

DELEGATED APPROVAL FORM

CITY MANAGER

TRACKING NO.: 2021-007

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

Prepared By:	Myron Menezes	Division:	Corporate Real Estate Management
Date Prepared:	August 11, 2021	Phone No.:	416-338-3586

Purpose
 To obtain authority: (i) for the City (as tenant) to enter into a lease extension and amending agreement for five (5) years, with CP REIT Ontario Properties Limited (formerly Loblaws Properties Limited) as landlord, for 44,668 square feet of office space as certified by an area certificate dated September 24, 2010 (the "Leased Premises"); and (ii) to extend and amend the sublease agreement for part of the Leased Premises between the City as sub-landlord and Her Majesty the Queen in Right of Ontario as represented by The Minister of Government and Consumer Services ("Minister of Government and Consumer Services") as sub-tenant, for an extension term of five (5) years for approximately 12,400 square feet (the "Sublease Premises").

Property
 1880 Eglinton Ave. East, part of Unit 12 (See appendix B for location map and Appendix C for space allocation)

- Actions**
1. *Authority be granted for the City (as tenant) to enter into a Lease Extension and Amending Agreement with CP REIT Ontario Properties Limited (as landlord) for an extension term of five (5) years, commencing on September 1, 2020 and expiring on August 31, 2025, substantially on the terms and conditions herein, and on such other terms and conditions as may be satisfactory to the Deputy City Manager, Corporate Services or his or her designate, and in a form acceptable to the City Solicitor.*
 2. *Authority be granted to extend the Sublease Agreement between the City of Toronto (as sub-landlord) and Her Majesty the Queen in Right of Ontario as represented by The Minister of Government and Consumer Services (as sub-tenant) for an extension term of five (5) years, commencing on August 31, 2020 and expiring on August 30, 2025, substantially on the terms and conditions herein, and on such other terms and conditions as may be satisfactory to the Deputy City Manager, Corporate Services or his or her designate, and in a form acceptable to the City Solicitor.*
 3. *The Deputy City Manager, Corporate Services ("DCM") or his or her designate, administer and manage the Lease and Sublease Agreements including the provision of any consents, approvals, amendments, waivers, notices and notices of termination provided that the DCM may, at any time, refer consideration of such matters to City Council for its determination and direction.*
 4. *The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto*

Financial Impact
 The total estimated cost to the City for the five (5) year lease extension, commencing September 1, 2020 and expiring August 31, 2025 after deduction of \$1,943,770.94 (plus HST) in revenues from the Sublease to the Minister of Government and Consumer Services, is approximately \$5,058,193.61 (plus HST) or \$5,147,217.81 (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.

Funding is available in the 2021 Council Approved Operating Budget for Toronto Employment & Social Services ("TESS") under cost center C01201. Future year expenditures will be referred to the City's annual budget process and will be included as part of the future year budget submissions for Council consideration. Details of the financials are shown in Appendix A.

Fiscal Year	Term / Period	Total Expenditures (plus HST)	City's share of total Expenditures (plus HST)	City's share of total Expenditures (net of HST)	Subtenant's share of total Expenditures (plus HST)
2020	Sep 2020 - Dec 2020	449,657.87	324,831.20	330,548.23	124,826.67
2021	Jan 2021 - Dec 2021	1,361,888.61	983,823.35	1,001,138.65	378,065.25
2022	Jan 2022 - Dec 2022	1,393,309.31	1,006,521.56	1,024,236.34	386,787.76
2023	Jan 2023 - Dec 2023	1,410,204.37	1,018,726.49	1,036,656.07	391,477.89
2024	Jan 2024 - Dec 2024	1,427,471.12	1,031,199.93	1,049,349.04	396,271.20
2025	Jan 2025 - Aug 2025	959,433.26	693,091.08	705,289.49	266,342.18
Total	Sep 1, 2020 - Aug 31, 2025	\$ 7,001,964.55	\$ 5,058,193.61	\$ 5,147,217.81	\$ 1,943,770.94

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

Comments
 Refer to Appendix "A" for the comments.

