

Approved pursuant to the Delegated Authority contained in Article 2 of City of Toronto Municipal Code Chapter 213, Real Property

<b>Prepared By:</b>	Myron Menezes	<b>Division:</b>	Corporate Real Estate Management
<b>Date Prepared:</b>	June 15, 2021	<b>Phone No.:</b>	(416) 338-3586

**Purpose** To obtain authority to enter into a lease extension agreement with The Manufacturers Life Insurance Company (the "Landlord") with respect to the leased premises municipally known as 375 University Avenue, Suite 201, 202 and 203, for the continued use of the premises as offices for the Accountability Officers (the "Agreement").

**Property** The property municipally known as 375 and 393 University Avenue, Toronto, legally described as Part of Lots 3, 4, 6, 7, 8, 9 and part of Lots 10 and 11 on the east side of university Avenue (formerly Park Lane), and Lots 3, 4, 6, 7, 10, and parts of Lots 8 and 9, west side of Centre Avenue, Registered Plan No. 147 and part of Park Lot 11, Concession 1 from the Bay, in the City of Toronto, Municipality of Metropolitan Toronto and more particularly described Part 2 on Plan 63R-3334 registered in the Land Registry Office for the Land Registry Division of Toronto and the Streets as confirmed under The Boundaries Act by Plan BA 1834 registered as Instrument No. CT 453502 on 16 January, 1981, being part of PIN 21200-0043 (the "Property"), as shown on the Aerial and Lot Map in Appendix "B".

**Actions** 1. Authority be granted to enter into a Lease Extension Agreement with the Landlord, substantially on the major terms and conditions set out in Appendix "A", and including such other terms as deemed appropriate by the approving authority herein, and in a form satisfactory to the City Solicitor.

**Financial Impact** The total estimated cost to the City for the five (5) year lease extension, commencing December 1, 2020 and expiring November 30, 2025 is approximately \$2,415,759.66 (plus HST) or \$2,458,277.03 (net of HST recoveries). If the option to extend is exercised, the estimated total cost to the City over the extension term commencing December 1, 2025 and expiring November 30, 2030 is approximately \$2,646,339.17 (plus HST) or \$2,692,914.74 (net of HST recoveries). Total financial impact to the City including option to extend is \$5,151,191.76 (net of HST recoveries). This figure includes the payment by the City of basic rent and additional rent in the form of a proportionate share of the operating costs and the realty taxes (if applicable) for the premises.

Fiscal Year	Term / Period	Total Expenditures (plus HST)	Total Expenditures (net of HST recoveries)
2020	Dec-20	15,018.44	15,282.76
2021	Jan 2021 - Dec 2021	389,277.02	396,128.29
2022	Jan 2022 - Dec 2022	498,427.16	507,199.47
2023	Jan 2023 - Dec 2023	511,455.35	520,456.96
2024	Jan 2024 - Dec 2024	516,419.51	525,508.50
2025	Jan 2025 - Nov 2025	485,162.18	493,701.04
<b>Total</b>	<b>Dec 1, 2020 - Nov 30, 2025</b>	<b>\$ 2,415,759.66</b>	<b>\$ 2,458,277.03</b>

Funding is available in the 2021 Council Approved Budgets for Corporate Real Estate Management (CREM) under cost center FA200-10.S and cost elements 4525 for basic rent and 4433 for CAM. Future year expenditures will be referred to the City's annual budget process and will be included as part of future year budget submissions for Council consideration. Details of the financials are shown in Appendix A.

**Comments** The Chief Financial Officer and Treasurer has reviewed this DAF and agrees with the financial implications as identified in the Financial Impact section.

At its meeting held on July 6, 7 and 8, 2010, the City of Toronto Council adopted Report No. GM32.15 of the Government Management Committee which authorized entering into a lease at the Property for a ten (10) year term expiring November 30, 2020 in addition to declaring the Property a Municipal Capital Facility.

The City of Toronto's Integrity Commissioner, Lobbyist Registrar and Obudsman Toronto confirm that the Property is required and supports the extension of this Agreement. The Accountability Officers have been excluded from the ModernTO Workplace Modernization Program; and as per 2020.EX18.2 the Portfolio Direction for the 375 University lease is to retain the lease as a Status Quo site.

The proposed rent and other major terms and conditions of the Agreement are considered to be fair, reasonable and reflective of market rates.

