Lease Agreement at 5151 Yonge Street

<table>
<thead>
<tr>
<th>Date:</th>
<th>August 29, 2008</th>
</tr>
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<tr>
<td>To:</td>
<td>Government Management Committee</td>
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<tr>
<td>From:</td>
<td>Chief Corporate Officer</td>
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<td>Wards:</td>
<td>Ward No. 23 – Willowdale</td>
</tr>
<tr>
<td>Reference Number:</td>
<td>P:\2008\Internal Services\F&amp;re\GM08076F&amp;re – (AFS 8412)</td>
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**SUMMARY**

The purpose of this report is to obtain Council’s authority to enter into a new lease agreement with 1024005 Ontario Inc., carrying on business as Cosmetic World, for approximately 3,500 square feet of retail space located at 5151 Yonge Street.

**RECOMMENDATIONS**

The Chief Corporate Officer recommends that:

1. Council authorize the new lease agreement at 5151 Yonge Street with 1024005 Ontario Inc., carrying on business as Cosmetic World for a five (5) year term with the option of renewal for an additional five (5) year term commencing on September 1, 2008 based on the terms and conditions as set out in the attached Appendix “A”.

2. The Chief Corporate Officer be authorized 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 revenue from this lease is estimated to be $78,750.00 per year, for a total of $393,750.00, net of GST, as follows:

<table>
<thead>
<tr>
<th>Floor</th>
<th>Size (Sq. Ft.)</th>
<th>Term</th>
<th>Commencement Date of Lease</th>
<th>Rental Rate (P.S.F.)</th>
<th>Total Revenue</th>
</tr>
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<tbody>
<tr>
<td>1st Floor</td>
<td>1,750</td>
<td>5 Years</td>
<td>September 1st, 2008</td>
<td>$25.00</td>
<td>$218,750</td>
</tr>
<tr>
<td>2nd Floor</td>
<td>1,750</td>
<td>5 Years</td>
<td>September 1st, 2008</td>
<td>$20.00</td>
<td>$175,000</td>
</tr>
</tbody>
</table>

Out of this total amount $26,250.00 will be received in 2008. The tenant is responsible for realty taxes, building insurance and maintenance, as well as all other occupancy costs including water, gas, hydro, heating and air conditioning.

This represents an annual increase of $38,750.00 ($12,917.00 in 2008), for a total of $193,750.00 over the five year term of the lease. No budget allocation has been made for this increase in 2008 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 Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

The building located at 5151 Yonge Street was originally leased by the former City of North York to Korea Exchange Bank of Canada for a five year term commencing on July 1st, 1996 and ending on June 30, 2001. The original lease had a rental rate of $28,000 per annum and contained a renewal option for a further five year term commencing July 1, 2001 and ending June 30, 2006. With the City’s consent, Korea Exchange Bank of Canada assigned the lease to 1024005 Ontario Inc., carrying on business as Cosmetic World by Assignment dated November 30, 1999. The Tenant exercised its option to renew the lease and a renewal rate of $40,000 per annum was agreed to for the renewal term. Authority for the renewal agreement was obtained through DAF # 2003-059. The Tenant has paid all rental amounts owing, including property taxes, and has complied with the terms of the lease to date.
ISSUE BACKGROUND

The City-owned building located at 5151 Yonge Street is a 2-storey free standing retail structure, located on the north-east corner of Yonge Street and Empress Avenue. It was built in 1929 and contains approximately 3,500 square feet of rentable floor area. The City has owned this property since prior to amalgamation and has leased the premises since 1996. The abutting city-owned lands immediately east and north of the building are not included in this lease. Those lands are currently used as a parking lot operated by the Toronto Parking Authority. This lease does not provide for parking to the Tenant. Various City Divisions have expressed an interest in the property. However, until future plans for the site are finalized, it is appropriate to continue leasing the property.

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 September 1st, 2013. At any time during the lease agreement term (including the optional renewal period), either party can terminate the lease by providing the other with 1 year’s written notice.

CONTACT

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SIGNATURE

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Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix “A” – Major Terms and conditions
Appendix “B” – Location Map