

Recommendation Report Summary

SUBJECT: Transfer of Property Management Responsibilities

TO: Committee of the Whole

FROM: Community Services
Recreation, Community and Culture

Report Number: CSS-01-25

Wards Affected: all

Date to Committee: April 7, 2025

Date to Council: April 15, 2025

Recommendation

Direct the Director of Recreation, Community, and Culture (RCC) to transfer property management responsibilities of 414 Locust, LaSalle Pavilion, Paletta Mansion and Spencer's at the Waterfront to an external property management company over the next few years as agreements are established or renewed; and

Direct and authorize the Manager of Realty Services to amend and execute agreements in connection with this matter, as required, in a form satisfactory to the Commissioner of Legal and Legislative Services/ City Solicitor.

Executive Summary

Purpose of report:

Recreation, Community and Culture (RCC) executes routine rental contracts for user groups, program providers, and ad-hoc users within recreational facilities. Since 2003, RCC has also been responsible for executing agreements and managing vendors at commercially leased corporate and specialty facilities; namely: 414 Locust Street, LaSalle, Paletta Mansion and Burlington Waterfront Facility.

Key findings:

These types of contractual arrangements are typically managed through Realty Services and as a result, RCC is looking to transfer these arrangements to an external property management company under Realty Service's guidance and supervision.

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Implications:

The implementation of this service change will result in an annual net operational expense of \$25,000 per building. The goal is to phase the rollout of this service over the next few years as agreements are established or renewed. According to the schedule provided later in this report, the expected costs for 2025 are not anticipated to exceed \$50,000. Staff will collaborate with the Finance department to factor this financial impact into the 2026 and future operating budgets.

Recommendation Report

Background

The Recreation, Community and Culture (RCC) Department, through the Delegated Authority of the Director of Recreation, Community and Culture, is responsible for executing rental agreements with user groups, program providers, and ad hoc users. These agreements pertain to facilities categorized for recreational use, such as community centres, arenas, pools and specialty facilities. Additionally, RCC oversees specialty facilities like banquet centres (LaSalle Pavilion, Paletta Mansion, Burlington Waterfront Facility) and corporate spaces such as 414 Locust Street, which also includes relevant leases. These contracts differ from typical RCC rental agreements and are more aligned with the work typically handled by Realty Services. Therefore, staff recommend that the commercially leased corporate and specialty facilities be managed by an external property management firm, in consultation with Realty Services. Realty Services will oversee the external property management contract and serve as the primary point of contact for property-related matters, including property performance data, cash flow, leasing, and tenant relations. Realty Services will work closely with key internal stakeholders to ensure the property management can promptly highlight items such as planned maintenance.

Analysis

There are various benefits to shifting the responsibility of these contracts to an external property management company, these include:

1. **Efficiency in Operations:** External property management firms specialize in handling commercial leases and facilities, allowing for streamlined processes. This could result in reduced administrative overhead for the city, potentially saving time and labour costs.
2. **Cost Savings:** By leveraging the expertise of an external property management firm, the organization could negotiate better lease terms, reduce maintenance costs, and mitigate risks, leading to potential savings in the long run.
3. **Improved Cash Flow Management:** An external property management firm can offer more precise tracking of income and expenses, ensuring that rent collection, tenant relations, and cash flow are managed more effectively, leading to a steadier and more predictable revenue stream.
4. **Risk Mitigation:** Property management firms have experience in lease negotiations, tenant management, and property performance, reducing the risk of legal disputes, vacancies, or non-compliance, which can have significant financial implications.

In conclusion, these factors would demonstrate a clear quantitative advantage in outsourcing property management, potentially leading to cost reductions and operational improvement.

Recommendation Details

As highlighted above in the analysis section of the report, there are clear advantages to seeking the expertise of an external property management firm, to operate 414 Locust Street, LaSalle Pavilion, Paletta Mansion and Burlington Waterfront Facility which includes efficiency in operations, potential cost savings, improved cash flow and risk mitigation. In addition to the aforementioned, this process would be in alignment with how other corporate contracts are managed through Realty Services.

Key Dates & Milestones

1. Q2 2025 - Onboard external property management
 - Provide property management company with building details, financials and lease documentation for review
 - Set-up tours of relevant facilities
2. Transition properties to external property management
 - Q2-Q3 2025 – 414 Locust Street and Paletta Mansion
 - 2026 or at the time of contract renewal– Burlington Waterfront Facility
 - TBD – LaSalle Pavilion

Implications

RCC has an operating budget allocated to managing these assets and the additional costs incurred will be charged to 563500. The implementation of this service change will result in an annual net operational expense of \$25,000 per building. The goal is to phase the rollout of this service over the next few years as agreements are established or renewed. According to the schedule provided above, the expected costs for 2025 are not anticipated to exceed \$50,000.

The agreement with the property management firm will be reviewed and considered for renewal annually, like Sims Square and Robert Bateman Community Centre agreements. Currently, Realty Services has the capacity to oversee the external management company and review documents related to tenant negotiations. It is expected that the time and effort required from various internal stakeholders will be significantly reduced, creating opportunities for these departments to focus on other continuous improvement initiatives or strategic projects.

Strategic Alignment

- ☐ Designing and delivering complete communities
 - ☒ Providing the best services and experiences
 - ☐ Protecting and improving the natural environment and taking action on climate change
 - ☒ Driving organizational performance
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Report Details

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Report Approval:

All reports are reviewed and approved by the Head of Corporate Affairs, Commissioner, the Chief Financial Officer, and the Commissioner of Legal Services and Legislative Services/City Solicitor.