

Lease Extension for Old City Hall to Her Majesty the Queen in Right of Ontario as Represented by the Minister of Public Infrastructure Renewal

Date:	April 10 th 2008
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 27 – Toronto Center Rosedale
Reference Number:	P:\2008\Internal Services\F&re\Gm08044F&re – (AFS 7475)

SUMMARY

The purpose of this report is to obtain authority to enter into a Lease Renewal Agreement with Ontario Realty Corporation, acting as agent on behalf of Her Majesty the Queen in right of Ontario as represented by the Minister of Public Infrastructure Renewal, for the extension of the lease at 60 Queen Street West. The proposed Lease Renewal is for a ten (10) year term, commencing retroactively on January 1st, 2007

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. Council authorize entering into a Lease Extension and Amending Agreement with Ontario Realty Corporation (the “**Tenant**”), acting on behalf of Her Majesty the Queen in right of Ontario as represented by the Minister of Public Infrastructure, to use and occupy 164,389.41 square feet of rentable area at 60 Queen Street West, (the “**Premises**”), including and incorporating the Lease Agreement dated October 15th 2003 for 430 square feet of office space, commencing on January 1st, 2007 and expiring on December 31st, 2016, substantially on the terms and conditions as set out in Appendix “A” and on such other terms and conditions as approved by the Chief Corporate Officer, or his or her designate, and in a form and content acceptable to the City Solicitor; and

2. the Chief Corporate Officer be authorized to administer and manage the Lease Extension 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 proposed agreement is for a base rent of \$34.96 per square foot of rentable area (164,389.41 square feet), for a total of \$5,747,053.78 per year for the ten (10) year term, commencing retroactively on January 1, 2007. The base rent will be adjusted upwards annually in accordance with any increases in the Consumer Price Index. Throughout the Term, the Tenant will also be responsible for additional rent for maintenance, janitorial and maintenance costs, which is estimated at \$14.20 per square foot of maintainable area (186,090.35 square feet), and will be adjusted annually in accordance with the actual costs. Therefore, the proposed total annual rent is \$8,389,536.75, or \$51.04 gross per square foot of rentable area, subject to applicable adjustments.

The Old City Hall lease revenues are part of the Facilities and Real Estate annualized operating budgets. While the 2007 and 2008 Operating -Budgets were based on the previous lease agreements, the future year operating budget submissions will include revenues based on the proposed Lease.

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

DECISION HISTORY

The tenancy has been on a month-to-month basis since 1998. The decision history can be found in the following report to Corporate Services Committee, dated June 11th, 1998:

<http://www.toronto.ca/legdocs/agendas/committees/cs/cs980622/it028.htm>

ISSUE BACKGROUND

In 1972, the Tenant began leasing 181,107 square feet of space through a Lease Agreement that expired on December 31st, 1976, subject to the Lessee's right to renew the lease for two additional five (5) year terms. In 1974, the Parties entered into a Lease Amending Agreement so that on the expiry of the initial lease term (December 31st, 1976), the Agreement would automatically renew on the same terms and conditions for continuous one-year terms, until terminated by the tenant. In 1989, the parties agreed to extend the lease term for an additional nine (9) years, expiring on December 31st, 1998. The tenancy has been on a month-to-month basis since the expiry of the extended agreement.

In 1996, a Lease Amending Agreement increased the rentable area to 184,425 square feet as a result of work and repairs completed on the building to comply with the Ontario

Building Code. In 2002, the Province downloaded the Provincial Offences Act functions to the City of Toronto. As a result, the Lessee's rentable area was reduced by 20,465.23 square feet and 23,227.64 square feet of maintainable area. The City of Toronto's Court Services Division is currently occupying the space.

A new Lease Agreement was entered into on October 15th, 2003 for the Tenant's use of an additional 430.36 square feet of office space. The proposed lease extension will blend the 2003 Agreement for additional office space into the renewed agreement.

COMMENTS

Real Estate Services staff have valued the rental rate for the proposed lease premises and consider it to represent fair market value. The major terms and conditions of the proposed Lease Renewal are set out in Appendix "A" attached to this report.

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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix "A" Summary of Lease Terms
Appendix "B" Location Map