Discussion paper on clinic space standards, funding model and support services

March 4, 2015

Introduction / purpose

This paper proposes three changes related to clinic leasing and leasehold improvements:

- a) New space standards in accordance with the 2013 Ministry of Infrastructure (MOI) Realty Policy
- b) new model to fund clinic lease and leasehold improvement costs, and
- c) changes in support services to be provided by LAO.

Context

- In 2007, LAO established a modernization strategy, with the objective of serving more clients more effectively and efficiently.
- The October 2008 economic collapse and resulting decrease in Law Foundation of Ontario (LFO) revenues prompted LAO to embark on a modernization strategy that sought to ensure the long-term viability of the organization and cope with the volatility of the Law Foundation revenue.
- Fiscal constraints in the public sector flowing out of the 2008 recession have put a premium on innovation and sound management throughout the public sector; LAO has responded well to these challenges.
- The modernization strategy called for the reduction of expenditure levels and the improvement of services to LAO's clients, with the objective for LAO to live within its financial resources, reduce administration costs, use alternative service delivery models like Summary Legal Advice and the Client Service Centre to improve services, make it easier for clients to access LAO services and assist service delivery providers, and support Justice on Target.
- The strategy focused on ways to streamline the way services were delivered and essentially changed the traditional model of service delivery. Since then, LAO has saved over \$50 million; \$20M in administrative savings have been achieved.

- The success of the modernization strategy can be demonstrated by the improvement in LAO's financial results since the implementation of this strategy. LAO's balance sheet has improved from a debt to surplus position, and the operating deficit once at over \$27 million is now in an operating surplus position.
- The move and redesign of LAO's head office to meet the space standards resulted in savings of \$900,000 per year, and since then, an additional \$600,000 of opportunity savings has been achieved.
- The list of innovative accomplishments to both improve legal aid services and operate in a more cost-effective manner is long and growing: new approaches to delivering services in family law improved administration of major cases in criminal law, the introduction of a new and improved block fee system, the development of sophisticated telephone and Internet services, expansion of services in court houses across the province and major reductions in the cost of LAO's administration.
- Clinic modernization projects call for increased access points for clients (go to where the clients are). As modernized clinics are looking to more access points as a means for providing better client service, less staff will be spending time at traditional workstations.
- Clinic leasing costs are too high. After personnel, office rent is the next largest expense for clinics, as on average, office rent is approximately 8.5 per cent of all operating funding. 20 clinics receive funding for rent that is more than 10 per cent of total funding. One clinic receives almost 17 per cent of its funding for rent.
- Half the clinics have more than 400 rentable square feet per funded position in their principal offices, more than double the Ministry of Infrastructure (MOI) standard.
- LAO is proposing to fund clinics' annual leasing and leasehold improvement costs based on the 2013 MOI Realty Policy space standards plus any exceptions granted. Under the proposal, clinics would have the flexibility to find space and design this space to meet their needs.
- The **leasehold improvement** funding would be based on the number of square feet approved to be funded for leased space and at the average leasehold cost per square foot in the \$65 range, which reflects the cost for leasehold improvements for clinics over the past five years, or at the actual cost of leasehold improvements, whichever is lower. Exceptions to

the average cost will be taken into account on an individual case-by-case basis.

- Where LAO funds leasehold improvement, a reduction in basic rent should be negotiated to reflect that investment.
- When the entire leasehold improvement in being done by the landlord, and the cost of the leasehold improvement is incorporated within the leasing costs which LAO funds, LAO would not fund other leasehold improvements.
- LAO is also proposing to only fund lease costs for Class B and Class C Office Space, in accordance with MOI policy (see Appendix A).
- Furthermore, as modernization of clinics evolves, LAO proposes that clinics assume responsibility for managing their own leases, including market surveys, finding appropriate space, relationships with appropriate contractors, etc., and LAO would assist in an advisory manner.

Recent discussions with ACLCO

- In May 2014, the ACLCO engaged in a system wide consultation with the clinics respecting the September 2013 LAO Leasing Policy released by LAO and documented a number of concerns. The key ACLCO concerns and LAO's respective views are noted in Appendix C.
- This discussion paper is not a refinement of the 2013 policy, but a new start at developing the concepts for an efficient and effective leasing policy.

