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LEASED OFFICE SPACE COMMUNITY SERVICES & HOUSING DEPARTMENT, HOUSING BRANCH 1091 GORHAM STREET, TOWN OF NEWMARKET

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, September 8, 2004, from the Commissioner of Corporate Services:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize the sub-lease agreement for a 25 month term for 6,360 sq. ft. for the Community Services & Housing Department – York Housing Inc. on the 1st floor located at 1091 Gorham St. in the Town of Newmarket.
2. The Regional Chair and the Regional Clerk be authorized to execute the sub-lease on behalf of The Regional Municipality of York, subject to review by Legal Services, Corporate Services Department.
3. Staff be authorized to take all steps necessary to affect this agreement.

2. PURPOSE

The purpose of this report is to obtain authorization from Regional Council to enter into a sub-lease agreement for a 25 month term at this new facility to continue delivery of Housing and Residential Services in the Region.

3. BACKGROUND

As a result of provincial downloading in 1999, York Region assumed responsibility for the management of the York Regional Housing Corporation and the Region of York Housing Corporation. These organizations were amalgamated in 2001 to become Housing York Inc. and their offices moved to the Tannery. Two other department programs co located with Housing York Inc. at the Tannery site. In 2004, these two programs relocated to existing department sites at 55 Eagle Street, Newmarket, and 24262 Woodbine Avenue in Keswick.

The current lease for the delivery of Housing and Residential Services, was entered into by the Region in April, 2001, for a 44 month term and is due to expire December 31, 2004. Currently the Region is leasing 11,625 sq. ft. at \$16.00 per sq. ft. gross for a total obligation of \$186,000 annually plus utilities.

4. ANALYSIS AND OPTIONS

Property Services staff have been actively engaged in pursuing other options for the delivery of Housing and Residential Services in the Region including negotiations with the current landlord at the existing Tannery location.

4.1 Accommodation Options

Option 1 – Renew lease at the existing Tannery location

Property Services staff have entered into negotiations with the current landlord and have reached an agreement whereby base rent will remain at \$16.00 per sq. ft. and additional rent capped at \$1.50 per sq. ft. applied to utility payments. This represents an increase of 8.8% over the current lease arrangement or 2.9% annually. Additional rent will be based on actual utility consumption which will be reconciled with the landlord on an annual basis which may reduce our overall obligation throughout the term of the lease.

Option 2 – Lease alternate space for the delivery of Housing and Residential Services in the Newmarket/Aurora area

Property Services staff have regularly reviewed existing commercial space availability in the Newmarket/Aurora area that would be suitable to deliver Housing and other Regional services during 2004 with external commercial realtors. The market has been extremely tight during this timeframe.

Our relationship with our external commercial realtor identified a space at 1091 Gorham Street (currently leased as general office space by Tarion, formerly The Ontario New Home Warranty Program) that has come on the market as a sub-lease arrangement. This office is on a main public transportation route, has adequate space to accommodate York Housing Inc. staff, requires minor leasehold improvements and has sufficient parking adjacent to the building for both clients and staff.

Staff from the Property Services Branch and the Community Services & Housing Department immediately entered into negotiations through our realtor with the existing tenant cumulating in a successful sub-lease arrangement with terms favourable to our existing arrangement at the Tannery.

In addition to acquiring this site both branches have worked together to reassign existing staff to other existing space within the portfolio, thereby reducing the requirement for leased space.

Option 3 – Consolidated Service Delivery in Newmarket/Aurora

The Property Services Branch has recently completed a Strategic Accommodation Plan with respect to accommodation needs for the delivery of Regional services over a 20 year timeframe. This study identified current and future requirements in the Newmarket/

Aurora area as the most important issue that the Region is currently facing in terms of service delivery. In addition to Housing Services, the Region also leases space for the delivery of other Court Services, Health Services and an IT training site at the Tannery. The Region also owns two medium sized sites in Newmarket at 22 Prospect Street and 62 Bayview Parkway. The state of repair at the owned sites (primarily due to the age of the facilities) and ongoing issues at the Tannery are not conducive to delivery of Regional services in the professional manner that the Region wishes to portray to the public.

Options for consolidated service delivery in the Newmarket/Aurora area are currently being evaluated and will be presented to Committee and Council in a separate report. Consolidation of services will afford the Region significant economies of scale in construction and land acquisition costs.

Accommodation for staff at a leased site will be required for a two to three year period pending occupancy at a consolidated location.

4.2 Recommendation

Pending further analysis of options identified in the Strategic Accommodation Plan for the delivery of services in the Newmarket/Aurora area, Property Services and Housing Services staff recommend Option 2 as the most prudent and cost effective solution.

5. FINANCIAL IMPLICATIONS

The successful negotiation of this space has resulted in a densification of the Region's portfolio by 5,265 sq. ft. The favourable financial impact on lease obligations is outlined below.

5.1 Extension of Existing Lease

Table 1
Lease Cost Analysis

Year	Base Rent	Additional Rent	Annual Cost
1	186,000	17,437	203,437
2	186,000	17,437	203,437
3	186,000	17,437	203,437
Total	\$558,000	\$52,311	\$610,311

Assumes renewal of 11,625 sq. ft. at \$16.00 per sq. ft. for base rent and \$1.50 (capped) for additional rent.

5.1.1 Sub-lease at 1091 Gorham Street

Table 2
Lease Cost Analysis

Year	Base Rent	Additional Rent	Annual Cost
1	50,880	160,467	211,347
2	50,880	104,657	155,537
3	50,880	104,657	155,537
Total	\$152,640	\$369,781	\$522,341

Assumes sub-lease of 6,360 sq. ft. at 1091 Gorham Street (base and additional rent) and ongoing Operations & Maintenance costs at 55 Eagle Street (Regionally owned facility) for the portion of space occupied by Housing staff. Relocation, space planning and furniture reconfiguration costs are reflected in year one additional rent as noted in the above table.

Costs are based on a three-year analysis as the Tannery landlord is unwilling to give the Region less than a three-year tenancy. Cost savings are \$87,890 (three years) and \$40,070 (two years) at the Gorham Street location.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal impacts associated with this report.

7. CONCLUSION

Entering into a 25 month sub-lease arrangement at the Gorham Street location will provide the most cost effective solution pending Committee and Council direction on overall Regional service delivery options in the Newmarket/Aurora area.

The Senior Management Group has reviewed this report.