

200 Wellington Street West – New Lease Agreement

Date:	April 14, 2010
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 20 – Trinity-Spadina
Reference Number:	P:\2010\Internal Services\RE\Gm10036re - (AFS#11942)

SUMMARY

The purpose of this report is to obtain authority to enter into a new Lease Agreement with Oxford Properties Group Inc., as Landlord, to lease approximately 21,202 square feet of rentable area located on the sixteenth (16th) floor of the building municipally known as 200 Wellington Street West, and to have the leased premises designated as a Municipal Capital Facility.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council authorize a Lease Agreement with Oxford Properties Group Inc for the lease of approximately 21,202 square feet of rentable area on the sixteenth (16th) floor of the building (the “Building”) known municipally as 200 Wellington Street West (the “Leased Premises”) substantially on the terms and conditions as set out in Appendix “A” attached hereto and on such other terms and conditions as approved by the Chief Corporate Officer, or his or her designate, and in a form acceptable to the City Solicitor.
2. City Council 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.

3. City Council pass a by-law pursuant to section 252 of the City of Toronto Act, 2006 providing authority to:
 - (a) enter into a municipal capital facility agreement with Oxford Properties Group Inc. in respect of the Leased Premises; and
 - (b) exempt the Leased Premises from taxation for municipal and school purposes, which tax exemption is to be effective from the latest of (i) the date the municipal capital facility agreement is signed and (ii) the date the tax exemption by-law is enacted.
4. City Council direct the City Clerk to give written notice of the by-law to the Minister of Education, the Municipal Property Assessment Corporation, the Toronto District School Board, the Toronto Catholic District School Board, the Conseil Scolaire de District du Centre-Sud-Ouest and the Conseil Scolaire de District du Catholique Centre-Sud.
5. City Council authorize the introduction of the necessary bills to give effect thereto.

Financial Impact

The proposed Lease Agreement provides for a base rent of \$23.00 per square foot of rentable area (21,202 square feet) for three (3) years, commencing on September 1st, 2010. Throughout the term, the City will also be responsible for additional rent for operating costs and property taxes, which are estimated at an annual rate of \$27.58 per square foot (subject to annual adjustments). The resulting annual rents are outlined in the following chart:

Lease Term	Annual Net Rent	Additional Rent (Estimate)	Total Annual Rent
Year 1	\$487,646	\$584,751	\$1,072,397
Year 2	\$487,646	\$584,751	\$1,072,397
Year 3	\$487,646	\$584,751	\$1,072,397
Total For Term	\$1,462,938	\$1,754,253	\$3,217,191

Leasehold Improvements must also be completed to the Leased Premises in accordance with the final floor plan approved by the City. The cost of Leasehold Improvements will be determined by both the Landlord and the City and the Landlord will contribute \$11 per square foot (\$233,222) towards the cost of these improvements. Any amount owing above this contribution may be amortized over the Lease Term at an annual rate of 10% and added to the annual net rent paid by the City.

The annual property taxes for the leased premises are estimated to be approximately \$308,457 in total, comprised of a municipal portion of \$185,736 and a provincial education portion of \$122,694, based on 2008 Current Value Assessment (CVA) and 2008 tax rates, including all capping adjustments. The designation of the Leased Premises as a municipal capital facility would eliminate the property tax component of additional rent.

Exemption of the leased space will result in a reduction in municipal tax revenue of approximately \$185,736 per year (i.e., the municipal portion of taxes that will no longer be collected). Overall, the net savings to the City will be approximately \$122,694 per year, representing the education portion of taxes that will no longer be payable to the Province once the exemption takes effect.

Funding for this lease is provided in the Financial Services' 2010 Recommended Capital Budget. Funding requirements for 2011-2013 are included in the Financial Services' 10 –Year Capital Plan and will be accommodated within approved capital budget plan.

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

DECISION HISTORY

The FPARS (Financial Planning and Reporting System) team is requesting that the City enter into a lease agreement to accommodate approximately one hundred and fifty (150) people, including permanent and temporary employees and external consultants. FPARS is a Financial Planning initiative to create a mature budgeting process and system for the City of Toronto. The project team is expected to begin work in the summer of 2010. Details on the FPARS project can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-15478.pdf>

ISSUE BACKGROUND

There is no space available in existing City buildings to accommodate a team of one hundred and fifty (150) people. As a result, the FPARS project team requested Real Estate Services to identify and secure office space in close proximity to City Hall and/or Metro Hall. After identifying and reviewing suitable location options, Real Estate Services staff have completed negotiations for a three (3) year term at 200 Wellington Street West, commencing September 1, 2010.

COMMENTS

The FPARS project team is satisfied with the proposed lease arrangement, as the location provides convenient proximity to Metro Hall, City Hall and public transit, while providing space that is mostly constructed for the proposed use. The space is currently configured in a manner that will save the City capital investment money and significant construction time, as the existing meeting rooms, offices, washrooms and facilities generally meet the desired space requirements. The premises also provides open space

that allows for an efficient layout of workstations. The majority of furniture and equipment costs are in addition to leasing costs outlined in this report, and will be determined in consultation with Facilities Management.

Real Estate Services staff consider the terms and conditions of the proposed Lease Agreement to be fair and reasonable, and at market rates.

CONTACT

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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix “A” Summary of Lease Terms
Appendix “B” Location Map