8
LEASE EXTENSION AGREEMENTS AT THE GATES OF YORK PLAZA

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, March 23, 2006, from the Commissioner of Corporate Services:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize four-year and seven-month lease extensions, commencing on June 1, 2006, for existing office space located at the Gates of York Plaza, 17310 Yonge Street, Units 9 and 3, Newmarket, as follows:

   a) the Solid Waste Management Branch (SWM) and the Human Resources Occupational Health and Safety Section (HROHS), located in Unit 9, consisting of 6,911 square feet, having a total lease obligation of approximately $711,257.07 (base rent and operating costs). The annual base rent for lease years one and two is $103,665.00, for lease year three it is $107,120.50 and for lease years four and five it is $110,576.00; and

   b) Water and Wastewater Branch (WWW), located in Unit 3, consisting of 2,660 square feet, having a total lease obligation of approximately $273,758.32 (base rent and operating costs). The annual base rent for lease years one and two is $39,900.00, for lease year three it is $41,230.00 and for lease years four and five it is $42,560.00;

2. The Regional Chair and the Regional Clerk be authorized to sign the necessary agreements with Yongemill Group Inc. for the leasing of office space, subject to review by Legal Services.

2. PURPOSE

The purpose of this report is to obtain authorization from Regional Council to enter into lease extension agreements for four-year and seven-month terms, to provide office space in Newmarket.

3. BACKGROUND

The current lease at the Gates of York Plaza, Unit 9 was entered into by the Region on June 1, 2003 for a three-year lease. The current lease at the Gates of York Plaza, Unit 3 was entered into by the Region on February 23, 2004 for a two-year and seven-month lease. They will both expire on May 31, 2006.

The Region is leasing 6,911 square feet for SWM and HROHS at $14.00 per square foot for base rent and $6.50 per square foot for operating costs, for a total annual lease obligation of $141,675.50.

The Region is leasing 2,660 square feet for WWW at $14.50 per square foot for base rent and $7.00 per square foot for operating costs, for a total annual lease obligation of $57,190.00.

The Region is also currently leasing adjacent space in Unit 10, which is being utilized as storage space and swing space, at $15.00 per square foot for base rent and $7.00 per square foot for operating costs, plus hydro costs which is separately metered.

Transportation and Works staff, who previously occupied part of Unit 9, moved to Bales last year and HROHS staff recently moved into Unit 9. Renovations have been carried out in Unit 9 to accommodate HROHS staff re-location.

4. ANALYSIS AND OPTIONS

SWM, HROHS and WWW wish to renew their existing space and have not requested Property Services to pursue other space options.

This location is accessible and convenient for the delivery of direct services to the public in this area. It is also ideal due to its proximity to the Administrative Building, allowing interaction among staff at both locations.

The extension of these leases provides program space adjacent to the Administrative Building, until such time as the proposed Central Service Centre is constructed.

5. FINANCIAL IMPLICATIONS

Property Services staff have entered into negotiations with the landlord and have reached a tentative agreement, whereby base rent for both these locations will be $15.00 per square feet for lease years one and two, $15.50 per square foot for lease year 3 and $16.00 per square feet for lease years 4 and 5, plus the cost of operating expenses, property taxes and utilities. This represents an increase in rent of approximately 6% for lease years one and two, approximately 3.5% increase for lease year three and a further increase in rent of approximately 3.5% for lease years 5 and 6.

Table 1
Lease Cost Analysis for Unit 9

Lease Year	Annual Base Rent	Annual Additional Rent	Total Annual Cost
1	$ 103,665.00	$ 48,377.00	$152,042.00
2	$ 103,665.00	$ 48,377.00	$152,042.00
3	$ 107,120.50	$ 48,377.00	$155,497.50
4	$ 110,576.00	$ 48,377.00	$158,953.00
5 (7 months)	$ 64,502.66	$ 28,219.91	$92,722.57
TOTAL	**$ 489,529.16**	**$221,727.91**	**$711,257.07**

Table 2
Lease Cost Analysis for Unit 3

Lease Year	Annual Base Rent	Annual Additional Rent	Total Annual Cost
1	$ 39,900.00	$ 18,620.00	$ 58,520.00
2	$ 39,900.00	$ 18,620.00	$ 58,520.00
3	$ 41,230.00	$ 18,620.00	$ 59,850.00
4	$ 42,560.00	$ 18,620.00	$ 61,180.00
5 (7 months)	$ 24,826.66	$ 10,861.66	$ 35,688.32
TOTAL	**$188,416.66**	**$ 85,341.66**	**$273,758.32**

Annual costs noted in Table 1 and Table 2 include base rent, operating costs and realty taxes, but do not include costs for utilities. Utilities will be paid directly by the Region to the utility providers, and is approximately $1.66 per square foot.

These lease extension agreements comply with the Region's policy relating to financing leases contained in the Capital Financing and Debt Policy approved by Council in January 2003.

No leaseholds improvements will be required. A portion of Unit 9 has recently been renovated to accommodate HROHS staff when they re-located to this facility.

Approval of these lease extension agreements require that appropriate funds be set aside from the 2006 Corporate Services budget.

6. LOCAL MUNICIPAL IMPACT

These lease extension agreements will allow the continuance of important programs and services which serve the residents of York Region, in an accessible and convenient location.

7. CONCLUSION

Entering into four-year and seven-month lease extension agreements to extend our lease arrangements at these locations until December 31, 2010, will provide continued needed services to the community, in an accessible and convenient location, in the north quadrant of the Region.

The Senior Management Group has reviewed this report.