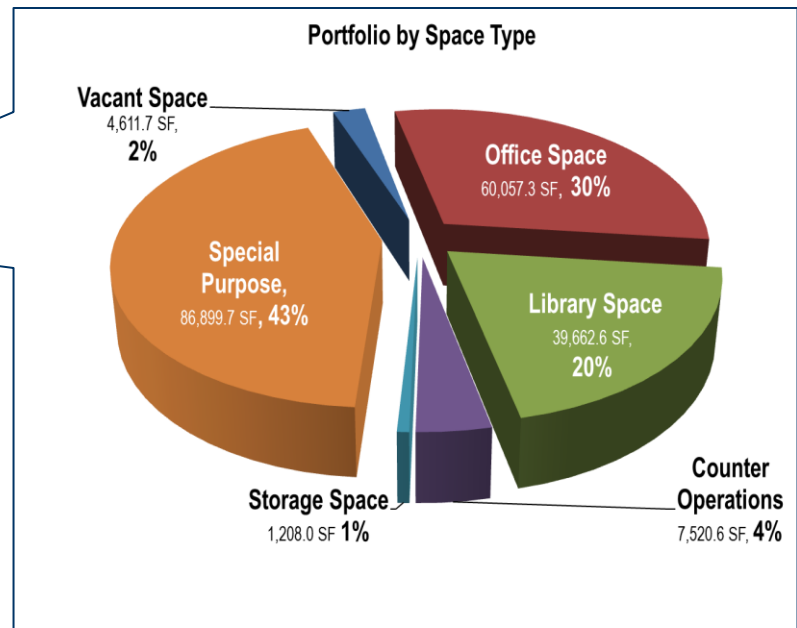
## Scope of Operating Responsibility



## Overall Size of B+P Portfolio

|   |                            |
|---|----------------------------|
| <b>Total Gross Interior Space</b>       | <b>211,009 Square Feet</b> |
| <b>Total Available Occupiable Space</b> | <b>187,383 Square Feet</b> |

