

## Government Management Committee

<b>Meeting No.</b>	18	<b>Contact</b>	Yvonne Davies, Committee Administrator
<b>Meeting Date</b>	Tuesday, October 21, 2008	<b>Phone</b>	416-392-7443
<b>Start Time</b>	9:30 AM	<b>E-mail</b>	ydavies@toronto.ca
<b>Location</b>	Committee Room 1, City Hall		

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### **9a 481 University Avenue – New Lease with 481 University Avenue Inc. for the Operation of City Courtrooms**

(September 29, 2008) Report from Chief Corporate Officer

#### **Recommendations**

The Chief Corporate Officer recommends that Council:

1. Authorize entering into a Lease Agreement with 481 University Avenue Inc. (the “Landlord”) to use and occupy approximately 17,000 square feet of rentable area on the ground floor of the building known as 481 University Avenue (the “Premises”) for the operation of City court services, commencing on May 1st, 2009 and expiring on April 30th, 2019, substantially on the terms and conditions as set out in “Appendix A” and on such other terms and conditions as approved by the Chief Corporate Officer, or his or her designate, and in a form and content acceptable to the City Solicitor.
2. Authorize the City Solicitor to complete the lease, deliver any notices, pay expenses and amend the commencement and other dates to such earlier or later date(s), on such terms and conditions, as she may, from time to time, determine.
3. Authorize the Chief Corporate Officer to administer and manage the Lease Agreement 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 matters (including their content) to City Council for its determination and direction.

#### **Financial Impact**

The proposed Agreement is for a base rent of \$15.00 per square foot of rentable area (17,000 square feet) for the first five (5) years and \$18.00 per square foot of rentable area for the last five (5) years, commencing on May 1<sup>st</sup>, 2009. Throughout the term, the City will also be responsible for additional rent for operating and hydro costs, which are estimated at \$16.88 per square foot per annum. The resulting annual rents are outlined in the following chart:

Lease Term	Annual Net Rent	Additional Rent (Estimate)	Total Annual Rent	Total for the Term
Years 1-5	\$255,000	\$286,960	\$541,960	\$2,709,800
Years 6-10	\$306,000	\$289,960	\$595,960	\$2,979,800
Total For 10 Year Term	—	—	—	\$5,689,600

Leasehold Improvements must also be completed to the premises in accordance with the final floor plan approved by the City. The cost of the Leasehold Improvements will be determined by both the Landlord and the City and the Landlord will contribute \$15 per square foot (\$255,000) towards the cost of these improvements. Any amount owing above this contribution will be amortized over the Lease Term at an annual rate of 9% and added to the annual net rent paid by the City. Early estimates indicate that total Leasehold Improvement costs will be approximately \$935,000. Considering the Landlords contribution, the City will be responsible for \$680,000 or an additional \$6.23 per square foot per year, resulting in annual lease improvement costs of approximately \$105,958. Therefore, the total cost for the term will be approximately \$6,749,180 (a total of \$5,689,600 towards rents plus \$1,059,580 for leasehold improvements).

The annual rent for any lease renewal will be subject to negotiations and based on the then fair market value of the Premises.

The total cost for leasing, operating costs and leasehold improvement is \$647,918 per year for the first five years. The first year funding requirements of \$647,918 are included in Courts Services' 2009 operating budget submission, as a new request. The new business case to increase court capacity has been included in the 2009 Court Services' 2009 operating budget submission. The increase to court capacity will require \$3.725 million in gross expenditures and is anticipated to yield \$4.430 million in additional revenues. The \$0.647 million for the additional leased space forms part of this request. The business case and funding requirements will be reviewed in conjunction with the 2009 operating budget process.

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

## Summary

The purpose of this report is to obtain authority to enter into a new Lease Agreement with 481 University Avenue Inc. (Landlord) for 17,000 additional square feet of rentable area located on the ground floor of the building municipally known as 481 University Avenue. The proposed Agreement will commence on May 1<sup>st</sup>, 2009 and expire on April 30<sup>th</sup>, 2019.

**Background Information**

Report - 481 University Avenue - New Lease with 481 University Avenue Inc. for the Operation of City Courtrooms

<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-16286.pdf>

Appendix A - Major Terms and Conditions (GM18.9a)

<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-16287.pdf>

Appendix B - Location Map (GM18.9a)

<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-16288.pdf>