

**Leasing 1118 Finch Avenue West - 11,483 sq.ft. for
Children's Services**

Date:	May 23, 2007
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward No. 8 – York West
Reference Number:	P:\2007\Internal Services\F&re\Gm07052F&re – (AFS 4134)

SUMMARY

The purpose of this Report is to obtain Council's authority to lease the premises at 1118 Finch Ave. W., being Units 3 to 7, 9 & 11 to 13, having an area of approximately 11,483 sq.ft., for a term of five (5) years commencing November 1, 2007, for Children's Services. The proposed lease would be substantially on the terms and conditions outlined in Appendix "A" to this Report.

Children's Services' currently leased space at 5150 Yonge St. and 2363 Finch Ave. W. are insufficient to meet their requirements and to house the number of staff due to expansion. The premises at 1118 Finch Ave. W. will meet this Division's longer term requirements.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. Council authorize the proposed lease for the premises at 1118 Finch Ave. W., being Units 3 to 7, 9 & 11 to 13, with Century Standard Development Corporation (the "Landlord"), commencing on November 1, 2007 for a 5-year period: at a basic net rental rate per annum in the amount of \$10.00 per sq.ft. for years 1 and 2, \$11.00 per sq.ft. for year 3, and \$12.00 per sq.ft., for years 4 and 5; with additional rent estimated at \$11.59 per sq.ft. for 2007; and, with an option to renew for another 5 years at the end of the term, for the subject premises

consisting of an area of approximately 11,483 sq.ft. and based substantially on the terms and conditions as set out in the attached Appendix “A” and in a form acceptable to the City Solicitor;

2. the Chief Corporate Officer be authorized to administer and manage the lease agreement including the provision of any consents, approvals, notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction;

Financial Impact

The total expenditure for the five (5) year term of the lease, commencing November 1, 2007, is estimated to be approximately \$2,073,000.00, including the leasehold improvements, plus G.S.T.

Funding for 2007, including basic rental rate, additional rent, and leasehold improvements, is estimated to be in the amount of approximately \$400,000, plus G.S.T. and is available in the 2007 Approved Operating Budget for Children’s Services. Funding requirements for 2008-2012 will be included in the respective year’s Children Services Budget Submission and accommodated within approved operating budget targets.

Particulars	Year 1 11/01/07- 10/31/08	Year 2 11/01/08- 10/31/09	Year 3 11/01/09- 10/31/10	Year 4 11/01/10- 10/31/11	Year 5 11/01/11 10/31/12	Total
Base Rent per sq.ft. Base Rent & Leasehold Improvements	\$10.00 \$17.25 \$165,069(a)	\$10.00 \$17.25 \$198,082	\$11.00 \$18.25 \$209,565.	\$12.00 \$19.25 \$221,048	\$12.00 \$19.25 \$221,048	\$1,014,812.
Additional Rent/sq.ft. - estimated for 2007 & adjusted by 5% annually	\$11.59 \$125,261(a)	\$12.17 \$139,743	\$12.78 \$146,730	\$13.42 \$154,066	\$14.09 \$161,770	\$727,570
Gas/sq.ft. - estimated for 2006 & adjusted by 5% annually	\$3.00 \$34,449	\$3.15 \$36,172	\$3.31 \$37,981	\$3.47 \$39,880	\$3.65 \$41,873	\$190,355
Management Fee 5% of Gross Rent estimate (exclusive of GST)	\$14,000	\$16,900	\$18,000	\$19,000	\$19,200	\$87,100
Management Fee - 15% of Leaseholds (estimated @ \$344,490 – one time)	\$51,674	0	0	0	0	\$51,674
TOTALS	\$390,453	\$390.897	\$412,276	\$433,994	\$443,891	\$2,072,511

(a) Amounts include two months Free Rent

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Children's Services has been leasing approximately 6,200 sq.ft. of office space at 5150 Yonge St. since May 1993. This lease is due to expire on August 31, 2007. Children's Services are also leasing approximately 3,320 sq.ft. of office space at 2363 Finch Ave. W. which may be terminated by giving 60 days notice effective June 14, 2008. Children's Services will be amalgamating these two offices into one larger (approximately 11,483 sq. ft.) intake office.

Pursuant to Report 19, of Consolidated Clause in Administration Committee Report 5 which was considered by City Council on July 25, 26 and 27, 2006, approval was obtained to lease space at 1126 Finch Avenue W. The agreement contained a provision that the Landlord was unable to satisfy, and the transaction was not completed. Subsequently, the Landlord offered replacement space at its complex located at 1118 Finch Avenue W. at the same rental rates without any conditions.

The space under consideration is located in the one storey retail complex at 1118 Finch Ave. W. being Units 3 to 7, 9 & 11 to 13. The building is situated west of Dufferin St. on the north side of Finch Ave. W.

ISSUE BACKGROUND

Children's Services has outgrown their office space at 2363 Finch Ave. W., and the space at 5150 Yonge is split in two, with a hallway between the two spaces, which is not conducive to proper supervision and safety of the staff and clients. There have also been ongoing issues at the latter location relative to heating, ventilation and air conditioning systems which the Landlord is not willing to address.

Since the current space is insufficient to meet this Division's requirements, Children's Services requested Facilities and Real Estate to seek alternative space. There is no city-owned space within the catchment area that meets Children's Services requirements; available space for lease was located for Children's Services at 1118 Finch Ave. W.

COMMENTS

Staff are currently negotiating with the Landlord of the premises at 5150 Yonge Street for an extension of the current Lease to accommodate staff until fit-up of the new premises are completed for occupation. Approval for this will be sought through Delegated Approval Form.