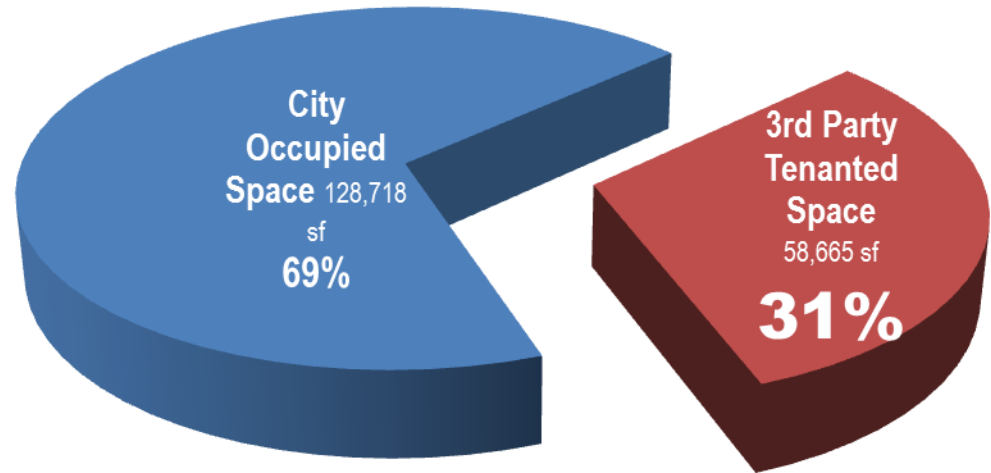
## Portfolio by Space Type



# Key Findings – How much space is assigned to Tenants?

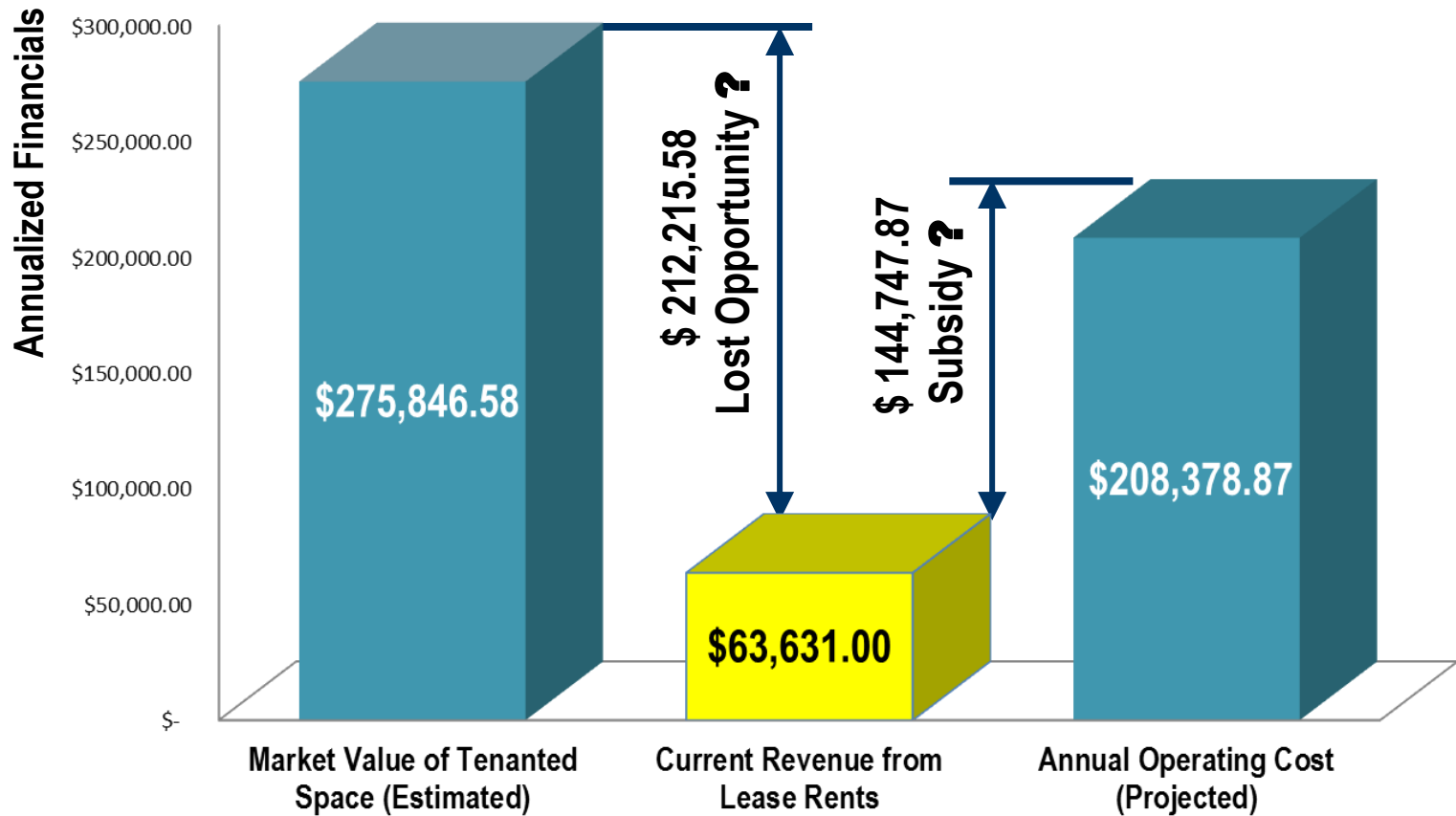
| <u>Space Tally</u>                    | <u>Stats</u> |
|---------------------------------------|--------------|
| Total Number of Occupancies           | 106          |
| Total Available Occupiable Space      | 187,383 sf   |
| Total Number of City Occupancies      | 73           |
| Total Space Occupied by City Programs | 128,718 sf   |
| Number of 3rd Party Tenancies         | 33           |
| Total 3rd Party Tenanted Space        | 58,665 sf    |

