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LEASE EXTENSION FOR STEVEN COURT, NEWMARKET

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, November 27, 2006, from the Commissioner of Corporate Services:

1. RECOMMENDATIONS

1. Regional Council authorize a five-year lease extension, commencing on February 1, 2007, for the existing facility consisting of 2,462 square feet, located at 620 Steven Court, Unit 5, in the Town of Newmarket. The total annual base rent obligation for the five-year term is \$80,630.50.
2. The Regional Chair and the Regional Clerk be authorized to sign the necessary agreement with Thompson Properties Limited for the leased space, subject to review by Legal Services.

2. PURPOSE

The purpose of this report is to obtain authorization from Regional Council to enter into a lease extension agreement for a five-year term, to provide office and storage space for the Property Services Branch (PSB), in the Town of Newmarket.

3. BACKGROUND

The Region is currently leasing 2,462 square feet of office and storage space at this location, for an annual base rent of \$15,387.50 and an annual operating cost of \$6,200.00.

This facility was previously occupied by the Emergency Medical Services Branch (EMS), for storage space. EMS no longer required this facility and relocated its storage requirements to the EMS Cane Parkway station. As space in the Administrative Building became limited, PSB have been utilizing this facility as an office for its five satellite operators and a storage facility for its maintenance vehicles and supplies.

4. ANALYSIS AND OPTIONS

PSB would like to renew their existing space, as this location is accessible and convenient and is in close proximity to the Administrative Building, and no other suitable space was available.

5. FINANCIAL IMPLICATIONS

The staff of the PSB have entered into negotiations with the landlord and have reached a tentative agreement, whereby base rent will remain at \$6.25 per square feet for lease year one, \$6.50 per square feet for lease years two and three, and \$6.75 per square feet for lease years four and five. This represents a zero increase in lease year one, an increase of 4% in lease years two and three, and a further increase of 3.9% in lease years four and five. These rates are considered to be market.

Table 1
Lease Cost Analysis (Base Rent)

Current Lease	Lease Year 1	Lease Years 2 & 3	Lease Years 4 & 5	Total Basic Rent Obligation for the Renewed Term
\$15,387.50	\$15,387.50	\$16,003.00	\$16,618.60	\$80,630.50

The current annual operating cost is approximately \$6,200.00, and is subject to market adjustments. It includes landscaping, snow removal, hydro and common area repairs.

This lease extension agreement complies with the Region's policy relating to financing leases contained in the Capital Financing and Debt Policy, approved by Council in January 2006.

6. LOCAL MUNICIPAL IMPACT

This lease extension agreement will allow the PSB to continue its operation in an accessible and convenient location.

7. CONCLUSION

Entering into a five-year lease arrangement at this existing location will provide the most cost effective solution for the PSB to continue its satellite maintenance operation, until such time as suitable owned accommodations become available.

The Senior Management Group has reviewed this report.