

Lease Agreement at 100 Queen Street West

Date:	January 13, 2009
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward No. 27 – Toronto Centre-Rosedale
Reference Number:	P:\2009\Internal Services\F&re\Gm09015F&re – (AFS 9218)

SUMMARY

The purpose of this report is to obtain City Council approval to enter into a new lease agreement with Toronto Municipal Employees' Credit Union (TMECU), for approximately 3,437 square feet of ground floor space located at 100 Queen Street West the ("**Premises**").

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. Authorize the City to enter into a new lease agreement at 100 Queen Street West the ("**Premises**") with Toronto Municipal Employees' Credit Union the ("**Tenant**") for a five (5) year term with the option of renewal for an additional five (5) year term commencing on January 1, 2009 based on the terms and conditions as set out in the attached Appendix "A" and on such other terms and conditions as may be deemed appropriate by the Chief Corporate Officer, or his or her designate, and in a form acceptable to the City Solicitor.
2. Authorize the City Solicitor to complete the lease, deliver any notices, pay expenses and amend the commencement and other dates to such earlier or later date(s), on such terms and conditions, as she may, from time to time, determine.

3. Authorize the Chief Corporate Officer 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 revenue from this lease over the 5-year term is estimated to be \$326,515.00, net of GST, as follows:

100 Queen Street West				
Year	Commencement Date	Size (Sq. Ft.)	Rental Rate (P.S.F.)	Total Revenue
1	January 1, 2009	3437	\$18.00	\$61,866.00
2	January 1, 2010	3437	\$18.50	\$63,584.50
3	January 1, 2011	3437	\$19.00	\$65,303.00
4	January 1, 2012	3437	\$19.50	\$67,021.50
5	January 1, 2013	3437	\$20.00	\$68,740.00

In addition to the basic rent presented above, the tenant is responsible to pay for realty taxes assessed for the leased premises as well as their proportionate share of the operating costs at City Hall. This number was estimated at \$18.60 per square foot in 2008.

The expected revenue represents an increase of \$68,740.00 over the five year term of the lease (a \$10,311.00 increase in 2009). No budget allocation has been made for this increase in 2009 however, the future year increases will be included in respective Operating Budget Submissions for Facilities and Real Estate. The rates for the renewal period will be renegotiated by both parties and will reflect the then market rents for similarly leased properties within the general vicinity.

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

DECISION HISTORY

TMECU is located on the main floor of City Hall (see Appendix B – Site Plan) and has been a tenant of the City of Toronto since March 1st, 1986. The original lease (item #26) was authorized by report #19 of the Executive Committee adopted in Council on the 17th day of June, 1985.

The original lease contained a ten year term that allowed for an increase in rent after the first five years of the agreement. The original lease had a rental rate of \$51,555 per annum. The 2nd 5-year term of the original lease had a rental rate of \$61,866 per annum. In accordance with a report authorized by the Board of Management at its meeting

#1996-23 starting November 28, 1996, Minute #11, a lease renewal agreement was entered into by both parties for a further ten year term commencing on March 1st, 1996 and ending on the last day of February, 2006. Since that time, TMECU has been in an overholding position and has paid all rental amounts owing, including property taxes and additional rent, and has complied with the original terms and conditions of the lease to date.

ISSUE BACKGROUND

City Hall was built in 1965 and contains over 635,000 square feet of gross floor area. The Premises is located on the main floor of the building, towards the east side with a separate entrance on Bay Street. There is no parking available to the Tenant in the lease and there is no access to the main lobby of City Hall, the only entrance and exit being on Bay Street. The space itself has an irregular layout, given the floor plan of the building however, the Tenant enjoys the advantage of its location because of its close and convenient proximity to its clients.

COMMENTS

The rental rates for this lease are considered fair and reasonable and are indicative of current market rents for similarly leased properties within the general vicinity. These rates were established based on research conducted by an independent brokerage firm and City staff. The agreement contains a renewal option for an additional 5-year term commencing on January 1st, 2014. At any time during the lease agreement term (including the optional renewal period), either party can terminate the lease by providing the other party with six months prior written notice.

CONTACT

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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix "A" – Major Terms and conditions
Appendix "B" – Floor Plan of City Hall (main floor)