

## **Lease Agreements – 705 Progress Avenue**

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| <b>Date:</b>             | August 26, 2009  |
| <b>To:</b>               | Government Management Committee                          |
| <b>From:</b>             | Chief Corporate Officer                                  |
| <b>Wards:</b>            | Ward No. 38 – Scarborough Centre                         |
| <b>Reference Number:</b> | P:\2009\Internal Services\F&re\Gm09071F&re – (AFS 10381) |

### **SUMMARY**

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The purpose of this report is to obtain Council's authority to enter into lease extension agreements with two tenants (Black Cat Advertising Inc. and 682770 Ontario Inc. o/a ITC Systems) occupying industrial space at 705 Progress Avenue.

### **RECOMMENDATIONS**

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The Chief Corporate Officer recommends that:

1. City Council authorize the extension of the existing lease at 705 Progress Avenue, Unit No. 18-19 with Black Cat Advertising Inc. for a two (2) year term commencing on September 1, 2009 based on the terms and conditions as set out in the attached Appendix "A" and in a form acceptable to the City Solicitor.
2. City Council authorize the extension of the existing lease at 705 Progress Avenue, Unit No. 43-44 and 63 with 682770 Ontario Inc. o/a ITC Systems for a one (1) year term commencing on September 1, 2009 based on the terms and conditions as set out in the attached Appendix "B" and in a form acceptable to the City Solicitor.
3. The Chief Corporate Officer be authorized to administer and manage the Lease Extension Agreements 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 these two lease agreements is estimated to be \$144,156.25, net of GST, as follows:

| Unit No.   | Size (Sq. Ft.) | Term    | Start Date of Lease          | Rental Rate (P.S.F.) | Annual Revenue | Total Revenue | City's Share |
|------------|----------------|---------|------------------------------|----------------------|----------------|---------------|--------------|
| 18-19      | 4,056          | 2 Years | Sept. 1 <sup>st</sup> , 2009 | \$6.25               | \$25,350.00    | \$50,700.00   | \$25,350.00  |
| 43-44 & 63 | 14,953         | 1 Year  | Sept. 1 <sup>st</sup> , 2009 | \$6.25               | \$93,456.25    | \$93,456.25   | \$46,728.12  |

705 Progress Avenue is a jointly owned facility between the Toronto District School Board and the City of Toronto. All revenues collected are divided equally between both parties. According to the original decision in 1996, when the City of Scarborough acquired the property, the City's portion will be transferred to a dedicated parkland reserve fund (5% and 2% Land Acquisition Reserve Fund Scarborough - XR2007).

Each tenant is responsible for their share of realty taxes, building insurance and maintenance, as well as all other occupancy costs including water, gas, hydro, heating and air conditioning. There are no outstanding payments from the existing leases.

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

## DECISION HISTORY

Black Cat Advertising Inc. had leased unit #18 at 705 Progress Avenue since April 1<sup>st</sup>, 2000 for a 5-year term ending on March 31<sup>st</sup>, 2005 (approved through DAF #2000-082). In 2003, the tenant required additional space for their expanding business and entered into a new agreement encompassing unit #18 and #19 for a new 5-year term effective September 1<sup>st</sup>, 2003 (approved through DAF #2003-103). In 2008, the tenant extended their term for an additional year ending on August 31<sup>st</sup>, 2009 (approved through DAF #2008-116). The tenant has used the space for office and administration. The proposed lease renewal is for a 2-year term commencing on September 1<sup>st</sup>, 2009 and ending on August 31<sup>st</sup>, 2011 for unit #18 and #19 (consisting of approximately 4,056 Sq. Ft. of space).

ITC Systems has leased unit #63 at 705 Progress Avenue since June 1<sup>st</sup>, 1999. In 2004, the tenant required additional space for their expanding business and entered into a new agreement encompassing unit #43-44 and #63 for a new 5-year term effective September 1<sup>st</sup>, 2004 (approved through DAF #2006-083). The tenant has used the space for general office, manufacturing, storage and distribution of debit cards. The proposed lease renewal is for a 1-year term commencing on September 1<sup>st</sup>, 2009 and ending on August 31<sup>st</sup>, 2010 for unit #43-44 and #63 (consisting of approximately 14,953 Sq. Ft. of space).

## **ISSUE BACKGROUND**

705 Progress Avenue contains an industrial/office improvement consisting of approximately 156,000 total square feet. This property was acquired in August of 1996 by the former City of Scarborough in partnership with the former Scarborough Board of Education. Pending development of the property into a future park and school building, the facility is leased on a unit by unit basis to various tenants. The day-to-day operation of the property is managed by Pailliser Realty Advisors Inc. under a management agreement with the City of Toronto.

## **COMMENTS**

Pailliser Realty Advisors Inc. has concluded negotiations with the tenants for the subject property. Rental rates are established on the basis of competitive market rates for the property, location and use of the property. The leases have an option in favour of the City of Toronto for an early termination providing six (6) months notice to the tenant. Real Estate Services staff have reviewed the rental rate for the proposed lease premises and consider it to represent fair market value.

## **CONTACT**

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## **SIGNATURE**

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Bruce Bowes, P. Eng.  
Chief Corporate Officer

## **ATTACHMENTS**

Appendix "A" – Major Terms and Conditions (Black Cat Advertising Inc.)  
Appendix "B" – Major Terms and Conditions (ITC Systems)  
Appendix "C" – Location Map