Terms
 Refer to Appendix "A" for the major terms and conditions.

Property Details	Ward:	21 - Scarborough Centre
	Assessment Roll No.:	190103101001201
	Approximate Size:	
	Approximate Area:	Total: 4,150 m ² ± (44,668 ft ² ±) City of Toronto's share: 2,998 m ² ± (32,268 ft ² ±) Province of Ontario's Share: 1,152 m ² ± (12,400 ft ² ±)
	Other Information:	Part of PIN 063290058

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:	Request/waive hearings of necessity delegated to less senior positions.
4. Permanent Highway Closures:	Delegated to less senior positions.
5. Transfer of Operational Management to Divisions, Agencies and Corporations:	Delegated to less senior positions.
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:	Delegated to less senior positions.
9. Leases/Licences (City as Landlord/Licensor):	<input checked="" type="checkbox"/> Where total compensation (including options/ renewals) does not exceed \$10 Million. Leases/licences for periods up to 12 months at less than market value delegated to less senior positions. Leases pursuant to the Community Space Tenancy Policy delegated to a less senior position.
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. Nominal sum easements to pre-existing utilities when closing roads delegated to less senior positions.
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:	Delegated to less senior positions.

B. City Manager has signing authority on behalf of the City for:

- Documents required to implement matters for which this position also has delegated approval authority.

Pre-Condition to Approval

Complies with General Conditions in Appendix B of City of Toronto Municipal Code Chapter 213, Real Property

Consultation with Councillor(s)

Councillor:	Michael Thompson	Councillor:	Gary Crawford
Contact Name:	Debbie Gedz	Contact Name:	Monique Lisi
Contacted by:	<input type="checkbox"/> Phone <input checked="" type="checkbox"/> E-Mail <input type="checkbox"/> Memo <input type="checkbox"/> Other	Contacted by:	<input type="checkbox"/> Phone <input checked="" type="checkbox"/> E-mail <input type="checkbox"/> Memo <input type="checkbox"/> Other
Comments:	No Objections - April 3, 2020	Comments:	No Objections - April 3, 2020

Consultation with Divisions and/or Agencies

Division:	Toronto Employment and Social Services	Division:	Financial Planning
Contact Name:	Ilir Shijaku	Contact Name:	Patricia Libardo
Comments:	Comments Incorporated - June 19, 2020	Comments:	Comments Incorporated – August 5, 2021

Legal Services Division Contact

Contact Name:	Soo Kim Lee
---------------	-------------

DAF Tracking No.: 2021- 007	Date	Signature
Recommended by: Manager, Real Estate Services	Aug 20 th , 2021	Signed By: Daran Somas
Recommended by: Director, Real Estate Services	Aug 27 th , 2021	Signed By: Alison Folosea
<input checked="" type="checkbox"/> Recommended by: Executive Director, Corporate Real Estate Management Patrick Matozzo		X
<input checked="" type="checkbox"/> Recommended by: Deputy City Manager, Corporate Services Josie Scioli	Aug 30 th , 2021	Signed By: Josie Scioli
<input checked="" type="checkbox"/> Approved by: City Manager Chris Murray	Sept 1 st , 2021	Signed By: Chris Murray

Appendix A

Major Terms & Conditions

Location:

1880 Eglinton Ave East, Toronto

Leased Premises and Sublease Premises:

Approximately 44,668 ft² total of leased office space consisting of 32,268 sq. ft. used by the City of Toronto and 12,400 sq. ft. used by the Province of Ontario

Landlord:

CP REIT Ontario Properties Limited

Tenant:

City of Toronto (Leased Premises used by Toronto Employment & Social Services Division)

Sub-Tenant:

Her Majesty the Queen in Right of Ontario as represented by The Minister of Government and Consumer Services (Subleased Premises used by Ontario Disability Support Program)

Head lease Extension Term:

Five (5) Years, commencing on September 1, 2020 and expiring on August 31, 2025.

