

Lease Agreement at 388 Evans Avenue

Date:	January 13, 2009
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward No. 6 – Etobicoke-Lakeshore
Reference Number:	P:\2009\Internal Services\F&re\Gm09016F&re – (AFS 9217)

SUMMARY

The purpose of this report is to obtain Council’s authority to enter into a new lease agreement with Sydney R. Stone & Co. Limited, for approximately 7,500 square feet of industrial space located at 388 Evans Avenue.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. Authorize entering into a new lease agreement with Sydney R. Stone & Co. Limited as tenant, for the premises located at the property municipally known as 388 Evans Avenue, for a term of five (5) years commencing on November 1st, 2008, with an option to renew for an additional five (5) years, substantially 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 \$219,375.00, less one month’s rent of \$3,656.25 for a total of \$215,718.75, net of GST, as follows:

388 Evans Avenue					
Year	Size (Sq. Ft.)	Rental Rate (P.S.F.)	Annual Revenue	Total Revenue	Total Revenue Less one month rent
1 – 5	7,500	\$5.85	\$43,875	\$219,375	\$215,718.75

In addition to the basic rent presented above, the tenant is also responsible to pay realty taxes, building insurance and maintenance, as well as all other occupancy costs including water, gas, hydro, heating and air conditioning.

The expected revenue represents an increase of \$28,218.75 over the five year term of the lease (a \$6,375.00 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

The building located at 388 Evans Avenue was originally leased to Sydney R. Stone & Co. Limited for a five year term commencing on April 1st, 1985 and ending on the last day of March, 1990. The original lease had a rental rate of \$28,125 per annum. Thereafter, a lease renewal agreement was entered into by both parties for a further five year term commencing on April 1st, 1990 and ending on the last day of March, 1995. The extended rental term had a rental rate of \$37,500 per annum. Further lease extension agreements have taken place between both parties on a regular basis. The tenant has paid all rental amounts owing, including property taxes, and has complied with the terms and conditions of the lease to date.

ISSUE BACKGROUND

The City-owned building located at 388 Evans Avenue is a free standing industrial structure, located on the north side of Evans Avenue just west of Kipling Avenue and south of the Gardiner Expressway. It was built in 1960 and contains approximately 7,500 square feet of rentable floor area. The City has owned this property since prior to amalgamation and has leased the premises to the current tenant since April 1st, 1985. Transportation Services requires this property for a future grade separation within the general vicinity requiring a portion of the property to accommodate a service road. Plans for the grade separation are ongoing however it was determined to lease the property in the interim basis to produce revenue for the City of Toronto.

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 November 1st, 2013. At any time during the lease agreement term (including the optional renewal period), the City of Toronto can terminate the lease by providing the tenant with six months prior written notice. The tenant also has an option to terminate the lease by providing the City of Toronto with 1 year's written notice. The notice provided by the tenant cannot be delivered prior to November 1st, 2010. The tenant has been provided with a one month basic rent free period to assist with the required renovations of the site including the replacement of the HVAC units.

CONTACT

Joe Casali
Director, Real Estate Services
Tel: (416) 392-7202
Fax: (416) 392-1880
jcasali@toronto.ca

Chuck Donohue, P. Eng.
Executive Director, Facilities & Real Estate
(416) 397-5151
(416) 392-4828
cdonohue@toronto.ca

SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix "A" – Major Terms and conditions
Appendix "B" – Location Map