**Terms** See Appendix "A"

<b>Property Details</b>	<b>Ward:</b>	Ward 10 – Spadina-Fort York
	<b>Assessment Roll No.:</b>	1904-06-6-110-00100
	<b>Approximate Size:</b>	
	<b>Approximate Area:</b>	908.96 m <sup>2</sup> ± (9,784 ft <sup>2</sup> ±)
	<b>Other Information:</b>	Part of PIN 212000043

A.	City Manager has approval authority for:
1. Acquisitions:	<input type="checkbox"/> Where total compensation does not exceed \$10 Million.
2A. Expropriations Where City is Expropriating Authority:	<input type="checkbox"/> Statutory offers, agreements and settlements where total compensation does not cumulatively exceed \$10 Million.
2B. Expropriations For Transit-Related Purposes Where City is Property Owner or Has Interest in Property Being Expropriated:	<input type="checkbox"/> (a) Acceptance of statutory offers, agreements and settlements where total compensation does not cumulatively exceed \$10 Million.
3. Issuance of RFPs/REOs:	<b>Request/waive hearings of necessity delegated to less senior positions.</b>
4. Permanent Highway Closures:	<b>Delegated to less senior positions.</b>
5. Transfer of Operational Management to Divisions, Agencies and Corporations:	<b>Delegated to less senior positions.</b>
6. Limiting Distance Agreements:	<input type="checkbox"/> Where total compensation does not exceed \$10 Million.
7. Disposals (including Leases of 21 years or more):	<input type="checkbox"/> Where total compensation does not exceed \$10 Million.
8. Exchange of land in Green Space System & Parks & Open Space Areas of Official Plan:	<b>Delegated to less senior positions.</b>
9. Leases/Licences (City as Landlord/Licensor):	<input type="checkbox"/> Where total compensation (including options/ renewals) does not exceed \$10 Million. <b>Leases/licences for periods up to 12 months at less than market value delegated to less senior positions.</b> <b>Leases pursuant to the Community Space Tenancy Policy delegated to a less senior position.</b>
10. Leases/Licences (City as Tenant/Licensee):	<input checked="" type="checkbox"/> Where total compensation (including options/renewals) does not exceed \$10 Million.
11. Easements (City as Grantor):	<input type="checkbox"/> Where total compensation does not exceed \$10 Million. <b>Nominal sum easements to pre-existing utilities when closing roads delegated to less senior positions.</b>
12. Easements (City as Grantee):	<input type="checkbox"/> Where total compensation does not exceed \$10 Million.
13. Revisions to Council Decisions in Real Estate Matters:	<input type="checkbox"/> Amendment must not be materially inconsistent with original decision (and subject to General Condition (U)).
14. Miscellaneous:	<b>Delegated to less senior positions.</b>

B. City Manager has signing authority on behalf of the City for:
<ul style="list-style-type: none"> <li>Documents required to implement matters for which this position also has delegated approval authority.</li> </ul>

Pre-Condition to Approval	
<input checked="" type="checkbox"/>	Complies with General Conditions in Appendix B of City of Toronto Municipal Code Chapter 213, Real Property
Consultation with Councillor(s)	
Councillor:	Joe Cressy
Contact Name:	Brent Gilliard
Contacted by:	<input type="checkbox"/> Phone <input checked="" type="checkbox"/> E-Mail <input type="checkbox"/> Memo <input type="checkbox"/> Other
Comments:	No Objections - November 22, 2020
Consultation with Divisions and/or Agencies	
Division:	City Clerk's Office (on behalf of Accountability officers)
Contact Name:	Lesley Ruscica
Comments:	Comments incorporated - November 23, 2020
Division:	Financial Planning
Contact Name:	Patricia Libardo
Comments:	Comments incorporated - June 10, 2021
Legal Services Division Contact	
Contact Name:	Soo Kim Lee

DAF Tracking No.: 2021- 010	Date	Signature
Recommended by: Manager, Real Estate Services	June 18, 2021	Signed by Daran Somas
Recommended by: Director, Real Estate Services	June 18, 2021	Signed by Alison Folosea
<input checked="" type="checkbox"/> Recommended by: Executive Director, Corporate Real Estate Management Patrick Matozzo	June 21, 2021	Signed by Patrick Matozzo
<input checked="" type="checkbox"/> Recommended by: Deputy City Manager, Corporate Services Josie Scioli	July 7, 2021	Signed by Josie Scioli
<input checked="" type="checkbox"/> Approved by: City Manager Chris Murray	July 12, 2021	Signed by Chris Murray

**Appendix "A"**

**Major Terms & Conditions**

**Landlord:** The Manufacturers Life Insurance Company

**Tenant:** City of Toronto

**Premises:** Three offices (Suite 201, 202 and 203) of approximately 9,784 square foot total of rentable area within the property known municipally as 375 University Avenue, Toronto

**Extension Term:** Five (5) years commencing on December 1, 2020 and expiring on November 30, 2025

**Net Rent:** Year 1: \$32.00 per square foot applicable to the rentable area, totaling \$182,634.67 (including 5 months Basic Rent Free amount) period) per annum with monthly installments of \$26,090.67;

Year 2: \$32.00 per square foot applicable to the rentable area, totaling \$313,088.00 per annum with monthly installments of \$26,090.67;

Years 3 and 4: \$33.00 per square foot applicable to the rentable area, totaling \$322,872.00 per annum with monthly installments of \$26,906.00;

Year 5: \$34.00 per square foot applicable to the rentable area, totaling \$332,656.00 per annum with monthly installments of \$27,721.33

**Additional Rent:** The City shall continue to pay its proportionate share of common area expenses which are estimated for 2021 at \$18.42 per square foot per annum applicable to the rentable area, totaling \$180,221.28 per annum with monthly installments of \$15,018.39. These costs will continue to be reconciled at the end of the year.