Sublease Extension Term:

Five (5) years, commencing on August 31, 2020 and expiring on August 30, 2025.

Further Option to Extend:

One further term of five (5) years.

Lease Early Termination Right:

Section 12.17 of the Lease provides the City with the right (but not the obligation) to terminate the Lease early by giving the landlord at least twenty four (24) months prior written notice.

As the Sublease is being extended for five (5) years as well, the City would not exercise this right without agreement from the Minister of Government and Consumer Services to terminate the Sublease.

Lease Options remaining:

One (1) remaining option to extend for five (5) years.

Sub-Lease Options remaining:

One (1) remaining option to extend for five (5) years, if the City exercises the right to extend the Lease.

City of Toronto's Use:

Employment center under Toronto Employment & Social Services division with a back office that services the Scarborough District.

Province of Ontario's Use:

Financial assistance, benefits and employment center under Ontario Disability Support Program.

Re-development:

After this five (5) year extension term, if the landlord wishes to demolish and/or redevelop all or any part of the Leased Premises (the "Redevelopment"), the landlord shall provide prior written notice and involve the City in planning such Redevelopment. If the landlord is unable to accommodate the City in such Redevelopment, then the landlord shall have the option to terminate the Lease, upon 24 months prior written notice, and compensate the City, in accordance with the terms of Section 4.2 of the Lease.

Landlord Renovation Allowance:

The City shall complete an interior renovation by December 31, 2022 which will include repairs to the VCT tiles and carpeting as required. The landlord shall discount rent by an amount equal to \$26,056.33 for the month of January 2023 to subsidize this renovation.

Comments:

GM 26.29, adopted by City Council on November 30, December 1, 2, 4 and 7, 2009 and MM49.24, adopted by City Council on May 11 and 12, 2010 authorized a lease dated February 23, 2010 between Loblaw Properties Limited (now CP REIT Ontario Properties Limited) as landlord and the City as tenant, for leased premises at 1880 Eglinton Avenue East, for a term of 10 years commencing September 1, 2010 and expiring August 31, 2020, with two (2) options to extend for 5 years each (the "Lease"). TESS uses the Leased Premises as an employment center and back office for staff servicing part of the Scarborough District. In June 2010, City Council adopted GM31.9 and authorized designating a portion of the Leased Premises as a Municipal Capital Facility.

TESS and Ontario Disability Support Program ("ODSP") have partnered at several locations to co-locate both entities as both organizations share similar clients and the ability to integrate is high. 1880 Eglinton Ave. East was identified as a suitable location for both organizations. ODSP provides income and employment support to people with disabilities. Both TESS and ODSP receive funding from the same provincial body, the Ministry of Children, Community & Social Services.

In July 2017, City Council adopted MM31.35, which granted an exemption from the City's late payment fees and NSF fees, for all agreements for TESS to co-locate/share space with the ODSP, including leases, subleases, subsequent extensions/renewals, provided that the Ontario Disability Support Program is the only user/occupant of the shared space, and on such other or revised terms and conditions acceptable to the DCM.

DAF 2017-211 authorized the sublease between the City and the Minister of Government and Consumer Services, for the co-location of ODSP with TESS at 1880 Eglinton Avenue East. The co-location as well as the Leased Premises continues to be beneficial to TESS to this day. TESS and ODSP staff is in support of the extension of the Lease and Sublease for an additional term of 5 years. GM 26.29 has already authorized the 2 options to renew for 5 years each. This DAF is for the purpose of approving the renewal rent for the head lease and sub lease as negotiated with the landlord for the first option. If the City decides to exercise the 2nd option to renew for 5 years, at that time further authority would be required. The rent and other terms and conditions of the Lease and Sublease Agreements reflect current market value according to market research and valuation conducted by Real Estate Services staff.

