



Why did CAPE renew the Lease at 100 Queen?

An Accommodations Committee was struck comprised of several members of the National Executive Committee. Non-voting representatives of management and the union representing CAPE employees were added as advisors. Colliers International was engaged in order to examine the potential of other office sites, and to produce a market analysis, with the goal of making an informed, fact based decision regarding the location/relocation of the CAPE National Office.

The Accommodations Committee considered many alternative locations and options, including

CAPE has obtained an 11% rent reduction for the next 10 years at 100 Queen.

the possibility of purchasing a building to house the CAPE National Office. This option was ultimately discarded because there were no suitable premises available for sale in downtown Ottawa. The accommodations that were for sale and met CAPE's requirements, both in terms of space availability and price, were all located well outside of Ottawa's downtown core and would require a significant upfront investment for interior renovations, and ultimately would have proven more expensive.

The Committee undertook a careful analysis of available options, including available options in the downtown leasing market, taking into consideration the financial and non-financial advantages and disadvantages of each option, before making its recommendation. It considered as well costs relating to making any new location suitable to CAPE's needs, whether purchased or rented. Language in CAPE's existing lease at 100 Queen Street required us to restore the space back to its original condition if we were to vacate the premises, therefore; our consideration of any new option had to take the "restoration" costs into consideration as part of the financial analysis. After considering all these facts, the Accommodations Committee recommended to the National Executive Committee that CAPE renegotiate the lease at 100 Queen Street.

The Committee examined several possible scenarios including the following:

1. Move to Elgin Street:

- The rent would initially have been lower than at 100 Queen (\$16 per square foot for 8.5 years), then higher than at 100 Queen for the last 19 months of the lease (\$26 per square foot). CAPE would have saved \$385,070 in rent over 10 years. However:



- CAPE would have had to pay moving-related costs amounting to \$257,499, broken down as follows:
 - \$40,576 in physical moving costs,
 - \$60,863 in costs for moving and reinstalling computers and IT equipment, and
 - \$150,060 in restoration costs for 100 Queen;
- CAPE would have had to pay an estimated \$1,014,390 in fit-up costs for its new accommodations;
- All in all, for a 10-year period, it would have cost \$886,819 more to house CAPE at the Elgin Street location than to remain at 100 Queen Street (\$1,014,390 + \$257,499 – \$385,070).

2. Move to Bank Street:

- The rent on this location would have been \$32.25 per square foot for the first five years, and \$34.50 per square foot for the last five years. In addition,
 - CAPE would have had to pay moving-related costs amounting to \$257,499, broken down as follows:
 - \$40,576 in physical moving costs,
 - \$60,863 in costs for moving and reinstalling computers and IT equipment, and
 - \$150,060 in restoration costs for 100 Queen;
 - CAPE would have had to pay an estimated \$1,014,390 in fit-up costs for its new accommodations.
- All in all, for a 10-year period, it would have cost \$1,427,189 more to house CAPE at the Bank Street location than to remain at 100 Queen Street.

Over the 10 year life of the lease, CAPE will be paying less, each year, than we are currently paying.

3. Staying at 100 Queen and renewing the lease.

- Because CAPE would remain a tenant of 100 Queen Street, we would not be required to restore the space at the end of our lease agreement. The costs of doing so were estimated by a professional project manager to be \$150,060. It also bears mention that in the new lease agreement, CAPE's obligation to restore the space is much less onerous, from a financial perspective;



- In renegotiating the terms of the contract, in addition to the avoidance of restoration costs (noted previously), CAPE obtained an 11% rent reduction for the next 10 years;
- The rent is \$21.50 per square foot until 2018, and then \$23.50 per square foot until 2023.
- The rent CAPE had previously been paying at 100 Queen Street was \$24.00 per square foot, meaning a decrease of \$54,624 in the first year of the new lease term.

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The Committee had already determined that a location in the downtown area, such as 100 Queen, would ensure that the National Office remained within 15 minutes' commute time for approximately 80% of CAPE's members.

Keeping the National Office in a downtown location would result in estimated annual savings amounting to \$170,000. Among other costs, the Committee found that moving CAPE to a location outside the downtown core would force CAPE to hire an additional labour relations officer to preserve the same level of service to members. The estimated cost of this new position would have been approximately \$135,000. Other costs are travelling expenses for the meetings attended each week by Labour Relations Officers, the President and the two

Executive Directors. Nevertheless, the Accommodations Committee did look into purchasing a building outside the downtown core. Again, it proved a more expensive option.

In light of these considerations, the decision was made to look for accommodations within the city of Ottawa's downtown core.

The Accommodations Committee also took into account occupancy cost per employee – a measurement used by office rental consultants to compare the costs of different accommodations that are available for rent. While 100 Queen Street and the Elgin Street and Bank Street locations have comparable rental costs, CAPE has significantly reduced its occupancy cost per employee since moving to its Queen Street location. Our current office space has been fitted to accommodate employees in new positions that have been created over the years. In short, with the 11% rent reduction over the 2013-2023 period and the reduced occupancy cost per employee, CAPE's decision to remain in its present location constitutes sound business judgement. Some minor fit-up work remains to be done in order to optimize



CAPE's use of its accommodations, and this will be undertaken once CAPE improves its financial situation.

The NEC therefore received the Accommodations Committee recommendations, and then considered a number of possibilities, to determine whether these recommendations were in the best interest of the Association. In part, their reasoning is as follows:

It's a good deal

In examining the new lease it becomes apparent that a great deal of effort went into negotiating its terms. CAPE was able to achieve a number of considerable concessions from the landlord. Over the 10 year life of the lease, CAPE will be paying less, each year, than we are currently paying. Space has been reassigned and to a lesser extent redesigned. The electronic delivery of information, the optimization of secondary space use, as well as many other changes in the manner in which CAPE's National Office operates has allowed the organization to avoid renting more space. Plans have been made to ensure that CAPE is able to function efficiently in its current space with no extension regardless of greater demand from the members in the next 10 years.

Moving outside of the downtown core would add considerable costs to the Association both in terms of travel time, and in the cost of travel.

Why Downtown?

Travel costs Members are often reluctant to meet with their Labour Relations Officer at their place of work, preferring the confidentiality of off-site meeting locations. Meetings often occur over a lunch period, before going to the office in the morning or after work; and members have limited time. Getting to the National Office quickly and without hassle is important to members. The central location of CAPE's National Office is immediately accessible to approximately 80% of the NCR membership with a commute time of less than 15 minutes for most. It is in walking distance of members working at several departments. The central location of the National Office in the downtown core of Ottawa naturally adds value to the rental property. However, it also reduces costs, in terms of travel. CAPE staff, in particular Labour Relations Officers, Negotiators, and the CAPE President, travel to sites in and around the downtown core on an almost daily basis. Moving outside of the downtown core would add considerable costs to the Association both in terms of travel time, and in the cost of travel. It was also estimated that the additional time travelling would require hiring more staff in order to simply maintain the level of availability of officers in the National Office for members.



Accessibility The CAPE National Office is physically accessible to all members in the National Capital Region. CAPE relies heavily on the contributions of its many volunteering members. These members spend many hours, both inside and outside of normal working hours, at the CAPE National Office. The central location allows them easy access to public transportation, or taxis. CAPE depends on its volunteers and took this into consideration when making its decision regarding location. If it becomes increasingly difficult for volunteers to attend committee meetings it will become increasingly difficult to recruit volunteers. Moreover, it was important to ensure that the location of the National Office was safe. Many committee meetings occur after hours. CAPE is responsible for the safety of members who work on committees.