A. New space standards

The OPS directive

- Since June 2, 2005, Legal Aid Ontario and the clinics have been guided by the OPS Office Space Standards and Operating Policy per the *Real Property and Accommodation Directive 2005*.
- The 2005 policy required all government office renovations undertaken in existing leased space and in newly leased space and/or constructed space to comply with an average standard of up to 200 Rentable Square Feet (RSF) and 180 Useable Square Feet (USF) per staff person.

- The Ministry of Infrastructure Realty Policy, which came into effect April 1, 2013, changed the maximum standard: "The space standard is up to 180 Rentable Square Feet (RSF) and/or 160 Useable Square Feet (USF) per staff person. This standard is a planning footprint and includes such spaces as individual workspace, common areas (e.g. meeting rooms and circulation corridors, office equipment rooms and refreshment areas)."
- The following are the MOI policy principles and objectives of the space standards:

"PRINCIPLES:

Fair, open, transparent, and consistent – The same standards and processes apply to all Applicable Ministries/*Agencies* requiring accommodation and are clearly set out and understandable for planning purposes.

Integrity and responsible use of Realty – Applicable Ministries/Agencies must ensure MOI Realty is used to achieve authorized purposes in accordance with legislation, occupancy agreements, service agreements, or any other agreements or policies that outline rules and procedures governing its use.

Fiscal prudence – Realty decisions are based upon the optimal, efficient, and effective use of space to deliver programs.

Shared responsibilities with clearly defined accountabilities – MOI, the Realty Agent, and Applicable Ministries/**Agencies** that use accommodation space are responsible and accountable for Realty consistent with their respective authority.

Safe, healthy, and accessible workplace environment – Accommodation space is managed to create and maintain a safe, healthy, accessible for persons with disabilities, and barrier-free workplace environment for users and the public.

Workplace design – Accommodation space should **integrate functional design principles** that facilitate teamwork and collaboration, leverage technology, provide a flexible work environment, foster innovation, and promote integration and transparency. These design principles are incorporated into the Workplace Environment Guidelines to help support the modernization of the OPS workplace.

OBJECTIVES:

Ensure that the acquisition of space for Applicable Ministries/**Agencies** serves well-defined and resourced business needs as set out in their Accommodation Plans;

Ensure that Applicable Ministries/**Agencies are responsible for the economic and efficient use of space** taking into consideration the MOI Realty Portfolio when planning for their accommodation space needs;

Rationalize and reduce the government's accommodation space footprint by minimizing the amount of vacant and underutilized space within the MOI Realty Portfolio;

Establish monitoring, reporting, and performance measures that will enhance MOI's ability to manage its portfolio in an efficient and costeffective manner to support government priorities; and

Establish a consistent approach to the planning and design of accommodation space, including accessibility for persons with disabilities."¹

Relevance to clinics

- Subsection 6.6.1 of the MOI Realty Policy states that "Agency chairs are accountable to Ministers responsible for their Agency and for the implementation of this policy, where applicable." In addition, Schedule A Accommodation Space Policy, appended to the policy, effective December 17, 2012, states in section 2 that this policy applies to "Applicable Ministries/Agencies".
- LAO is accountable for ensuring that it spends and grants monies in accordance with OPS policies and guidelines. In the recent past, LAO has developed guidelines and policies for clinics to apply that are in accordance with OPS directives and policies. Most recent examples are the Travel, Meals and Hospitality and Procurement policies. LAO considers the Accommodation Space Policy similar to those.
- As the entity responsible for the establishment and oversight of the legal clinic system, LAO's view is that the same standards that LAO applies to itself and those applied to other publicly funded organizations are also relevant to clinics, as clinics are also publicly funded organizations.

Space Standard Compliance Report

¹ Ministry of Infrastructure Realty Policy, Real Estate Policy Branch, Strategic Real Estate Asset Management Division, Ministry of Infrastructure, Schedule A – Accommodation Space Policy, Effective December 17, 2012. (pp14-15)

- The MOI Realty Policy states that "MOI must report on an annual basis to Treasury Board of Cabinet compliance with the Office Accommodation Space standards as well as compliance with the Program Specific Accommodation Space standards as approved by Treasury Board/ Management Board of Cabinet for all Applicable Ministries/Agencies."²
- LAO anticipates being required to report into MAG on LAO's compliance with MOI policy in the future; therefore, LAO wants to ensure its full compliance with MOI for its leased facilities and for facilities of organizations it funds, such as the clinics.