Costs of City Lease / City Revenue from Sublease:

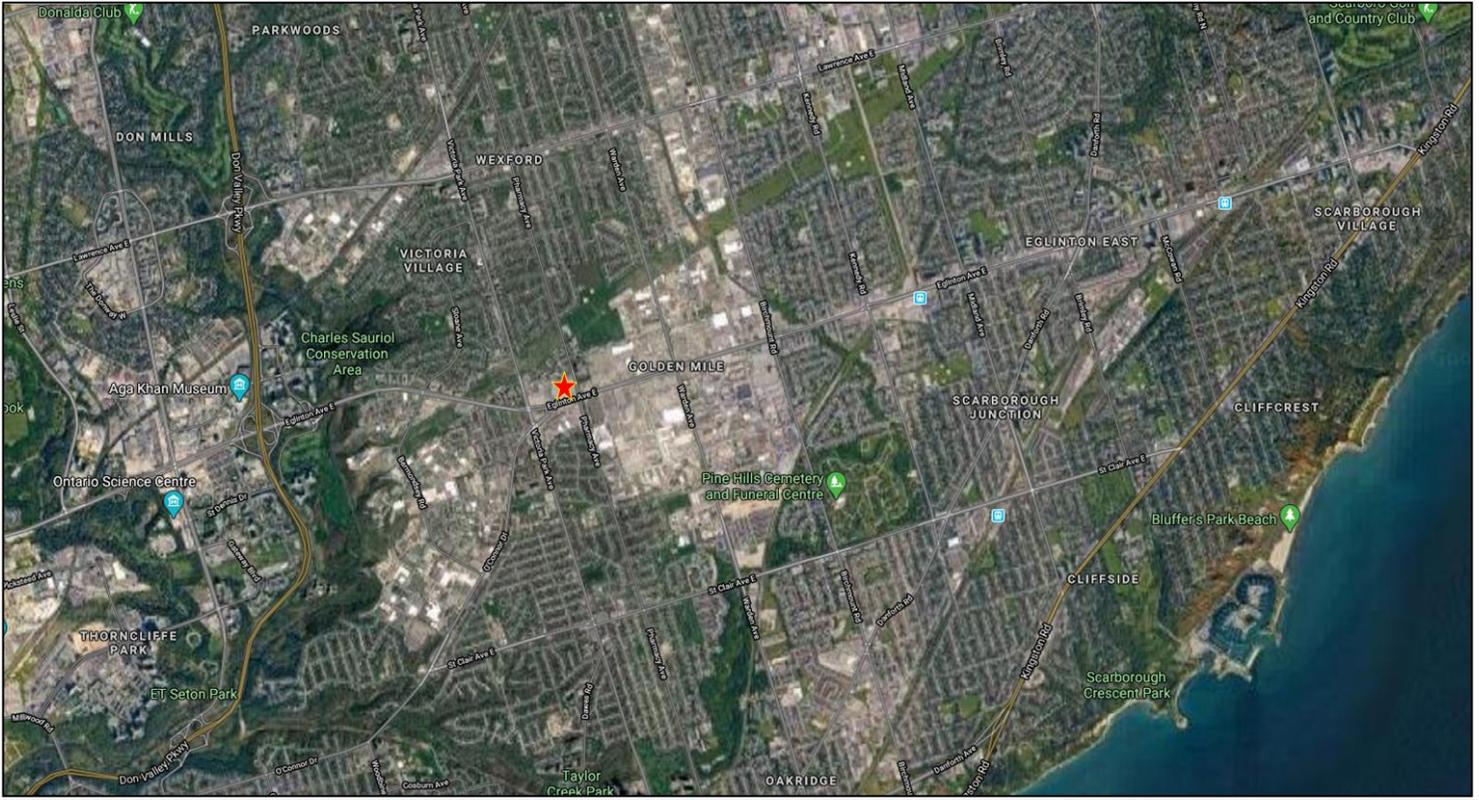
HEAD LEASE TOTAL COSTS						
Sep 1, 2020 - Aug 31, 2025	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total
Rent (plus HST)	\$603,018.00	\$625,352.00	\$625,352.00	\$625,352.00	\$625,352.00	\$3,104,426.00
Price/ft2 (plus HST)	\$13.50	\$14.00	\$14.00	\$14.00	\$14.00	
Operating Costs (plus HST)	\$745,955.60	\$762,366.62	\$779,138.69	\$796,279.74	\$813,797.89	\$3,897,538.55
Operating Costs/ft2 (plus HST)	\$16.70	\$17.07	\$17.44	\$17.83	\$18.22	
Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Taxes/ft2	MCF	MCF	MCF	MCF	MCF	MCF
Total (plus HST)	\$1,348,973.60	\$1,387,718.62	\$1,404,490.69	\$1,421,631.74	\$1,439,149.89	\$7,001,964.55
Total (including HST)	\$1,524,340.17	\$1,568,122.04	\$1,587,074.48	\$1,606,443.87	\$1,626,239.38	\$7,912,219.94
Total (net of HST)	\$1,372,715.54	\$1,412,142.47	\$1,429,209.73	\$1,446,652.46	\$1,464,478.93	\$7,125,199.12
*Landlord confirmed there will be no increases for the following 3 years after year 2 for Rent.						
*TMI is estimated based on existing CAM costs being charged by the landlord at \$6.15/ft2 and TMI costs for the premises incurred by the City at \$10.20/ft2 for 2019 calendar year with an estimated increase of 2.2% (a.k.a. CPI) per year. The charges per standard operating expense procedure will be reconciled with actual expenses and the difference settled at the end of each calendar year with the landlord's CAM costs being capped per section 3.3 of the existing lease.						
*Based on the total 44,668 ft2 of space in the Unit. Mezzanine area will continue to be rent free and is not part of this 44,668 ft2.						
*Taxes are exempt at this property and will remain so.						

