



STAFF REPORT ACTION REQUIRED

325 Milner Ave - New Lease for Toronto Employment & Social Services Office - Forced Relocation

Date:	May 9, 2012
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 42 – Scarborough-Rouge River
Reference Number:	P:\2012\Internal Services\RE\Gm12023re (AFS #15709)

SUMMARY

The purpose of this report is to obtain Council authority for a new lease at 325 Milner Avenue. The lease of this space will result in cost savings to the City and enable Toronto Employment and Social Services (TESS) to continue to provide required client services.

A new lease is required as the City's lease term at the current location, 5639 Finch Avenue East, expired and the landlord has recently provided the City with a Notice of Termination. Real Estate Services (RES) has secured a new lease opportunity at 325 Milner Avenue which can accommodate the existing TESS office. In addition Real Estate Services is exploring options with other divisions for collocation.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council authorize a lease agreement with Groupe Petra Ltee., for approximately 47,874 square feet of rentable area on a portion of the 9th, 10th and 12th floors of the building at 325 Milner Avenue East, substantially on terms and conditions outlined in Appendix "A", and on such 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 Chief Corporate Officer or designate 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 authorize the City Solicitor to complete the transaction(s) on behalf of the City, including making payment of any necessary expenses and amending any relevant dates to such earlier or later date(s) and on such terms and conditions as she may from time to time consider reasonable
4. 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 Groupe Petra Ltee, owners of the property known as 325 Milner Avenue, or its successors or assigns with respect to approximately 47,874 square feet of rentable area leased by the City of Toronto; and
 - b) Exempt the new 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.
5. 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 due Catholique Centre-Sud.
6. City Council authorize the introduction of the necessary bills to give effect thereto.

Financial Impact

TESS currently has \$1,050,309.00 net in its 2012 Approved Operating Budget for the current leased location. The proposed lease agreement at 325 Milner Avenue represents an estimated cashflow impact of the following:

Year	Net Rent (Annual)	Additional Rent (Annual)	Total Rent (Annual)	Total Rent (Per Period)
1	\$0.00	\$194,368.44	\$194,368.44	\$194,368.44
'2 - 6	\$478,740.00	\$388,736.88	\$867,476.88	\$4,337,384.40
'7 - 13	\$598,425.00	\$388,736.88	\$987,161.88	\$6,910,133.16
Total	\$1,077,165.00	\$971,842.20	\$2,049,007.20	\$11,441.886.00

The lease at 325 Milner Avenue will take effect in November, 2012. The current lease at 5639 Finch Avenue East will expire June 30th, 2012. In the interim, Real Estate Services is pursuing a short term location strategy.

Funding is available in the 2012 Approved Operating Budget for TESS at the current lease rate. The new rate, beginning in November, is lower than the existing monthly rate. It is anticipated that the short term location (July-November) will be funded at the existing lease rate. Relocation costs will be absorbed by TESS within its existing 2012 Operating Budget. Leasehold improvements at 325 Milner Avenue will be funded by the landlord.

Making the leased space exempt through a Municipal Capital Facility agreement would result in net savings to the City representing the provincial education share of taxes that would no longer be payable once the exemption takes effect.

The 2013 and future year operating submissions will reflect the reduced lease rate as well as the savings as a result of reduced provincial education share of taxes.

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

DECISION HISTORY

By the adoption of Clause 5 of Report 25 of the Management Committee on September 14, 1994, the Council of the former Municipality of Metropolitan Toronto approved entering into a five (5) year lease agreement with 651565 Ontario Limited for the use of the premises at 5639 Finch Avenue East for approximately 49,385 square feet on the ground, second and third floors. The lease agreement was renewed for five (5) years ending April 30, 2005. The lease was renewed for another five years at a rental rate of \$988,687 per year and ending April 30, 2010.

As part of the analysis leading up to the renewal of the lease in 2010, in co-operation with Toronto Employment and Social Service (TESS), Real Estate Services (RES) completed a market analysis of leasing options including a review of other locations and other options. At its meeting of August 25, 26 and 27, 2010, Council approved a real estate strategy for the relocation of TESS from its current location.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.GM33.22>

The City was unsuccessful in negotiating suitable terms and conditions to implement the strategy. Subsequently, RES staff, in consultation with TESS staff, conducted site searches and negotiations with landlords of alternative locations, in addition to the current landlord.

BACKGROUND AND COMMENTS

The proposed relocation of TESS from 5639 Finch Avenue East to 325 Milner Avenue East is predicated on the basis that City staff has sought to find the most economical leasing terms and conditions for TESS, while maintaining effective client services, and that the current landlord has issued a termination notice, effective June 30, 2012. The proposed location represents the best value proposition for the City based on the following:

- it is less costly than any alternatives, including the current leasing costs
- it will permit possibilities for future collocation of other divisions, with minimal future cost, which will result in overall savings for the City
- the resident entrance is barrier free and directly in front of a TTC service
- there is sufficient available parking for employees and visitors accessing City services, which is increasingly important as TESS provides a broad range of employment services and programs to City residents within the community, including workshops provided by TESS staff and other divisions (i.e. Public Health); employer, resident and community engagement activities, with key partners; and individual services to residents and families.
- it improves on TESS' visibility through increased and improved street presence and signage.

The proposed leased space will not be ready for occupation until approximately November 2012. Given the short notice for the City to vacate the current location, RES and TESS staff are working on a strategy to address the immediate space pressures, including one or a combination of the following approaches: negotiating a short-term extension at the current location which would allow for services to continue, temporarily reassigning staff to other TESS offices; finding other nearby temporary leased space; and, locating other City-owned space that could be temporarily shared, all of which would have implications on access and services for City residents.

Legislation Regarding Municipal Capital Facilities

Section 252 of the *City of Toronto Act, 2006* allows the City to enter into agreements with any person for the provision of municipal capital facilities, and allows City Council to exempt from taxation for municipal and school purposes, land or a portion of land, on which municipal capital facilities are or will be located.

Ontario Regulation 598/06 prescribes "facilities related to the provision of social and health services" as eligible municipal capital facilities for the purpose of section 252.

Under Section 252 of the *City of Toronto Act*, the legislation requires:

- (a) that the property owner and the City enter into an agreement for the provision of a municipal capital facility for the space being leased; and

- (b) that a by-law be passed by Council permitting the City to enter into the agreement, and to exempt the property to which the municipal capital facility agreement applies from taxation for municipal and school purposes.

Upon the passing of this by-law, the City Clerk must give written notice of the by-law to the Minister of Education. For the tax exemption, the City Clerk must also provide a written notice of the contents of the by-law to the Municipal Property Assessment Corporation and the Secretary of any affected school board(s).

CONTACT

Joe Casali
Director, Real Estate Services

Tel: 416-392-7202
Fax: 416-392-8565
jcasali@toronto.ca

SIGNATURE

Bruce Bowes, P.Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix "A" - Terms and Conditions
Appendix "B" - Location map