Space By Occupancy Type



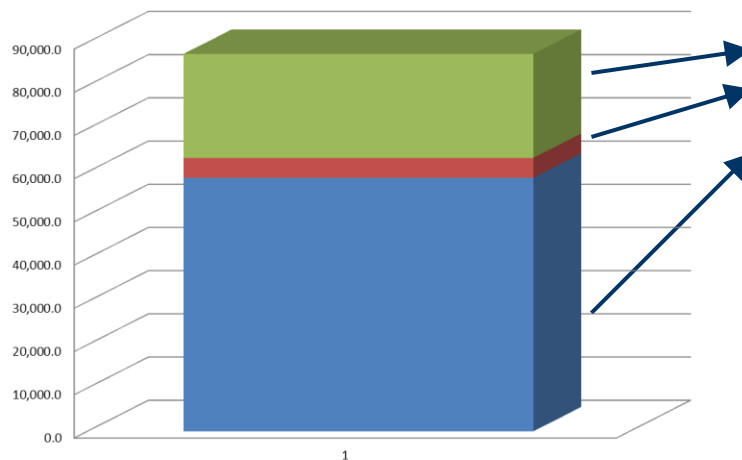


# Key Findings – How do we value Tenanted Space?



# Key Findings – How much space may be underutilized?

- A review of building space is in progress and will need to further review Office Space and Tenanted Space to ensure its most efficient use.
- Early findings are that the City may have as much as 87,333 sf of space more than is required for simply the efficient delivery of the City's own program delivery activities



| Under Utilized Space                                     |                  |
|--|------------------|
| Office Space Efficiency Opportunity                      | 24,057 sf        |
| Vacant Space <small>(projected to December 2015)</small> | 4,611 sf         |
| 3 <sup>rd</sup> Party Tenanted Space                     | 58,665 sf        |
| <b>Total Potential</b>                                   | <b>87,333 sf</b> |

# What is it costing us?

- Currently the cost to operate the 3<sup>rd</sup> party tenanted space is \$208,379.
- Currently the revenue generated from leasing that space is \$63,631.
- This means that the City is subsidizing space utilization by community groups or non-City activities by \$144,748.
- If the City were to charge market value for this space, the surplus revenue generation would be \$67,468.

# What is it costing us? (continued)

- This does not take into account the infrastructure renewal costs associated with these facilities or the capital expenditures previously undertaken for these facilities.
- It also does not take into account the Administration costs associated with maintaining these facilities or the leases/agreements for use of these facilities.

# Financial Impacts

## 1. Hard Dollar and Future Year Savings

- This initiative has the potential to deliver both hard dollar savings and even revenues. Any such results can only be determined through more detailed analysis and planning.
- Very modest operating cost reductions can be achieved fairly immediately through the demolition and/or disposal of vacant buildings for which there is no current or future need.

## 2. Productivity Gains

- This initiative has the potential to support achievement of significant productivity gains, where the Portfolio Planning is aligned with organizational development plans

## 3. Cost Avoidance

- This initiative has the potential to deliver means to avoid significant future liabilities related to both capital repair/renewal requirements and operating and maintenance requirements

# Options

1. Status Quo – continue to support local community groups though the provision of community space at less than market value.
2. Revenue Neutral Management - recoup the costs to operate these facilities by charging lease/rental rates equivalent to operational costs.
3. Property Manage – charge market value rates for facilities and generate appropriate revenue from such lease agreements.
4. Eliminate Non-City Leasing – do not offer space for exclusive community group use and divest the City from ownership of surplus facilities.

# Benefits

- A plan that demonstrates measurable, financial benefits should be viewed favourably in applications for any provincial transfers/grants. Should achieve a positive return on investments that will offset initial costs. Investments can be timed with phased implementation to balance up-front affordability with longer term benefits.
- Will align with the City's Asset Management Planning process.
- Could positively impact both Municipal operating and capital budgets.
- Will efficiently allocate Municipal space for various internal and external needs.

# Risks

- Potential for continued capital infrastructure renewal needs and operating subsidies.
- Disruption of service provided by the Municipality for community space could result in community groups having no homebase for their activities/programs.
- Loss of community identity.
- Increased requests for funding for space utilization rental fees.



# Conclusion

## Next Steps

- Finalize true future Capital Infrastructure need costs
- Continue to investigate benefit/risks of various Options
- Host public consultation
- Report back to Council with recommendations