CITY'S PROPORTIONATE SHARE OF THE TOTAL COSTS						
Sep 1, 2020 - Aug 31, 2025	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total
Rent (plus HST)	\$435,618.00	\$451,752.00	\$451,752.00	\$451,752.00	\$451,752.00	\$2,242,626.00
Price/ft2 (plus HST)	\$13.50	\$14.00	\$14.00	\$14.00	\$14.00	
Operating Costs (plus HST)	\$538,875.60	\$550,730.86	\$562,846.94	\$575,229.57	\$587,884.63	\$2,815,567.61
Operating Costs/ft2 (plus HST)	\$16.70	\$17.07	\$17.44	\$17.83	\$18.22	
Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Taxes/ft2	MCF	MCF	MCF	MCF	MCF	MCF
Total (plus HST)	\$974,493.60	\$1,002,482.86	\$1,014,598.94	\$1,026,981.57	\$1,039,636.63	\$5,058,193.61
Total (including HST)	\$1,101,177.77	\$1,132,805.64	\$1,146,496.80	\$1,160,489.18	\$1,174,789.39	\$5,715,758.77
Total (net of HST)	\$991,644.69	\$1,020,126.56	\$1,032,455.88	\$1,045,056.45	\$1,057,934.23	\$5,147,217.81
*Landlord confirmed there will be no increases for the following 3 years after year 2 for Rent.						
*TMI is estimated based on the City's proportionate share of the existing CAM costs being charged by the landlord at \$6.15/ft2 and TMI costs for the premises incurred by the City at \$10.20/ft2 for 2019 calendar year with an estimated increase of 2.2% (a.k.a. CPI) per year. The charges per standard operating expense procedure will be reconciled with actual expenses and the difference settled at the end of each calendar year with the landlord's CAM costs being capped per section 3.3 of the existing lease.						
*Based on the city's 32,268 ft2 of space in the Unit. Mezzanine area will continue to be rent free and is not part of this 32,368 ft2.						
*Taxes are exempt at this property and will remain so.						