**Parking:** The Landlord shall continue to provide to the City the option to license four (4) unreserved underground parking spaces at a monthly market value rate upon request, in accordance with Section 5 of Schedule "G" of the Lease.

**Further Options to Extend:** Provided the City has given notice to the Landlord, not earlier than twelve (12) months and not later than nine (9) months prior to the expiration of the extension Term, the City shall have the right to extend the Term of the Lease for a further five (5) years commencing December 1, 2025 and expiring on November 30, 2030 on the same terms and conditions as set forth in the Lease, save and except for any tenant allowances, tenant inducements, further options to extend and the Basic Rent, which shall be negotiated by the parties based upon fair market rent for similar premises.

**Basic Rent Free Period (Tenant inducement):** City not required to pay Basic Rent for first five (5) months of the Extension Term ("Basic Rent Free Period"). For clarity, all other terms of the Lease remain in full force and effect during the Basic Rent Free Period and thereafter, including without limitation, the payment of Additional Rent.

**Landlord right of termination – demolish or substantially renovate Building:** if the landlord intends to demolish or renovate substantially all the Building, the landlord may terminate the lease by giving 180 days advanced written notice. This right is only exercisable by the landlord after the first extension term (after November 30, 2025).

**Cash Flow:**

LEASE TOTAL COSTS								
Term: Dec 1, 2020 - Nov 30, 2025 Extension Option: Dec 1, 2025 - Nov 30, 2030	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total	Option to Extend estimated total	Total for term (including option to extend)
Rent per year (plus HST)	\$182,634.67	\$313,088.00	\$322,872.00	\$322,872.00	\$332,656.00	\$1,474,122.67	\$1,663,280.00	\$3,137,402.67
Rent per month (plus HST)	\$26,090.67	\$26,090.67	\$26,906.00	\$26,906.00	\$27,721.33			
Price/ft2 (plus HST)	\$32.00	\$32.00	\$33.00	\$33.00	\$34.00			
% increase/yr		0%	3%	0%	3%			
Operating Costs per year (plus HST)	\$180,221.28	\$184,186.15	\$188,238.24	\$192,379.48	\$196,611.83	\$941,636.99	\$983,059.17	\$1,924,696.16
Operating Costs per month (plus HST)	\$15,018.44	\$15,348.85	\$15,686.52	\$16,031.62	\$16,384.32			
Operating Costs/ft2 (plus HST)	\$18.42	\$18.83	\$19.24	\$19.66	\$20.10			
Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Taxes/ft2	MCF	MCF	MCF	MCF	MCF	MCF		
Total (plus HST)	\$362,855.95	\$497,274.15	\$511,110.24	\$515,251.48	\$529,267.83	\$2,415,759.66	\$2,646,339.17	\$5,062,098.82
Total (including HST)	\$410,027.22	\$561,919.79	\$577,554.58	\$582,234.18	\$598,072.65	\$2,729,808.41	\$2,990,363.26	\$5,720,171.67
Total (net of HST)	\$369,242.21	\$506,026.17	\$520,105.78	\$524,319.91	\$538,582.95	\$2,458,277.03	\$2,692,914.74	\$5,151,191.76

\*Rent increase averaged over 4 years is 1.5% per year.

\*Operating costs are based on the estimate from the landlord of \$18.42/ft2 for the first year of extension with 2.2% estimated increase per year for remainder years. The charges will be reconciled with actual expenses at the end of each calendar year.

\*The Landlord will provide a tenant inducement of a rent free period for the first 5 months of the term.

\*4 underground parking spaces will continue to be available for license upon request at an additional cost based on market value at time of request.

