Toronto Public Health Office Lease Extension - 2340 Dundas Street West

Date: October 24, 2011
To: Government Management Committee
From: Chief Corporate Officer
Wards: 14 – Parkdale-High Park
Reference Number: P:\2011\InternalServices\RE\Gm11034re (AFS# 14775)

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a Lease Extension and Amending Agreement with 690981 Ontario Limited (the "Landlord"), for use of approximately 33,900 square feet of area within the building known municipally as 2340 Dundas Street West (the "Premises") for a term of five (5) years, with an option to renew for a further five (5) years.

Toronto Public Health plans to continue to occupy the Premises where it provides a variety of clinical services to the community and an operational centre for Public Health Nurses.

RECOMMENDATIONS

The Chief Corporate Officer recommends that City Council:

1. Authorize entering into a Lease Extension and Amending Agreement with the Landlord for use of the Premises for a further term of five (5) years, with an option to renew for another five (5) years, substantially on the terms and conditions set out in Appendix "A", and on such other terms and conditions as approved by the Chief Corporate Officer, and in a form acceptable to the City Solicitor.

2. Authorize the Chief Corporate Officer to administer and manage the lease as amended and extended, including the provision of any consents, approvals, waivers, notices of termination provided that the Chief Corporate Officer may at any time refer consideration of such matter to City Council for its determination and direction.
FINANCIAL IMPACT
The total cost to the City over the five year Extension Term inclusive of minimum rent and operating costs will be approximately $5,042,559.50. These costs are eligible for 75% provincial cost sharing. After factoring in the provincial contribution, the net cost to the City is $1,260,639.87 plus HST. The Premises were declared a Municipal Capital Facility and are exempt from realty taxes. Funding is available in the Approved 2011 TPH Operating Budget and will be accommodated for in future budgets.

The City has the option to renew the agreement for an additional five year term at the end of the Extension Term. Should the City select this option the total cost of the Option Term inclusive of minimum rent and operating costs will be approximately $5,541,592.10. After factoring in the provincial cost sharing contribution, the net cost to the City would be $1,385,398.03 plus HST.

The combined cost of both the Extension Term and the Option Term would be approximately $10,584,151.00 plus HST. Under the provincial cost sharing program this would translate into a net cost to the City of $2,646,037.90 plus HST over the combined ten year term.

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

DECISION HISTORY
The City of Toronto entered into a 5 year lease agreement for the use of 9,204 sq.ft of space within the facility known as "The Crossways" located at the intersection of Bloor Street West and Dundas Street West, for the purposes of establishing a Public Health Office in the City's west end. The term began on July 1, 1987 and expired on June 30, 1992. This lease was subsequently renewed for a term of 3 years commencing July 1, 1992 and expiring June 30, 1995.

Under the authority of Clause 19, of Executive Committee Report #20, approved by Council on Nov. 1 & 2, 1993, the Premises were expanded to include an additional 833 sq. ft with the addition of Suite No. G-26. This Lease was renewed for a 5 year term commencing July 1, 1995 and expiring June 30, 2000.

Under the authority of DAF 2000-61 the Lease was extended for a period of 2 years beginning July 1, 2000 and expiring June 30, 2002. In 2001, under the delegated authority of DAF 2001-082 the Lease was surrendered in favour of a new 10 year Lease for a newly renovated and expanded Premises with a rentable area of approximately 33,900 sq.ft.

The Premises were declared a municipal capital facility pursuant to Item GM19.3 adopted by City Council at its meeting of December 1, 2008.
ISSUE BACKGROUND
Since 1987 this facility has grown from a satellite office to that of a major Public Health Centre. The rationale behind the expansion that took place in 2001 was the consolidation/closing of several Public Health Offices formerly located at 726 Bloor St, West, 662 Jane Street, 1884 Davenport Road and partially from 590 Jarvis Street.

The facility is now a key component for Toronto Public Health and serves a wide catchment area in the City's West end providing a range of services such as a large Dental Clinic, a Sexual Health Clinic, a teaching kitchen, and program space for Public Health Nurses. The facility is well situated on the subway line providing convenient access to the community who utilize the services provided.

COMMENTS
This Lease extension is structured for a 5 year term (December, 2011 to December, 2016) with an option for an additional 5 year term (to December, 2021). Real Estate Services have negotiated the terms such that monthly basic rent will decrease at the beginning of the Extension Term from $81,621.10 to that of $63,562.50, resulting in a savings of approximately $216,703.20 per year. This savings has been incorporated in the TPH 2012 recommended operating budget. The Landlord will perform some leasehold improvements and increased maintenance to address concerns raised by Public Health staff.

Real Estate Services Staff consider the terms and conditions of this proposed Lease Extension, as detailed in Appendix "A", to be fair and reasonable, and at market rates.

CONTACT
Joe Casali
Director, Real Estate Services
Tel: (416) 392-7202
Fax: (416) 392-1880
jcasali@toronto.ca

SIGNATURE

Bruce Bowes, P.Eng.
Chief Corporate Officer

ATTACHMENTS
Appendix "A" – Major Terms & Conditions
Appendix "B" – Location Maps