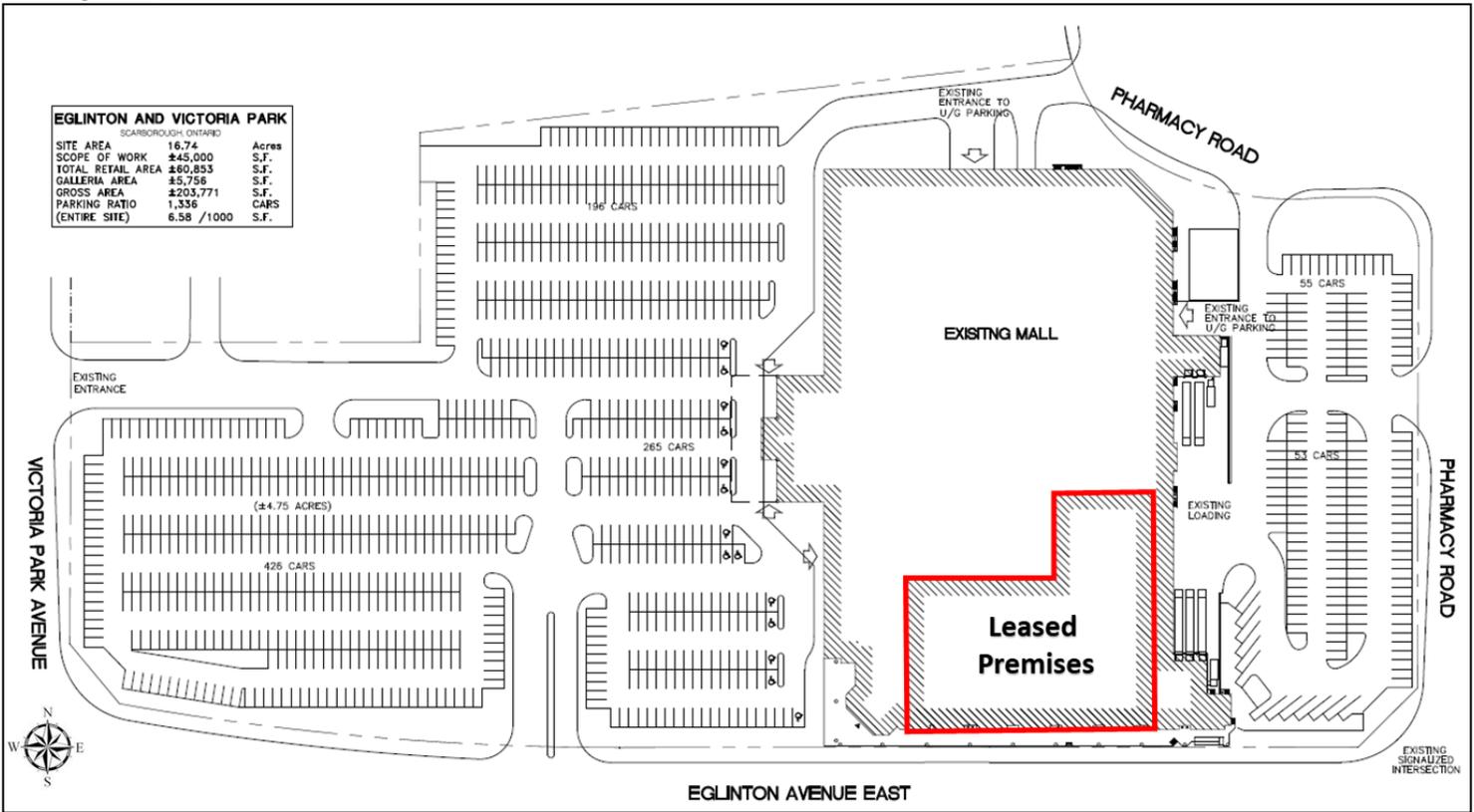
CITY'S REVENUE ON THE SUBLEASED PORTION OF THE UNIT						
Aug 31, 2020 - Aug 30, 2025	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total
Rent (plus HST)	\$167,400.00	\$173,600.00	\$173,600.00	\$173,600.00	\$173,600.00	\$861,800.00
Price/ft2 (plus HST)	\$13.50	\$14.00	\$14.00	\$14.00	\$14.00	
Operating Costs (plus HST)	\$207,080.00	\$211,635.76	\$216,291.75	\$221,050.17	\$225,913.27	\$1,081,970.94
Operating Costs/ft2 (plus HST)	\$16.70	\$17.07	\$17.44	\$17.83	\$18.22	
Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Taxes/ft2	MCF	MCF	MCF	MCF	MCF	MCF
Total (plus HST)	\$374,480.00	\$385,235.76	\$389,891.75	\$394,650.17	\$399,513.27	\$1,943,770.94
Total (including HST)	\$423,162.40	\$435,316.41	\$440,577.67	\$445,954.69	\$451,449.99	\$2,196,461.16
*Landlord confirmed there will be no increases for the following 3 years after year 2 for Rent.						
*TMI is estimated based on the sub-tenant's proportionate share of the existing CAM costs being charged by the landlord at \$6.15/ft2 and TMI costs for the premises incurred by the City at \$10.20/ft2 for 2019 calendar year with an estimated increase of 2.2% (a.k.a. CPI) per year. The charges per standard operating expense procedure will be reconciled with actual expenses and the difference settled at the end of each calendar year with the landlord's CAM costs being capped per section 3.3 of the existing lease.						
*Based on the province's 12,400 ft2 of space in the Unit. Mezzanine area will continue to be rent free and is not part of this 12,400 ft2.						
*Taxes are exempt at this property and will remain so.						

