

Lease Agreements – 705 Progress Avenue

Date:	April 14, 2010
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward No. 38 – Scarborough Centre
Reference Number:	P:\2010\Internal Services\RE\GM10032re – (AFS 11572)

SUMMARY

The purpose of this report is to obtain Council’s authority to enter into lease extension agreements with two tenants (Toronto Institute of Pharmaceutical Technology and Laser Environment Canada, Inc.) occupying industrial and office space at 705 Progress Avenue.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council authorize the extension of the existing lease at 705 Progress Avenue Unit No. 29/30 with Toronto Institute of Pharmaceutical Technology for a three (3) year term commencing on December 1, 2009, based substantially on the terms and conditions as set out in the attached Appendix “A” and any other terms and conditions deemed appropriate by the Chief Corporate Officer, 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. 47/49 with Laser Environment Canada, Inc for a two (2) year term commencing on February 1, 2010 based substantially on the terms and conditions as set out in the attached Appendix “B” and any other terms and conditions deemed appropriate by the Chief Corporate Officer, and in a form acceptable to the City Solicitor.
3. City Council authorize the Chief Corporate Officer 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 \$119,350.50, 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
29/30	5,030	3 Years	Dec. 1 st , 2009	\$5.25	\$26,407.50	\$84,252.50	\$42,126.25
			Dec.1 st , 2010	\$5.50	\$27,665.00		
			Dec.1 st , 2011	\$6.00	\$30,180.00		
47/49	3,052	2 Years	Feb. 1 st , 2010	\$5.50	\$16,786.00	\$35,098.00	\$17,549.00
			Feb. 1 st , 2011	\$6.00	\$18,312.00		
Total:						\$119,350.50	\$59,675.25

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 agrees with the financial impact information.

DECISION HISTORY

Toronto Institute of Pharmaceutical Technology has leased unit 29-30 at 705 Progress Avenue for a five-year term in December 1, 2001 (approved by DAF #2002-013). The most recent renewal was a three-year term commencing on December 1, 2006, and authorized by DAF#2006-192. The tenant uses the space for general office and research purposes. The proposed lease renewal is for a three-year term, commencing on December 1, 2009, and consisting of 5,030 sq. ft. of space

Laser Environment Canada, Inc. has been a tenant at 705 Progress Avenue since 1999, at which point it occupied 1,278 sq.ft. at unit 62. It has been leasing units #47/49 since February 1, 2002, as authorized by DAF #2002-026. The tenant uses the space for the distribution of office supplies. The most recent renewal was in 2008, when the tenant extended their term for two years under the authority of DAF #2008-055. The proposed

lease renewal is for a two-year term commencing February 1, 2010 for units #47-49, consisting of approximately 3,052 sq.ft.

ISSUE BACKGROUND

705 Progress Avenue is an industrial/office building 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 rates for the proposed lease premises and consider them to represent fair market value.

CONTACT

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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix "A" – Major Terms and Conditions (Toronto Institute of Pharmaceutical Technology.)
Appendix "B" – Major Terms and Conditions (Laser Environment Canada)
Appendix "C" – Location Map