SUMMARY

The purpose of this report is to obtain authority to enter into a new Lease Agreement with 481 University Avenue Inc. (Landlord) for 17,000 additional square feet of rentable area located on the ground floor of the building municipally known as 481 University Avenue. The proposed Agreement will commence on May 1\textsuperscript{st}, 2009 and expire on April 30\textsuperscript{th}, 2019.

RECOMMENDATIONS

The Chief Corporate Officer recommends that Council:

1. authorize entering into a Lease Agreement with 481 University Avenue Inc. (the “Landlord”) to use and occupy approximately 17,000 square feet of rentable area on the ground floor of the building known as 481 University Avenue (the “Premises”) for the operation of City court services, commencing on May 1\textsuperscript{st}, 2009 and expiring on April 30\textsuperscript{th}, 2019, substantially on the terms and conditions as set out in “Appendix A” and on such other terms and conditions as approved by the Chief Corporate Officer, or his or her designate, and in a form and content acceptable to the City Solicitor;

2. authorize the City Solicitor to complete the lease, deliver any notices, pay expenses and amend the commencement and other dates to such earlier or later date(s), on such terms and conditions, as she may, from time to time, determine; and,
3. 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.

Financial Impact
The proposed Agreement is for a base rent of $15.00 per square foot of rentable area (17,000 square feet) for the first five (5) years and $18.00 per square foot of rentable area for the last five (5) years, commencing on May 1st, 2009. Throughout the term, the City will also be responsible for additional rent for operating and hydro costs, which are estimated at $16.88 per square foot per annum. The resulting annual rents are outlined in the following chart:

<table>
<thead>
<tr>
<th>Lease Term</th>
<th>Annual Net Rent</th>
<th>Additional Rent (Estimate)</th>
<th>Total Annual Rent</th>
<th>Total for the Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years 1-5</td>
<td>$255,000</td>
<td>$286,960</td>
<td>$541,960</td>
<td>$2,709,800</td>
</tr>
<tr>
<td>Years 6-10</td>
<td>$306,000</td>
<td>$289,960</td>
<td>$595,960</td>
<td>$2,979,800</td>
</tr>
<tr>
<td>Total For 10 Year Term</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$5,689,600</td>
</tr>
</tbody>
</table>

Leasehold Improvements must also be completed to the premises in accordance with the final floor plan approved by the City. The cost of the Leasehold Improvements will be determined by both the Landlord and the City and the Landlord will contribute $15 per square foot ($255,000) towards the cost of these improvements. Any amount owing above this contribution will be amortized over the Lease Term at an annual rate of 9% and added to the annual net rent paid by the City. Early estimates indicate that total Leasehold Improvement costs will be approximately $935,000. Considering the Landlords contribution, the City will be responsible for $680,000 or an additional $6.23 per square foot per year, resulting in annual lease improvement costs of approximately $105,958. Therefore, the total cost for the term will be approximately $6,749,180 (a total of $5,689,600 towards rents plus $1,059,580 for leasehold improvements).

The annual rent for any lease renewal will be subject to negotiations and based on the then fair market value of the Premises.

The total cost for leasing, operating costs and leasehold improvement is $647,918 per year for the first five years. The first year funding requirements of $647,918 are included in Courts Services’ 2009 operating budget submission, as a new request. The new business case to increase court capacity has been included in the 2009 Court Services’ 2009 operating budget submission. The increase to court capacity will require $3.725 million in gross expenditures and is anticipated to yield $4.430 million in additional revenues. The $0.647 million for the additional leased space forms part of this request.
The business case and funding requirements will be reviewed in conjunction with the 2009 operating budget process.

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

DECISION HISTORY
Court Services currently occupies approximately 29,510 square feet of rentable area at 481 University Avenue, as authorized by Report 4 (10) of the Administration Committee, adopted by City Council at its meeting on June 27, 28 and 29, 2006. The decision history can be found in the following report to Administration Committee, dated May 17th, 2006: http://www.toronto.ca/legdocs/2006/agendas/committees/adm/adm060606/it019.pdf

The additional 17,000 square feet on the ground floor of 481 University Avenue, as recommended in this report, enables Court Services to operate four courtrooms within the same building, where court administration, public counters and intake courts exist, increasing trial courtroom capacity needed within the Toronto South service district.

ISSUE BACKGROUND
The City of Toronto’s Court Services Division continues to manage a significant backlog of court hearings. This has historically been attributed to the limited number of courtrooms available to the City and has affected the City’s ability to collect budgeted revenue. In June 2008, media coverage regarding case backlogs has heightened public awareness of this issue. Revenues continue to further decline as a result of this attention. It is imperative that the City take action to reverse the negative revenue impact of courtroom shortages. It is recommended that this space be leased enabling four additional court rooms to be constructed for use in early 2009. Although it would be prudent to refer this matter to the 2009 operating budget process, the opportunity to lease this space would be lost by that time. It is recommended that this lease be finalized and any additional funding requirements and potential revenue offsets be considered during the 2009 operating budget process.

In addition to persons charged with an offence that has a mandatory court appearance, individuals charged with an offence under a provincial statute or municipal bylaw where the fine is under $500, predominantly highway traffic and parking related matters, have the option to contest the charge by requesting that a trial be scheduled. As fines and associated penalties increase, the rate at which individuals contest their charges also increases. Where insufficient court resources are available, this condition results in significant delays between the offence date or infraction date, in the case of parking by-law matters, and the trial date. Within the Toronto South district, the Court Services Division currently supports seven full-sized and one smaller trial courtroom within Old City Hall. These courtrooms regularly operate at over 100% of approved caseload capacity and more courtrooms are needed to manage an increased number of cases requiring a trial.
COMMENTS
Securing the space recommended in this report will provide Court Services with four (4) additional courtrooms and will allow for an estimated 125,000 additional scheduled trials per year. The Premises will be used for the purposes of conducting trials for parking ticket disputes, minor traffic offences and other provincial offences charges. The additional space will also help to alleviate overcrowded conditions regularly experienced at other Court Services locations, which will help to improve public services for those who attend trial or are seeking court information and/or paying fines. The ability to process a greater number of trials in a more timely fashion is expected to result in more court dispositions, which includes orders to pay fines.

The proposed Lease contributes towards a long-term solution, providing needed courtroom capacity to Toronto Court Services within the South district. The terms and conditions of the proposed Lease Agreement are acceptable to Court Services staff and are considered fair and reasonable by Facilities and Real Estate. The major terms and conditions of the proposed Agreement are set out in Appendix “A” attached to this report.

CONTACT

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SIGNATURE

__________________________________________
Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

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