CONTACT

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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix "A" Major Terms and Conditions
Appendix "B" Location Map

APPENDIX 'A'
Major Terms and Conditions
Lease of 1118 Finch Ave. W. – Units 3 to 7, 9 & 11 to 13

Leased Premises:

1118 Finch Ave. W., Units 3 to 7, 9 & 11 to 13, comprising a combined area of approximately 11,483 sq.ft.

Landlord:

Century Standard Development Corporation.

Term:

Five (5) years; having a Commencement Date of November 1, 2007 and ending on October 31, 2012, subject to the following:

1. In the event the Landlord gains vacant possession of the Premises prior to the Commencement Date, then the Fixturing Period will be moved forward to the date that is one (1) day after the Landlord obtains vacant possession of the Premises, and the Commencement date will be ninety (90) days after the commencement of the Fixturing period;
2. In the event the Leasehold Improvements cannot be completed by November 1, 2007, the Commencement Date will be postponed to such date that the Leasehold Improvements are completed and the Premises are ready for occupancy, and the Expiry Date will be on the last day of the month which is five (5) years from the revised Commencement Date.

Minimum Annual Rent:

Years 1 and 2: Ten (\$10.00) Dollars, net, per sq.ft. of rentable area per annum;
Plus Seven Dollars and Twenty-five Cents (\$7.25) per sq. ft. for the Leasehold Improvements;

Year 3: Eleven (\$11.00) Dollars, net, per sq.ft. of rentable area per annum;
plus Seven Dollars and Twenty-five Cents) per sq. ft. for the Leasehold Improvements; and

Years 4 and 5: Twelve (\$12.00) Dollars, net, per sq.ft. of rentable area per annum
plus Seven Dollars and Twenty-five Cents (\$7.25) per sq. ft. for the Leasehold Improvements.

Gross Rent-Free Period:

The Landlord will allow the Tenant a Gross Rent Free period of two (2) consecutive months from the Commencement Date. During the Rent Free Period, the Tenant will not be required to pay Basic Rent and Additional Rent Operating Expenses(Taxes and Operating Costs) but will continue to be responsible for additional services.

Additional Rent/Operating Expenses:

The Additional Rent is estimated at \$11.59 per sq.ft. of Rentable Area, per annum, for the year ending December 31, 2007, and includes realty taxes, hydro, water charges, cleaning and janitorial services for the interior of the Premises, landscaping, garbage disposal and maintenance and repair of the electrical, mechanical, plumbing heating, ventilation and air conditioning equipment and systems. The Realty Taxes are \$4.72 per sq.ft. of Rentable Area per annum. In addition, the Tenant will pay for hot water heater rental, consumption in gas, telephone and cable.

Fixturing Period:

During the Fixturing Period, the Landlord will complete the Tenant's leasehold at the Tenant's cost. The fixturing period is estimated to be approximately three (3) months commencing on August 1, 2007, or earlier date, and must be completed by November 1, 2007.

Leasehold Improvements:

The Landlord will complete a "turnkey" improvement package (the "Leasehold Improvements") in accordance with final designs and specifications prepared by the Landlord (in consultation with the Tenant) and approved by the Tenant. The work will be carried out by the Landlord, estimated at \$30.00 per sq.ft. of the Rentable Area, or \$344,490.00, plus G.S.T., to complete the build out, in accordance with Final Designs, Plans and Specifications as approved by the Tenant. Should the Leasehold Improvements exceed \$30.00 per sq.ft. (the "Excess Cost"), the Tenant will pay the Excess Cost at its sole expense. The Basic Rental Rate will include the \$30.00 per sq.ft. which will be calculated using a discount factor equal to 8% per annum, compounded monthly, in equal blended monthly instalments of principal and interest over the Term of the Lease. The same calculation will be applied for the calculation of the Excess Cost, if any. If the total cost of the Leasehold Improvements is less than \$30.00 per sq.ft., the Landlord will apply the unexpended balance of such cost towards Rent for Leased Premises.

Option to Extend:

The Tenant will have the one time right to extend the Lease for a further five (5) years providing the Landlord with one (1) year written notice, subject to the same terms and conditions except the rental rate which will be negotiated at the time of extension. The option to renew will not include gross rent free, fixturing period, or option to renew.

Overholding:

In the event the Tenant remains in occupation of the premises at the expiration of the Lease or any renewal or extension thereof, it will remain as an overholding tenant, on a month to month basis, at the same basic rent as that payable for the month immediately preceding the expiration of the Lease or any renewal or extension thereof. Upon giving twelve (12) months' advance notice prior to the expiration of the Lease, to extend its term of occupancy, on an overholding basis, for a further period not to exceed twelve (12) months, the term of such overholding to be specified in the notice. During such extension, all terms and conditions will remain the same as in the Lease, except the rental

rate which will remain the same for up to six (6) months, and will increase to 150% thereafter.

First Refusal Right for Adjacent Vacant Space:

The Tenant will have first right of refusal to lease adjacent space.

Municipal Capital Facility and Taxation Exemption:

The Landlord acknowledges that the Tenant has the right in its discretion, to request Council to exempt the Property from taxation for municipal and school purposes if the Tenant considers that the Premises may be used as a municipal capital facility. Provided Council grants satisfactory approval to this effect, the Landlord agrees to enter at its sole cost and expense into the necessary municipal capital facility agreement with the Tenant pursuant to Section 110(1) of the Municipal Act, 2001, as amended, in a form acceptable to the City Solicitor and legal counsel for the Landlord and to pass the full benefit of such exemption onto the Tenant during the entire period of any such exemption.