Definitions

- The **new** MOI space standard of 160 Useable Square Feet (USF) and 180 Rentable Square Feet (RSF) per staff person, anticipates that all needs can be met, including individual workspace, all common areas (e.g. meeting rooms and circulation corridors, office equipment rooms and refreshment areas), and legislative requirements such as accessibility.
- The Useable and Rentable space definitions were developed by the Building Owners and Managers' Association (BOMA) in an effort to provide the landlord and tenants in commercial space with a clearly defined and equitable means of calculating premise size and area, as well as fairly assessing a proportionate share of the floor's common area.
- **Rentable Square Feet** refers to the space used to calculate rental payments. Rentable areas include usable areas and common areas such as lobbies, washrooms and electrical rooms. Stairways, entrances and elevators or duct shafts are not included in rental areas.
- Useable Square Feet refers to floor area available to the tenant. Columns, electrical rooms, elevator shafts are excluded from the useable area calculation.
- Staff person, per the MOI policy, refers to "an individual defined in program business plans needed to deliver the program. Typically, this will include all Full Time Equivalents (FTEs), seconded or cluster based corporate services (e.g. IT, Legal, etc.), summer/co-op students and consultants." For discussion purposes, at clinics, this would include the number of LAO-funded positions or Full Time Equivalents at the legal clinic and that are working on poverty law services funded by LAO, as well as students and articling students.

² Ministry of Infrastructure Realty Policy, Real Estate Policy Branch, Strategic Real Estate Asset Management Division, Ministry of Infrastructure, Schedule A – Accommodation Space Policy, Effective December 17, 2012. (section 7.3)

• Leasehold Improvements, in general, refer to improvements made by or for a tenant in new leased space. The cost and responsibility of such improvements must be clearly defined in the Offer to Lease and Lease Document. Leasehold improvements are usually based on what shape the premises are in and what the tenant's requirements are in order to enter into a lease. These may include such things as: new carpet, painting, demising walls, matching acoustic tiles, amperage, washrooms, re-design or structural changes required for business reasons or accessibility, "buildout," retrofit, etc...

Space Allocations and Potential Exceptions

- The MOI requires that all space renovations undertaken in **existing leased space** and **in newly leased space** comply with a maximum average standard of up to 160 USF and 180 RSF.
- The MOI also recognizes that there may be exceptions to the space standards in special circumstances.
- The MOI policy exceptions include:
 - "Program Specific Accommodation Space (PSAS) which is specific space a ministry/agency requires for program delivery within office space (e.g. secure interview rooms, public service counters and waiting areas, sample preparation lab space, and small hearing rooms, etc.)";
 - 2. Absence of Category B and C buildings, and thus requiring Category A Building space.

B. Proposed new funding model

Application and scope

- The establishment of the amount of space that LAO will fund for leases and lease hold improvements is based on the space standards described in this document.
- The new funding policy is proposed to apply to all premises and space leased by LAO and clinics, as well as to all space renovations undertaken in existing leased space and/or construction of newly leased space.
- LAO funding for clinic leases and leasehold improvements would be based on the following formula:
 - # approved FTEs x 180 square feet rentable (160 square feet Useable) plus
 - \$___ per approved square foot for leasehold improvements

- LAO is proposing that the new funding policy would apply in the following circumstances:
 - 1. When there is a new negotiated lease agreement;
 - 2. Upon the first renewal of an existing lease agreement;
 - 3. Where the existing space allocation exceeds the maximum standard, that clinics meet the standards within two to three years of the new funding policy coming into effect.
- The LAO funding policy is proposed to apply to the facilities LAO will fund, not those which clinics lease from other funding sources. For non-LAO programs, the expectation is that the clinic will get operating funding from other funders to cover accommodation costs for the employees.

