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LEASE EXTENSION FOR THE EMS STATION LOCATED AT 520 CANE PARKWAY IN NEWMARKET

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated March 24, 2009, from the Commissioner of Corporate Services.

1. RECOMMENDATIONS

It is recommended that:

1. The Region be authorized to enter into a lease extension agreement for a four-year term with Dave Wood Holdings Limited, for Emergency Medical Services (EMS) Operation/Response Station, located at 520 Cane Parkway, in Newmarket, consisting of 22,320 square feet, for an approximate annual rent of $311,050.

2. The Regional Chair and the Regional Clerk be authorized to sign the necessary lease extension agreement with Dave Wood Holdings Limited, subject to the approval of Legal Services and the Regional Treasurer.

3. The Commissioner of Corporate Services be authorized to sign a lease extension for a further term of one (1) year, at the then current market rent, with Dave Wood Holdings Limited, if required, subject to the approval of Legal Services and the Regional Treasurer.

2. PURPOSE

This report requests authorization to extend the lease for a four-year term for the EMS Operation/Response Station, in order to continue the operation of this facility in Newmarket.

3. BACKGROUND

EMS has been operating an Operation/Response Station in Newmarket since March 2002.

EMS has been operating its Operation/Response Station in Newmarket since March 2002 at this leased location. This operation includes a response station, administrative offices, a medical supply store and storage.

The Region has leased the property since 2002 with an initial five (5) year term ending on February 28, 2007 at $12.75 per square foot for base rent. The Region has an option to renew for a further four (4) year term at $13.75 per square foot. In 2007, the Region and the landlord considered selling this property to the Region. Property Services retained GSI Real Estate & Planning Advisors Inc. who estimated the market value of the property as of September 8, 2006 at $2,115,000.

After much consideration, the landlord decided not to sell the property to the Region, but to extend the lease instead. Subsequently, EMS requested that Property Services staff to exercise its option to renew the lease.

4. ANALYSIS AND OPTIONS

In December 2008, Property Services staff reached a tentative agreement with the landlord for a four (4) year lease extension, with an option to renew the lease for a further one (1) year term, at the then current market rent.

The landlord has agreed to repair deficiencies at this facility that have been identified by our Property Services staff, at his expense. Such repairs include potholes, eavestroughs, footings, parking lot grading, and additional exterior lighting, along with other items. These repairs have been completed by the landlord.

Remaining at this site is the best option for EMS at this time. Staff are exploring opportunities for this Operation/Response Station facility to be relocated to other Regional owned sites in Newmarket at the end of the lease term on February 28, 2011. Due to the nature of the business the EMS Operation/Response Station facility will not be relocated to the Central Service Centre.

5. FINANCIAL IMPLICATIONS

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

Table 1
Lease Cost Analysis for EMS

Extended Lease Term	Previous Annual Base Rent ($12.75 per sq. ft.)	Proposed Annual Base Rent as of March 1, 2007 ($13.75 per sq. ft.)	Proposed Additional Rent (approx.)	Proposed Total Annual Rent
Four years	$284,580	$306,900	$4,150	$311,050

The annual additional rent consists of landlord's insurance and summer ground maintenance which is standard for leases.

The Treasurer has conducted his due diligence with respect to this lease in accordance with his obligation under the Region's Policy relating to financing leases contained in the recently amended Capital Financing and Debt Policy, such amendment being approved by Regional Council on September 18, 2008 (Clause 8 of Report No. 7 of the Finance and Administration Committee). The Policy requires that prior to entering into a financing lease, which is not a non-material lease as defined in the Policy, as is the case with the proposed lease, the Commissioner of Finance must assess the costs and financial and other risks associated with the proposed financing lease (*see Council Attachment 1*).

6. LOCAL MUNICIPAL IMPACT

A lease extension will allow for the continued presence of an emergency response station in Newmarket.

7. CONCLUSION

A lease extension is required to allow EMS services in Newmarket, and it is recommended that the Region enter into this lease extension as outlined in this report.

For more information on this report, please contact Paul Roberts, Manager, Realty Services, at extension 1424.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the April 9, 2009 meeting.)

Attachment 1 – Treasurer’s Report on a Material Lease (Cane Parkway)

Background

Ontario Regulation 653/05, under the *Municipal Act, 2001* requires the Regional Treasurer to prepare a report to Council for material leases. The report must contain the Treasurer’s assessment of the costs and financial and other risks associated with the proposed agreement. The regulation also indicates that municipal councils must provide a statement of policies and goals which may provide for a category of lease financing arrangements which in the opinion of the Treasurer and Council does not result in a material impact for the municipality.

As such, Regional Council approved the Corporate Financing and Debt Policy in 2006 which defined a material lease as having payments in excess of $250,000 a year. A policy update approved in September 2008, (Clause 8, Report No.7 of Finance and Administration Committee) extended the definition of a material lease as having a net present value of $2.0 million.

Lease under Consideration

Council authorization is being sought to enter into a four-year lease, commencing on March 1, 2007 with Dave Wood Holdings Limited, for an EMS Operation/Response Station, located at 520 Cane Parkway in Newmarket, comprising 22,230 square feet for an approximate annual rent of $311,050 (net of GST). The tentative agreement also includes an option to renew the lease for a one-year term at the then current market rent.

EMS has been occupying this leased location since 2002. The lease expired on February 28, 2007.

The base rent will be $13.75 per square foot. Additional rent to the Region is based on its proportionate share of the building expenses, including the cost of the Landlord’s insurance.

In addition to the base rent and additional rent, EMS has been paying utilities, property tax, operating costs, janitorial services, security services, and building system maintenance services, which services are provided by Property Services staff.

The landlord has repaired deficiencies that have been identified by the Region’s Property Services staff at his expense.

Analysis of Lease

Ontario Regulation 653/05 requires the Regional Treasurer to comment on specific aspects of the proposed lease. These aspects are noted below with the appropriate analysis of each requirement.

1. A comparison between the fixed and estimated costs associated with proposed agreement and those associated with other methods of financing.

When the lease expired on February 28, 2007, the Region considered purchasing this property from the landlord. The property value was estimated at $2,115,000. However, the landlord decided not to sell the property. Subsequently, the lease was offered to be extended.

Property Services has indicated that remaining at this site is the most feasible option for EMS at this time, as the Region has invested significantly in leasehold improvements. More importantly, it is anticipated that other Regional buildings in Newmarket will be available for the EMS Operation/Response Station facility to be relocated to at the end of the lease term.

2. A statement summarizing, as may be applicable, the effective rates of financing of the agreement, the ability for agreement payment amounts to vary, and the methods or calculations , including possible financing rate changes, that may be used to establish that variance under the agreement.

The base rent amounts of the lease are set for the entire term of the lease. The additional rent is variable as it is based on actual costs incurred and the proportionality of the space occupied by the Region. In the event of any dispute, the report of the landlord’s auditor or accountant with respect to the Additional Rent shall be conclusive.

3. A statement summarizing any contingent payment obligations under the agreement that in the opinion of the Treasurer would result in a material impact for the municipality, including termination provisions, equipment loss, equipment replacement options, and guarantees and indemnities.

Legal Services has advised that the Lease does not contain any contingent payment obligations which in the Treasurer's opinion would result in a material impact for the Region. The provisions contained in the Lease respecting indemnification and termination are commercially reasonable. It is a requirement of this report that Legal Services and the Regional Treasurer must authorize the Lease prior to its execution by the Region.