3
LEASED OFFICE SPACE
HEALTH SERVICES DEPARTMENT, PUBLIC HEALTH BRANCH
4261 HIGHWAY 7 EAST, TOWN OF MARKHAM

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, July 26, 2004, from the Commissioner of Corporate Services and Commissioner of Health Services:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize a five year lease extension agreement for 14,022 sq. ft. with a total obligation of $1,557,845 (base and additional rent) for the existing Health Services Department office located at 4261 Highway 7 East in the Town of Markham.

2. The Regional Chair and the Regional Clerk be authorized to execute the lease extension agreement on behalf of The Regional Municipality of York, subject to review by the 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 renew the existing lease agreement for an additional five year term to continue the delivery of Health Services in the south east quadrant of the Region.

3. BACKGROUND

In 1999, Regional Council approved the relocation of the Health Services' Markham area office within The Shoppes of Unionville which is located on Highway 7 The space contains 14,022 sq. ft. providing an office facility in a highly visible location with adequate signage for the public. The office is on a main public transportation route (to be expanded with the implementation of the YRTP Quick Start scheduled for the fall of 2005), has adequate public washrooms, and sufficient parking adjacent to the building for both clients and staff. In addition to providing accommodation for over 70 Public Health staff, this facility currently provides direct client services for a:

- Dental Clinic
- Baby Clinic
- Sexual Health Clinic

This location is both accessible and convenient for the delivery of direct services to the public in this area.

4. ANALYSIS AND OPTIONS

At the present time this central location in the southeast quadrant of the Region is well known by the client base in this area. In addition Health Services staff are satisfied with the location and the existing tenant/landlord relationship which has been ongoing since 1989. The current lease expires November 30, 2004.

Taking all factors into consideration staff recommend remaining at this facility for a further five year term as it is the most cost effective solution.

Staff of the Property Services Branch and Health Services Department, have been able to negotiate favourable lease terms for a further five year period with an option to renew for an additional five year period.

Current base rent for the previous five year period was set at $11.84 per sq. ft. Rent for the next five year period has been negotiated at a rate of $13.07 per sq. ft. which is a 2% increase per annum comparable to the CPI (Consumer Price Index average over this period).

An option has also been built into the amending agreement to the existing lease for a further five year term based on the revised rate beginning in year six based on the average of the CPI index over the first five year term; should the Region exercise it's option.

This essentially locks up good quality accommodation for a ten year period, tied to inflationary increases, for the delivery of key Public Health programs in a major sector of the Region.

4.1 Relationship to Vision 2026

The Public Health programs and services provided at this location support the goals of Quality Communities for a Diverse Population; Enhanced Environment, Heritage and Culture; and Responding to the Needs of our Residents as detailed in the Vision 2026 document.

5. FINANCIAL IMPLICATIONS

Lease rates negotiated by staff have held the base rent levels to the annual rate of inflation based on the Consumer Price Index. Base rent and additional rent with annual obligations for the five year term are indicated in the table below. Rent payable is extremely favourable to current rental rates along the Highway 7 corridor.

Table 1
Lease Cost Analysis

Year	Base Rent	Additional Rent	Annual Cost
1	183,268	128,301	311,569
2	183,268	128,301	311,569
3	183,268	128,301	311,569
4	183,268	128,301	311,569
5	183,268	128,301	311,569
Total	**$916,340**	**$641,505**	**$1,557,845**

Additional rent includes costs for utilities, realty taxes and common area costs which are reflected in the table above.

Minimal leasehold costs are anticipated for this site over the next five years, dependant on operational requirements.

The Region's option on the second five year option, tied to the CPI, ensures financial stability in the delivery of key services to residents while pursuing the possibility of a consolidated facility for the delivery of services in this quadrant of the Region pursuant to the overall implementation of the Strategic Accommodation Plan.

Ontario Regulation 266/02 and the Region's Capital Financing and Debt Policy require a statement by the Commissioner of Finance assessing the costs and risks associated with any financial leases where annual lease payments exceed $250,000. Appendix 1 attached is a signed report of the Commissioner of Finance which summarizes staff's assessment of this financial lease and addresses all necessary compliance issues.

6. LOCAL MUNICIPAL IMPACT

This lease extension agreement will allow the Health Services Department to continue to provide its valuable programs and services to the residents of Markham in an accessible and convenient location.

7. CONCLUSION

Recommendations made by staff provide the most cost effective solution for the delivery of services by the Public Health Branch in this area of the Region.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the Agenda for the October 7, 2004 Committee meeting.)