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LEASE EXTENSION FOR 426 MAJOR MACKENZIE DRIVE IN THE TOWN OF RICHMOND HILL

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, November 20, 2007, from the Commissioner of Corporate Services:

1. RECOMMENDATIONS

It is recommended that:

1. The Region enter into a one-year lease extension for the existing facility located at 426 Major Mackenzie Drive, in the Town of Richmond Hill, as outlined in this report.
2. The Regional Chair and the Regional Clerk be authorized to sign the necessary lease extension agreement with S and J Investments Limited, subject to review by Legal Services.

2. PURPOSE

This report recommends that the Region enter into a one-year lease extension agreement for the Water and Wastewater Branch, so that they may continue occupying this facility until such time as a more suitable facility becomes available.

3. BACKGROUND

This facility was previously occupied by Emergency Medical Services (EMS), as a paramedic response station, since the year 2000. In December of 2004, the paramedic response station relocated to the York Regional Police District 2 Headquarters in Richmond Hill. Water and Wastewater staff then relocated from the Leslie Street Pumping Station into this facility in January of 2005, as the Leslie Street location had reached its capacity.

Currently Water and Wastewater staff have requested to remain at their current location temporarily until such time as a more suitable facility becomes available. Their current location is not ideal as there have been ongoing maintenance issues, and over the past few years this facility has deteriorated below Regional standards.

4. ANALYSIS AND OPTIONS

Property Services staff have entered into a tentative agreement with the landlord. The landlord has agreed to extend the lease for a one-year term, effective January 1, 2008, with an option for the Region to terminate the lease without penalty, on or after June 1, 2008. The proposed rent has increased to \$6.00 per square foot, which represents a nine percent increase.

This leasing arrangement provides Water and Wastewater staff with the most cost effective solution and the flexibility of leaving this facility when a more suitable facility becomes available. Property Services staff have commenced a search to find another location.

5. FINANCIAL IMPLICATIONS

The following chart outlines the cost for renewing the existing lease:

Table 1
Lease Cost Analysis

Lease Term	Current Annual Base Rent	Proposed Annual Base Rent	Annual Operating and Maintenance Cost (approx.)	Total Proposed Annual Rent
One year	\$15,125.00	\$16,500.00	\$6,000.00	\$22,500.00

The proposed rent total annual rent noted in Table 1 does not include the cost for hydro, which is estimated to be \$2.26 per sq. ft.

This lease 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.

Approval of this lease agreement requires that appropriate funds be set aside for the 2008 Corporate Services budget.

6. LOCAL MUNICIPAL IMPACT

This lease extension will allow Water and Wastewater Branch staff to continue providing water and wastewater services to the residents of the southern tier municipalities, in an accessible and convenient location.

7. CONCLUSION

Entering into a one-year lease extension agreement with the option to terminate after six months, will provide the Region with the most cost effective solution and flexibility, until such time as a more suitable facility becomes available.

The Senior Management Group has reviewed this report.