

City Hall Leases for Media Offices

Date:	December 8, 2008
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 27 – Toronto Centre-Rosedale
Reference Number:	P:\2009\Internal Services\F&re\Gm09003F&re – (AFS 7725)

SUMMARY

The purpose of this report is to obtain Council’s authority to enter into five-year lease agreements with the thirteen (13) media tenants for space on the main floor of City Hall, known as the Press Gallery, for a term commencing January 1, 2009 and expiring on December 31, 2013. This report also provides a report-back on requested amendments to the current leases in order to attain “full cost recovery”, as directed by Council.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. Lease agreements with each of the current and future (if changed during the term) City Hall media tenants on the terms and conditions as set out in Appendix “A” of this report, together with such other terms and conditions as may be deemed appropriate by the Chief Corporate Officer and in a form approved by the City Solicitor.
2. The Chief Corporate Officer to negotiate and adjust rent for the current media tenant leases for 2008 in accordance with Schedule “A” of this report.

3. The Chief Corporate Officer to administer and manage the lease agreements 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 matter (including their content) to City Council for its determination and direction.

Financial Impact

The City will obtain full cost recovery for the term of new leases with the Press Gallery tenants. For 2008, the City has successfully negotiated cost recovery from some of the tenants. The following chart outlines the anticipated revenue from the agreements:

Year	Current Rent	Additional Rent (1)	Estimated Rent (2)
2008	\$ 65,4435.21	\$ 22,915.80	
2009			\$ 114,126.70
2010			\$ 116,979.87
2011			\$ 119,904.37
2012			\$ 122,901.98
2013			\$ 125,974.53

(1) Based on those tenants who have agreed to pay the adjusted rent

(2) Estimated to grow by 2.5% per annum. Estimates will be adjusted based on actual costs.

The estimated rents over the five year term are based on the assumption that full cost recovery based rents are acceptable to all tenants. Should some of the tenants decide not to renew their leases, the estimated amounts will be lower than currently anticipated and shown in the table above.

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

DECISION HISTORY

City Council on November 25, 26 and 27, 1998, approved, as amended, Corporate Services Committee Report No. 16, Clause 2, which sets out the rental rate and authority to enter into lease agreements for the Press Gallery space.

On April 28 and 29, 2008, City Council adopted the following motions:

The lease rates for media offices be increased to cost recovery when the agreement expires in December 2008.

The Executive Director, Facilities and Real Estate, be requested to immediately renegotiate the current leases to attain “full cost recovery” and report back to Council on the talks.

ISSUE BACKGROUND

Historically, the provision of space was provided to members of the Press, including local newspapers and radio stations, through the Press Gallery. This space was located on the first and second floors of City Hall and at Metro Hall. Due to the relocation of all City Councillors to City Hall in 1998, the Press Gallery was relocated to the first floor at City Hall.

In 1998 a number of meetings were held with the press and various options explored for the rental of Press Gallery space and the establishment of an appropriate rental rate. It was agreed that the financial terms of the occupancy for office space at City Hall by members of the Press would be phased-in as follows: Year One: \$10.00 per square foot and Year Two: \$15.00 per square foot. Thereafter, the rate would be 50 percent of the then current market rate.

The current rent charged to the Press Gallery tenants is \$17 per sq. ft. This rent currently does not recover the City’s operating costs, which is estimated at \$18.60 per sq.ft. for 2008. Council directed staff to negotiate cost recovery adjustment to existing leases.

The current leases expire on December 31, 2008, and Facilities & Real Estate staff have negotiated new leases with all tenants to attain “full cost recovery” for the new agreements. At the time of writing, all tenants with the exception of National Ethnic Press & Media Council of Canada agreed to the terms of the proposed leases. The National Ethnic Press objects to paying rent for the shared space which is internal space that includes a lounge commonly used by all media tenants.

COMMENTS

Renegotiation of Existing Lease Rates

Facilities & Real Estate staff have been negotiating with the current media tenants to attempt to recover operating costs on the existing leases for 2008. Current total rent is \$17 per square foot while estimated operating cost for 2008 is \$18.60 per square foot plus taxes (currently not assessed but MPAC is re-assessing). Schedule A on the following page summarizes the outcome of these lease negotiations. City staff are seeking Council Authority to finalize these adjustments.

Schedule "A"

Tenant Name	Agreed to 2008 Cost Recovery
1. Rogers Broadcasting Limited (680 News)	Yes
2. Astral Media Radio	Yes
3. CBC	No
4. AM 640 Toronto Radio	Yes
5. Toronto Sun	No
6. Toronto Star	Yes
7. National Ethnic Press & Media Council of Canada	No
8. Globe & Mail	No
9. Global Communications Ltd.	No
10. NOW Magazine	Yes
11. Metroland Printing, Publishing & Distributing	No
12. City TV	Yes
13. CTV	Yes

New Leases

Real Estate Services have provided the terms and conditions of the new lease agreements (in accordance with Council directions, and as outlined in Appendix “A”) to each of the media tenants and is seeking Council authority to enter into new agreements. Facilities & Real Estate Staff consider the terms and conditions of the leases to be fair and reasonable.

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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix “A” - Major Terms & Conditions. Leases with Media Tenants for Space at
the City Hall Press Gallery
Appendix “B” - Allocation Drawing