Proposed Exceptions and Process for Requests for Exceptions

- Any exceptions for a request for space beyond the maximum (as calculated by the number of staff x 180 square feet) must be requested through a detailed business case to the Regional Vice President.
- The space standard includes space for meeting rooms used for normal, regular, planned use. LAO would expect clinics to meet their needs for occasional meetings or infrequent use by a large group through ad hoc rentals at a nearby facility.
- Clinics may request an exception in the calculation of the number of FTEs funded within this policy for volunteers and temporary/seasonal workers who support the clinic's mandate which is funded by LAO. These employees may be considered as part of the funding formula for the funding of lease and leasehold improvement costs, to be determined by LAO on a case-by-case basis.
- Clinics may also request an exception related to program-specific accommodation space (PSAS).
- Business cases for exceptions should include the following:
 - o Reason/s for requesting additional space allocations
 - Evidence of the needs giving rise to the request for exceptions from the space standard (e.g. building systems inadequacies, need to accommodate specialized employee and service delivery functions, absence of economic payback or savings), or any of the reasons above
 - A summary of the options which have been considered to satisfy the space requirement needed

- Justification that the recommended option is the best option, taking into account the service delivery, operational and economic factors.
- Once completed, the draft business case would be discussed with the Regional Vice President for review and approval, based on the business need for the space exceptions.
- If approved, the areas under exceptions would be added to the space funding calculation.
- Clinics would be required to obtain approval for exceptions prior to searching for new space and entering into lease commitments. If prior approval for exceptions beyond the MOI standards is not obtained, LAO would fund at the MOI standard.

C. Proposed new support services to be provided by LAO

- The *Legal Aid Services Act* requires LAO "to monitor and supervise legal aid services provided by the clinics and other entities funded by the Corporation."³
- LAO provides numerous supports to clinics.
- LAO provides for many aspects of the coordination of leasing and leasehold improvements arrangements on behalf of the clinics.
- Support provided by LAO to clinics blurs LAO/clinic funder/fundee relationships.
- The LAO-clinic relationship needs to be modernized.
- LAO is reviewing support services provided to clinics and how clinics can take full responsibility for their activities within the management of their clinics.
- As clinics modernize, they will be in a better position to conduct this activity as part of their day-to-day management in order to have full oversight and accountability for their services.
- Through this paper, LAO proposes to discuss with clinics how/when to devolve these lease and leasehold improvement supports to clinics and what support services clinics may still be seeking from LAO.

 $^{^{3}}$ LASA, s. 4(d)

Questions and answers

A set of Questions and Answers have been drafted to address questions that may arise. (see Appendix B). Further clarifications will be added as questions arise.

Discussion

Are there clinic-specific space complexities or exceptions that are not included or discussed in this paper? Are there other concerns and questions that need to be addressed?

Appendix A – Building Class Definitions

(Source: First Quarter 2014 Research Report, Greater Toronto Area Market, Cushman and Wakefield)

CLASS "AAA" OFFICE SPACE

A city's most prestigious or select Class "A" buildings, they are typically the newest and most technologically advanced, with the highest level of finishes and tenant amenities. Generally known as the "Bank Tower" in Toronto, these buildings are further distinguished due to their dominance and recognition as the highest profile office buildings in the city.

CLASS "A" OFFICE SPACE

Class "A" office buildings typically have a modern and superior quality of exterior curtain walls, state of the art mechanical, electrical and life safety systems and a high quality interior finish. These more prestigious office buildings are typically occupied by the city's premier office users and have a definitive market presence. Given all the above, Class "A" buildings command premium rents.

CLASS "B" OFFICE SPACE

Class "B" office buildings commonly have acceptable (but not outstanding) curtain wall finishes, adequate (but not state-of-the-art) mechanical, electrical and life safety systems and a mid-quality level of interior finish. Class "B" buildings compete for a wide range of users, at average rents for their market area.

CLASS "C" OFFICE SPACE

The curtain walls and the mechanical, electrical and life safety systems of Class "C" buildings are generally somewhat outdated and the quality of the finish is often below average. These buildings commonly compete for tenants requiring functional space at below average rents.

