

14

LEASE EXTENSIONS FOR EARLY INTERVENTION SERVICES 144 MAIN STREET, MARKHAM

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, May 23, 2008, 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 five-year term, commencing on October 1, 2008 with 120904 Ontario Limited, for the Early Intervention Services located at 144 Main Street, Suites 201, 202 and 203, in Markham, consisting of 4,075 square feet, for a total lease obligation of \$251,994.88.
2. The Region be authorized to enter into a lease extension agreement for a five-year term, commencing on October 1, 2008 with 120904 Ontario Limited, for the Early Intervention Services located at 144 Main Street, Suites 10, 11 and 12, in Markham, consisting of 2,111 square feet, for a total lease obligation of \$400,436.39.
3. The Regional Chair and the Regional Clerk be authorized to sign both of the necessary lease extension agreements with 120904 Ontario Limited, subject to review by Legal Services.

2. PURPOSE

This report recommends that the Region enter into lease extensions for Community and Health Services in Markham, so that it may continue its Family and Children's Services Branch, Early Intervention Services program. Early Intervention Services occupy space at this facility under two separate lease agreements. One lease agreement is for space occupied on the first floor and the second lease agreement is for space occupied on the second floor.

3. BACKGROUND

The Region has been providing family and children's services in this facility since July 1998

The Region has been providing family and children's services in this facility since July of 1998. Early Intervention Services staff provide specialized services to families and their infant and young children with special needs.

Early Intervention Services are in partnership/co-location with the York Region Preschool Speech and Language Program which affords the opportunity to provide integrated service delivery to children and families in the Markham area. Staff from this program are co-located within our space through an Occupancy Agreement with Markham-Stouffville Hospital to recover payment for their share of the leased space costs.

Early Intervention Services have requested Property Services staff to extend both of the current leases at this location.

4. ANALYSIS AND OPTIONS

Lease extensions are currently required to provide time for the Department to plan for future space requirements

The new Community and Health Services Department has two sites in the Markham area (144 Main Street and 4261 Highway 7 East).

In order to provide Community and Health Services time and flexibility to determine and coordinate their future space needs, Property Services staff have reached a tentative agreement with the landlord for a five-year lease term for each lease extension, with an exclusive six-month termination clause to be exercised by the Region during the third year of each of the lease terms, without penalty. It was also agreed that the base rent will increase annually by 3.5%. Property Services staff have conducted a market research with regards to the annual increase. Their findings indicated that this annual increase is reasonable in conjunction with the Region's exclusive termination clause that is not subject to a penalty.

5. FINANCIAL IMPLICATIONS

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

Table 1
Lease Cost Analysis for 144 Main Street, Suites 10, 11 and 12

Lease Years	Annual Base Rent	Annual Additional Rent	Total Rent
<i>Current Term</i>	\$31,665.00	\$14,777.00	\$46,442.00
Lease Year 1	\$32,773.28	\$15,249.86	\$48,023.14
Lease Year 2	\$33,920.34	\$15,249.86	\$49,170.20
Lease Year 3	\$35,107.55	\$15,249.86	\$50,357.41
Lease Year 4	\$36,336.32	\$15,249.86	\$51,586.18
Lease Year 5	\$37,608.09	\$15,249.86	\$52,857.95
TOTAL	\$175,745.58	\$76,249.30	\$251,994.88

Table 2
Lease Cost Analysis for 144 Main Street, Suites 201, 202 and 203

Lease Years	Annual Base Rent	Annual Additional Rent	Total Rent
<i>Current Term</i>	\$42,787.50	\$31,581.25	\$74,368.75
Lease Year 1	\$44,285.06	\$32,591.85	\$76,876.91
Lease Year 2	\$45,835.04	\$32,591.85	\$78,426.89
Lease Year 3	\$47,439.27	\$32,591.85	\$80,031.12
Lease Year 4	\$49,099.64	\$32,591.85	\$81,691.49
Lease Year 5	\$50,818.13	\$32,591.85	\$83,409.98
TOTAL	\$237,477.14	\$162,959.25	\$400,436.39

The amounts for additional rent in each lease include the cost for maintenance, the landlord's insurance, property tax and summer and winter ground maintenance. Hydro is included in the additional rent for Suites 201, 202 and 203 only. Additional rent has increased to 3.2% due to increases in property tax and operating costs.

All costs associated with the lease extensions will be accommodated in the 2008 budget.

The requested lease extensions comply with the Region's policy relating to financing leases contained in the Capital Financing and Debt Policy, approved by Council in January 2006.

6. LOCAL MUNICIPAL IMPACT

Lease extensions will allow for the continued presence of Early Intervention Services in Markham at this location, until such time as the Department's integration is fully realized and the space needs of this location are determined.

7. CONCLUSION

Lease extensions are required to allow the Region to continue providing Early Intervention Services in Markham, and it is recommended that the Region enter into these lease extensions, as outlined in this report.

For more information on this report, please contact Barry Crowe, Director of Property Services at Ext. 1684.

The Senior Management Group has reviewed this report.