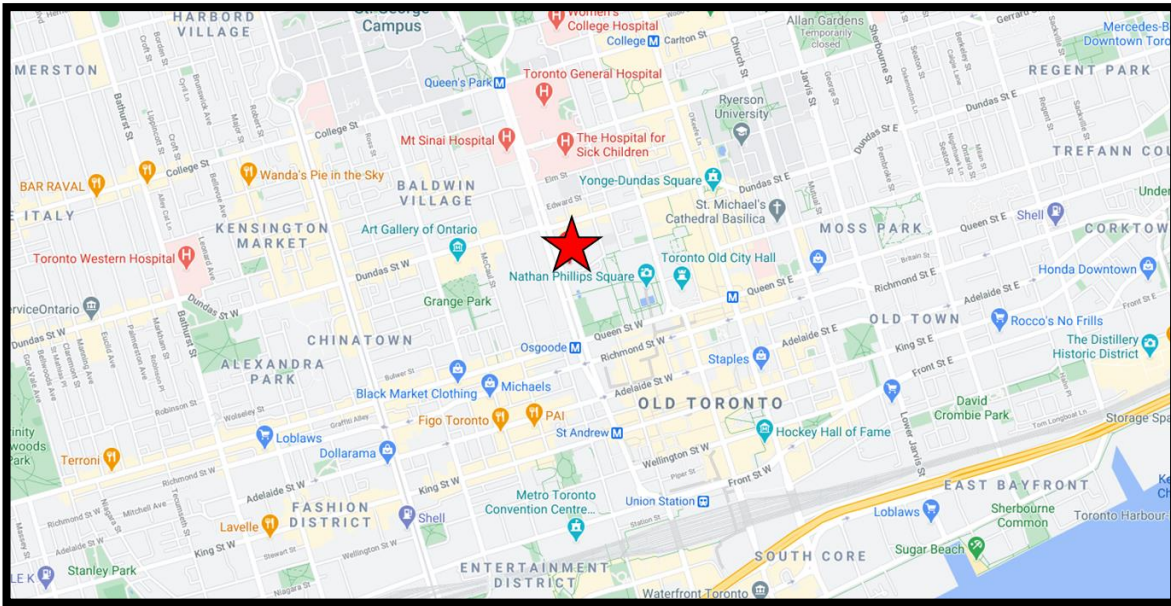
\*One additional Option to extend of 5 years (with 9 - 12 months advanced written notice) under the same terms and conditions except for the rental rate which shall be negotiated by the parties based upon fair market rent for similar premises.

\*Redevelopment clause in favour of landlord giving the landlord the ability to terminate the lease for redevelopment upon giving 180 days advanced written notice. This clause is only exercisable by the landlord after the first extension term (after November 30, 2025)

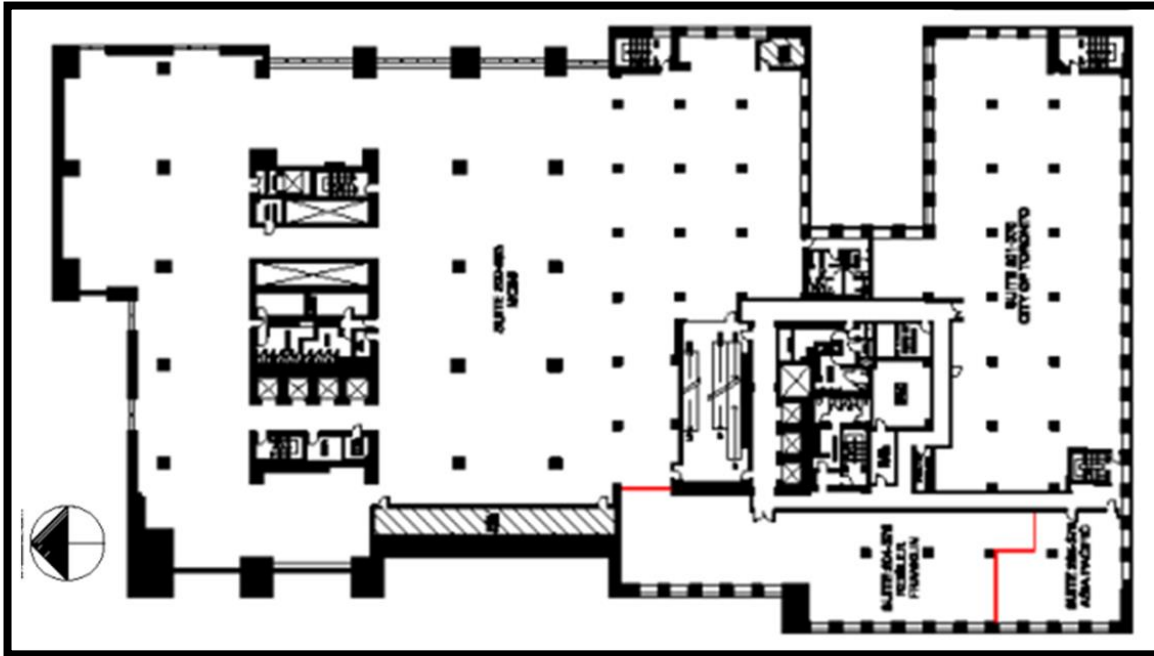
\*Taxes are exempt at this property and will remain so.

**Appendix "B"**

Location Map



Floor Plan



Aerial and Lot Map

