Renewal of Lease at 425 Adelaide Street West for the Assessment Review Board

<table>
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<tr>
<th>Date:</th>
<th>June 9, 2009</th>
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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 20 (Trinity Spadina)</td>
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<tr>
<td>Reference Number:</td>
<td>P:\Internal Services\F&amp;re\Gm09056F&amp;re – (AFS 10254)</td>
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**SUMMARY**

The purpose of this report is to obtain Council’s authority to enter into a five (5) year renewal of a lease agreement with 1432499 Ontario Limited (the “Landlord”) for portion of the 8th Floor of 425 Adelaide Street West for the continued use by the Assessment Review Board, commencing on September 1, 2009 and expiring August 30, 2014 with a further option to renew for 5 years.

**RECOMMENDATIONS**

The Chief Corporate Officer recommends that:

1. Council authorize the proposed five (5) year renewal of a lease agreement with 1432499 Ontario Limited (the “Landlord”) for portion of the 8/F, 425 Adelaide Street West with an approximate area of 3,539 sq. ft. commencing on September 1, 2009 and expiring August 30, 2014, with a further option to renew for 5 years substantially on the terms and conditions outlined in Appendix “A” of this Report; and,

2. The Chief Corporate Officer be authorized to administer and manage the renewal agreement including the provisions 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 cost to the City for the term of the proposed lease renewal is anticipated at $485,695.15. Funding for 2009 is included in the 2009 - Facilities & Real Estate’s-Operating Budget (Cost Centre .FA1641). Funding requirement for 2010-2014 will be included in respective year’s Budget Submission for Facilities and Real Estate and accommodated within approved operating budget targets.

<table>
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<tr>
<th></th>
<th>Unit Rate</th>
<th>Annual cost</th>
<th>Total cost for 5 years</th>
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<tr>
<td>Basic Rent</td>
<td>$11/sq. ft. x 3,539 sq. ft</td>
<td>$38,929</td>
<td>$194,645</td>
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<tr>
<td>Parking</td>
<td>$200 x 12</td>
<td>$2,400</td>
<td>$12,000</td>
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<tr>
<td>Additional Rent</td>
<td>$15.77 (2008 Rate subject to adjustment to actual cost)x 3,539 sq. ft.</td>
<td>$55,810</td>
<td>$279,050</td>
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<tr>
<td>Total amount</td>
<td></td>
<td>$97,139</td>
<td>$485,695</td>
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The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY
Under the Assessment Review Board Act, municipalities are required to provide space for the Assessment Review Board. By the adoption of Executive Committee Report No. 9 Clause No. 37, the Council of the City of Toronto (the “Tenant”) authorized a lease made between Adelaide-Brant Centre Ltd. (the former Landlord) and the City of Toronto (the “Tenant”) for a term of Four (4) years and Five (5) months commencing the 1st day of April, 1990 and ending the last day of August 1994 for 4,477 square feet of office space on portion of 8th Floor of Adelaide Street West for the use of the Assessment Review Board (ARB). The net annual rent was $16.50 per sq. ft. for the 5 year term.

By the adoption of Executive Committee Report No. 21 Clause No. 12, the Council of the City of Toronto on September 26 & 27, 1994 authorized the renewal of a lease by reducing the leased area to 3,539 sq. ft. for a five (5) year term commencing on September 1, 1994 and expired on August 31, 1999. The net annual rent was $7.00 per square foot over the entire 5-year term.

Delegated Approval Form 99-142 authorized to renew the lease for a further term of five years commencing on September 1, 1999 and expiring on August 31, 2004 at $7 per square foot for the net annual rent.

Delegated Approval Form 2004-122 authorized to renew the lease for a further term of five years commencing on September 1, 2004 and expiring on August 31, 2009 at $8.10 per square foot for the net annual rent with one exclusive indoor parking space charged at $175 per month. Additional rent, which includes a proportionate share of realty taxes, hydro and other operating cost – based on 2004 estimates – was charged at $13.95 per
square foot per annum, and was subject to adjustment to actual costs. The City was also granted an option to renew the lease for a further terms of (5) years, less one day on the identical terms and conditions to the current agreement except the rent which shall be negotiated at the renewal.

**ISSUE BACKGROUND**

As required by the current Lease Agreement, the City staff exercised the 5 year less one day option at 6 months prior to the expiration of the Lease on August 31, 2009.

**COMMENTS**

After months of negotiations, agreement for the renewal proposal has been reached on the net annual rent at $11 per sq. ft. for the 5 year renewal of the Lease commencing September 1, 2009 and expiring on August 30, 2014. Additional rent, which is based on 2008 estimate, is charged at $15.77 per square foot per annum, and is subject to adjustment to actual costs. The exclusive indoor parking stall is charged at $200.00 per month.

The renewal proposal also includes an Option to Renew for a further of (5) years, commencing August 31, 2014 and expiring August 30, 2019 on the identical terms and conditions to the proposed renewal agreement except the net basic rent which shall be negotiated at the renewal.

The rent and other terms and conditions of the proposed renewal agreement reflect current market value according to market research and valuation conducted by F&RE staff.

**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