Appendix B – Questions and answers on clinic space standards

General:

- 1. Will LAO discuss the proposed lease funding policy and new facilities space standards with the ACLCO and the clinics? Yes, LAO has developed a discussion paper to review and discuss the proposed new practices with the clinics and ACLCO.
- 2. Will the space standards, leasing policy and leasing guidelines change as a result of the discussions? Yes, though space standards are dictated by Government of Ontario directives, LAO is interested in clinics' views of LAO's funding proposal, possible exceptions to the standards, and the approval process.
- 3. Are the clinics required to follow MOI's space standards? Yes, the lease space standards developed by MOI apply to LAO and, as part of its oversight of clinics, to clinics.
- 4. How much flexibility is there respecting the maximum allowed square foot per staff? LAO may consider exceptions to the maximum space standards based on general program needs or number of FTEs.
- 5. Do the new standards take into account accessibility standards? Yes.
- 6. Will clinic lease agreements require approval by LAO? Yes, prior to entering into leasing agreements, clinics must obtain approval from LAO on the funding.

Calculation of space:

- 7. What is the maximum space allocation permitted under the MOI Policy? The maximum Useable Area per staff person is 160 square feet, and 180 Rentable square feet.
- How is the maximum space allocation calculated? Maximum Useable space is: # of funded staff (FTE) x 160 square feet. Maximum Rentable space is: # of funded staff (FTE) x 180 square feet.
- Can a clinic lease from within a category A building? No, LAO funds space based on Class B and C buildings (see Appendix A).

10. What if there isn't a Class B or C available?

If there are no Class B or C buildings within a reasonable distance of the required location, Class A space may be considered as an exception.

Exceptions

11.Are there exceptions to the standards?

Yes, LAO may consider exceptions based on program-specific accommodation space, specific program needs or staffing requirements; a business case respecting the exception would be submitted for the LAO Regional Vice-President's approval to substantiate the need for exceptions to the maximum space.

12. How are special staffing needs counted in the FTE and maximum space calculation?

In general, total space is based on staff FTEs.

At LAO, full-time and part-time staff and long-term contract staff annual equivalents are used to calculate FTEs.

The MOI space standard states that the space would "typically include all Full Time Equivalents (FTEs), seconded or cluster based corporate services (e.g. IT, Legal, etc.), summer/co-op students and consultants."

Depending on circumstance, clinics may make a case for space allocation for regular temporary, volunteer, seasonal staff or short term contracts that conduct work in pursuit of LAO's mandate.

13. Will the funding of leasehold improvement costs take into account the variability of costs from area to area and for hub versus individual clinic lease locations?

Variability of costs would be considered based on similar or equivalent leasehold improvements, and may be facilitated through an RFP process.

- 14. Will the moving cost be covered as an additional cost, if required for moving into a hub or in order to meet the space standards? Yes, with a view to meeting the standards, LAO will consider moving costs that may be required, if documented by an RFP quote process.
- **15. How can clinics reduce the cost of leases and lease improvements?** Clinics' new and renewed lease arrangements can result in cost containment by implementing such features as:
 - o flexibility in space design
 - o free standing, mobile and modular work units
 - o standard furniture profiles and finishes
 - co-location and partnerships with governmental and other agencies with a view to sharing facilities, furniture and resources
 - o work from home/telecommuting arrangements
 - hoteling (non-dedicated workspace booked in advance for a specified block of time)

- moteling (non-dedicated workspace booked upon arrival, not in advance).
- hot-desking (workspaces available on a first-come first-served basis)

16. How can clinics reduce their existing space if the existing lease has a timeframe of more than two to three years?

Clinics can look for ways to meet the standard within two to three years through innovative practices, renegotiation, accommodation of more staff or other partners, sub-leases, etc. Leasing arrangements in these situations should be discussed with the Regional VP.

LAO's experience with the space standards

17. Does LAO meet the MOI Directive space standards?

LAO's head office is currently at 120 rentable square feet per person, well below the 180 square feet standard. Work continues with LAO's regional offices to meet the standards across the province.

18. Did LAO achieve savings from moving towards the standards?

Yes, in 2008, when LAO moved, it saved \$900,000 per year at its head office location. Since then, an additional \$600,000 of opportunity savings have been achieved.

19. How does LAO keep client and staff meetings confidential?

LAO's lease design provided for sufficient meeting space for staff to use for client interviews, confidential meetings, teleconferences, or as otherwise required.

20.Has LAO implemented the space standards in a client interface environment?

Yes, LAO implemented space standards at the Refugee Law Office (RLO) in Toronto.

21. How is confidentiality maintained at the RLO?

Five walled rooms are available for client meetings and interviews.