Appendix B

Aerial Location Map:

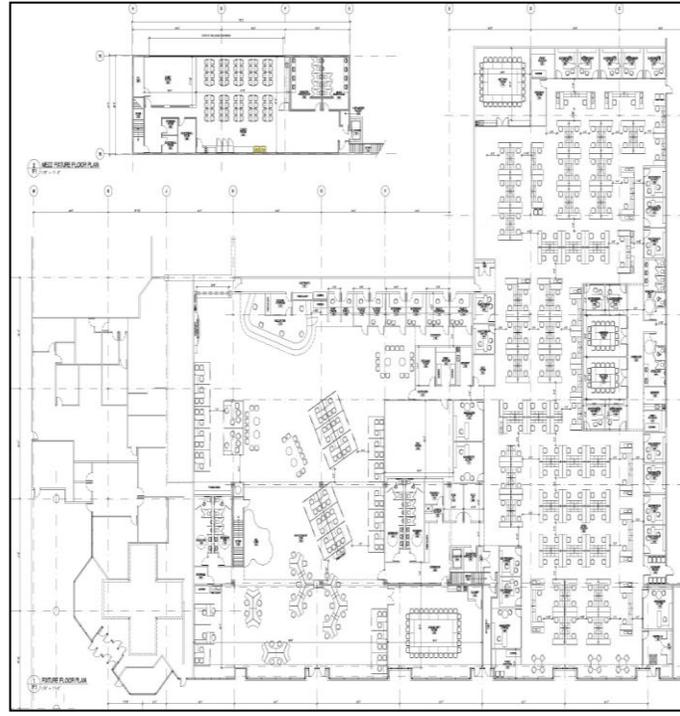


Building Plan:



Appendix C

Floor Plan:



Space Allocation:

