

### City Hall Leases for Media Offices

**Date:** September 21, 2020

**To:** General Government and Licensing Committee

**From:** Executive Director, Corporate Real Estate Management

**Wards:** Ward 13 - Toronto Centre

#### SUMMARY

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The purpose of this report is to seek authority to enter into lease agreements with ten (10) media tenants of the Press Gallery at City Hall (collectively, the "Press Gallery Tenants") for a term of five (5) years, commencing January 1, 2019 and ending on December 31, 2023, with an option to extend for an additional term of five (5) years.

In 2009, City Council authorized entering into leases with media tenants at below market rent based on the full recovery of the operating costs and realty taxes payable in respect of the Press Gallery. Given that these leases have since expired, this report provides advice to City Council in respect of entering into lease agreements with media tenants of the Press Gallery at a rental rate which attains the full cost recovery of operating this space, in alignment with prior Council direction.

#### RECOMMENDATIONS

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The Executive Director, Corporate Real Estate Management, recommends that:

1. City Council authorize the Executive Director, Corporate Real Estate Management, to execute a lease agreement with each of the current and future (if vacancies occur during the term) media tenants of the Press Gallery at City Hall, substantially on the major terms and conditions set out in Appendix "A", and including such other terms as deemed appropriate by the Executive Director, Corporate Real Estate Management, and in a form satisfactory to the City Solicitor.

#### FINANCIAL IMPACT

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The Press Gallery Tenants will continue to lease approximately 4,476 square feet of the Press Gallery (the "Leased Premises") at below market rates.

The City of Toronto (the "City") will recover all operating costs and realty taxes payable in respect of the Leased Premises from the Press Gallery Tenants. The proposed 2019 rent for all Press Gallery Tenants are currently estimated at \$131,517.96 inclusive of Harmonized Sales Tax based on a rate of \$26.41 per square foot.

Although properties owned by the City of Toronto are exempt from taxation, the Press Gallery Tenants are taxable tenants and the Leased Premises are subject to taxation. The annual property taxes on the Leased Premises are estimated at approximately \$49,540.44 based on the 2019 Current Value Assessment and 2019 tax rates.

The proposed rent is a sum of the estimated operating costs and realty taxes payable for the Leased Premises. Accordingly, this lease arrangement will be cost neutral for the City and has no budgetary impact.

For the proposed lease agreements, the City has successfully negotiated full recovery of the operating costs and realty taxes from the Press Gallery Tenants. The following chart outlines the anticipated revenue from the agreements:

Year	Operating Costs	Realty Taxes	Estimated Rent (1)(2)
<b>2019</b>	\$ 81,977.52	\$ 49,540.44	\$ 131,517.96
<b>2020</b>	TBD (3)	TBD (3)	\$ 134,805.91
<b>2021</b>	TBD (3)	TBD (3)	\$ 138,176.06
<b>2022</b>	TBD (3)	TBD (3)	\$ 141,630.46
<b>2023</b>	TBD (3)	TBD (3)	\$ 145,171.22

- (1) Estimated to grow by 2.5% per annum.
- (2) Rent will be reconciled at the end of each year based on the actual costs
- (3) Operating costs and realty taxes are to be determined for 2020 and future years

The opportunity cost, expressed in net present value terms, for the five-year lease period is approximately \$739,801. The opportunity cost, expressed in net present value terms, for a five-year extension period is approximately \$639,984. The opportunity cost for a full ten-year lease period is \$1,379,784.

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

## DECISION HISTORY

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At its meeting on November 25, 26 and 27, 1998, City Council 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.

<https://www.toronto.ca/legdocs/minutes/council/appa/cc981125/cs16rpt.htm>

At its meeting on April 28 and 29, 2008, City Council adopted GM13.12, "Toronto Sun Rent Arrears and Lease Rates for Media Offices", authorizing the increase of lease rates for media offices to cost recovery, and directing the Executive Director, Facilities and Real Estate to immediately renegotiate the current leases to attain full cost recovery and report back to Council.

<https://www.toronto.ca/legdocs/mmis/2008/gm/reports/2008-04-17-gm13-cr.pdf>

At its meeting on January 27, 2009, City Council adopted GM20.8 "City Hall Leases for Media Offices" and authorized lease agreements with each of the current and future (if changed during the term) City Hall media tenants and directed the Chief Corporate Officer to negotiate and adjust rent for the current media tenant leases for 2008.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.GM20.8>

## COMMENTS

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The City has historically provided space to the members of the press, including local newspapers and radio stations, through the Press Gallery. This space was initially located on the first and second floors of City Hall and Metro Hall. In 1998, the Press Gallery was moved to the first floor of City Hall due to the relocation of all City Councillors to City Hall.

Between 1998 and 2008, the City leased out the Press Gallery to the media tenants at 50 percent of the market rate. In 2008, City Council determined that this rental rate did not cover the City's operating costs for the Press Gallery, and directed City staff to renegotiate the current leases to attain full cost recovery. Since 2009, the City has leased out the Press Gallery to the media tenants at a rental rate which attains the full cost recovery of operating this space.

Corporate Real Estate Management has negotiated lease agreements with the current media tenants at new rental rates based on full recovery of the estimated operating costs and realty taxes (as previously directed by City Council). This report is seeking authority to enter into a lease agreement with each of the media tenants substantially on the major terms and conditions set out in Appendix A. The proposed rent and other major terms and conditions of the lease extension agreements are considered to be fair and reasonable.

## **CONTACT**

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## **SIGNATURE**

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Patrick Matozzo  
Executive Director, Corporate Real Estate Management

## **ATTACHMENTS**

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Appendix A - Major Terms and Conditions. Leases with Tenants of the Press Gallery  
Appendix B - Tenant Locations at the Press Gallery

## Appendix A

### Major Terms and Conditions - Leases with Tenants at the Press Gallery

#### Leased Area:

Approximately 4,476 square feet of space in total on the main floor of City Hall, 100 Queen Street West, Toronto, known as the Press Gallery:

Current Tenant Name	Proposed Space (*) (Square feet)	Current Tenant Name	Proposed Space (*) (Square feet)
680 News - Rogers	240	Bell Media Inc.	375
Corus Television (Global)	153	The Globe & Mail	563
Bell Media GP - (iHeart Radio Canada)	239	Toronto Star	1,165
CBC	435	Signal Toronto	154
National Ethnic Press and Media Council of Canada	251	Toronto Sun	901

\* includes proportionate share of the Shared Space

Note: Two spaces formerly occupied by Metroland and National Post are available

#### Lease Term:

Five (5) Years commencing on January 1, 2019 and terminating on December 31, 2023, with the tenant having an option to extend for 5 years on the same terms and conditions, except there shall be no further option to extend.

#### Rent:

Calculated as the sum of annual operation costs for the leased premises plus any realty taxes. The 2019 recovery cost is estimated as following:

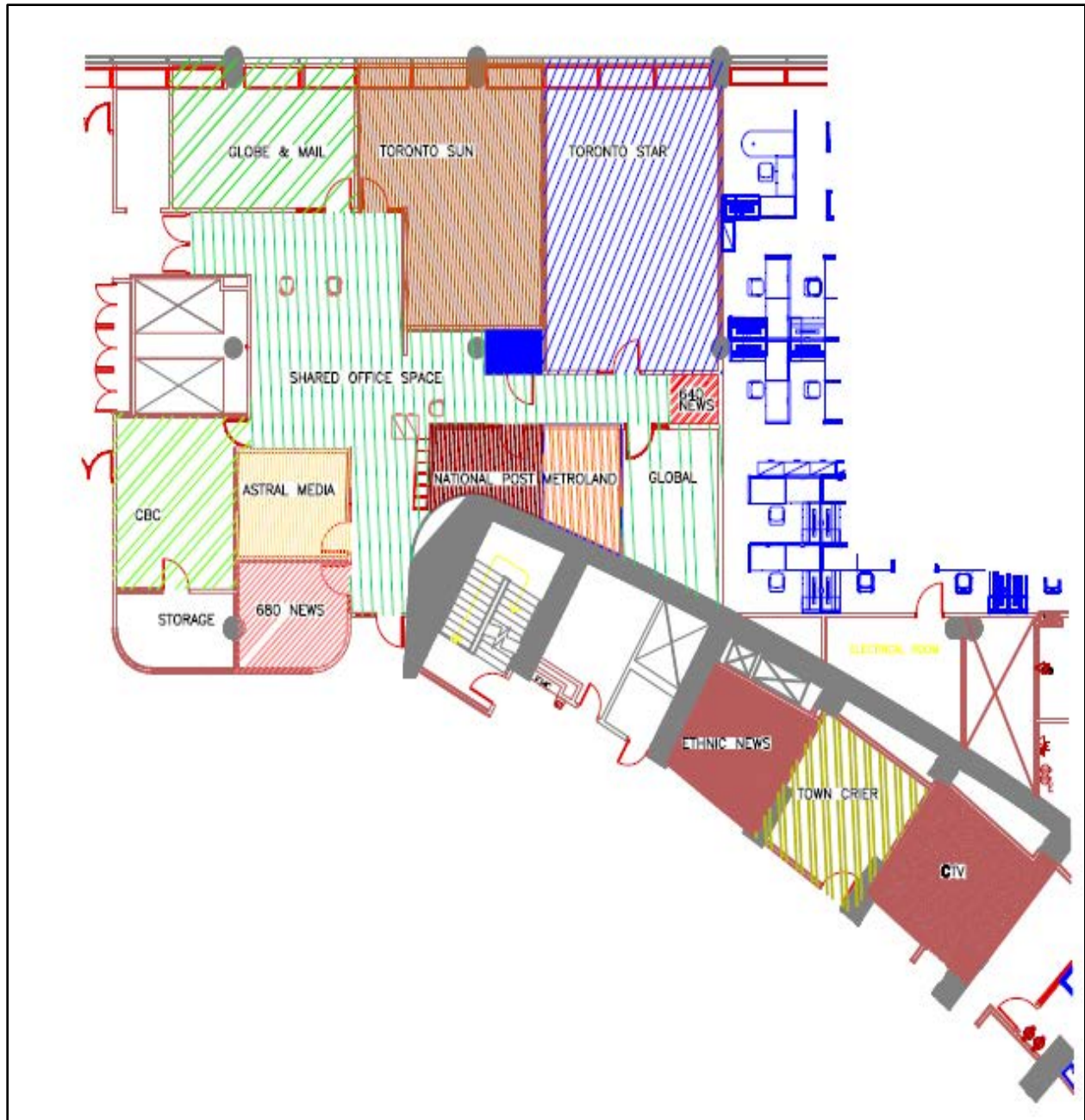
Estimated Operation Cost (2019)	\$18.66 per Square feet
Estimated Realty Taxes (2019)	\$ 7.75 per Square feet
Total Estimated Rent for 2019 (*)	\$26.41 per Square feet

\* The rent will be reconciled at the end of each year based on the actual costs

#### Termination:

The City of Toronto or each tenant may terminate the leases with 60 days' notice.

## Appendix B Tenant Locations



\* Former Metroland and National Post spaces are currently empty.