Appendix C – ACLCO's response to LAO's September 2013 leased premises space standards policy, and LAO's views

In May 2014, the ACLCO engaged in a system wide consultation with the clinics respecting the September 2013 LAO Leasing Policy released by LAO and documented the following key concerns. LAO's respective views are noted beside each concern.

	ACLCO CONCERNS	LAO'S VIEWS
1.	LAO developed the policy without consultation with the clinics or the ACLCO	LAO agreed to withdraw the 2013 draft policy and for clinics to continue to use the 200 ft ² standard until further notice. LAO has developed this discussion paper which will be used as a background for consultation with the clinic system.
2.	Clinics do not accept that OPS Guidelines and Ministry policies should be binding on the independent non-profit legal clinics.	As the entity responsible for the establishment and oversight of the legal clinic system, LAO's view is that the same standards that LAO applies to itself and those applied to other publicly funded organizations, are also relevant to clinics.
3.	The OPS standards are not appropriate for law offices delivering legal services to the public, as clinics are obligated to maintain confidentiality and space for storage to satisfy the <i>Rules of</i> <i>Professional Conduct</i> .	The MOI policy and LAO recognize that there may be exceptions to the space standards in special circumstances or program delivery situations. The MOI policy refers to such general exceptions as "program-specific accommodation space" (PSAS), which is specific space a ministry/agency requires for program delivery within office space, e.g. secure interview rooms, public service counters and waiting areas, sample preparation lab space, and small hearing rooms, etc." The extent of general exceptions required for the clinic system will be discussed as part of the consultation process.
4.	Clinics expressed concerns about the confidentiality and privacy issues as clinics require sufficient space for	See response in #3.

5.	meeting with clients and legal representatives. Private work space is needed for speaking with clients over the telephone to maintain confidentiality. The unique nature of legal clinic work requires additional space to accommodate the volunteers, articling students and student placements on which clinics depend to help meet the needs of the community.	See response in #3.
6.	Clinics are concerned that the quality of work produced will decrease as open spaces with high traffic will be distracting and counterproductive, and open designs will not accommodate larger desk space to analyze issues.	There have been many studies conducted respecting open-office design and pros and cons documented for various office designs. At LAO, as also documented world-wide, the open office design provides for increased teamwork and consultation, quicker and enhanced flow of information and easy interaction, all of which leads to business innovation and advancement. Communal spaces promote shared, easy access to resources such as printers, copiers, staplers. The open-plan space also provides greater flexibility to accommodate evolving personnel needs, promoting transformation, and enhances air-flow and lighting. While it may take some time to get used to working in an open office environment due to distractions and noise, and there are scattered documented examples of productivity losses, open office design is becoming more and more widespread because of the productivity gains from increased collaboration. (Sources: USA Today, "Demand Media", New Yorker, Des Moines Register, Atomic Object Office)
7.	The policy fails to recognize that the nature of the work done in clinics	See response in #3.

	is different from an average government office.	
8.	Working from home is not reasonable for clinic staff, as there are file security issues, inability to meet with clients or access client files.	The technology support provided to clinics through Citrix and CIMS facilitates an opportunity to work at home or elsewhere from any computer. Citrix provides confidential access to electronic files, and teleconferencing promotes meetings and collaboration with clients and colleagues without the need to travel great distances.
9.	The LAO policy may lead to additional infrastructure costs, including: relocation costs, replacement of current furniture with smaller furniture, sufficient long-term secure and confidential file storage, additional rented meeting space, etc	Over time, infrastructure costs will be offset by gains through reduction of leasing costs.
10	Under the policy, clinics will not be able to meet their legal duty and obligations under the <i>Ontario Human Rights</i> <i>Code</i> , the LSUC's <i>Rules</i> <i>of Professional Conduct</i> , and the <i>Accessibility for</i> <i>Ontarians with Disabilities</i> <i>Act</i> .	LAO does not agree, as has been demonstrated by LAO's client-facing services.
	Exceptions will need to be made for the majority of legal clinics and the policy should relate to the principles that relate to all clinics.	See response in #3.
12	As the large majority of clients of community clinics are persons with disabilities, the policies and approach in the policy	The approach to address general exceptions will be discussed with the clinics. See response #3.

paper which requires	
exceptions in the majority	
of cases creates added	
hardship.	