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NEW LEASE FOR ENVIRONMENTAL SERVICES DEPARTMENT LOCATED AT 8 LAIDLAW BOULEVARD, IN THE TOWN OF MARKHAM

The Transportation and Works Committee recommends the adoption of the recommendations contained in the following report, August 26, 2008, from the Commissioner of Corporate Services and the Commissioner of Environmental Services:

1. RECOMMENDATIONS

It is recommended that:

1. The Region be authorized to enter into a lease for a five-year and four-month term, commencing on October 1, 2008 and ending on January 31, 2014, for the Environmental Services Department located at 8 Laidlaw Boulevard in Markham, consisting of 4,122 square feet, for a total lease obligation of \$324,606.60.
2. The Regional Chair and the Regional Clerk be authorized to sign the lease with Carlton Tower Limited, the landlord, subject to review by Legal Services.
3. The Commissioner of Corporate Services be authorized to sign a lease extension agreement, at the market rate, for an additional five-year term with the landlord, if required, subject to review by Legal Services.

2. PURPOSE

This report recommends that the Region relocate the existing Environmental Services, Water Wastewater (WWW) office to a site at 8 Laidlaw Boulevard which will better meet the expanding needs of the program. WWW currently occupy 2,750 square feet of leased space at 426 Major Mackenzie Drive, in Richmond Hill. This lease will expire on December 31, 2008.

3. BACKGROUND

The Region has been operating its WWW program in the Town of Richmond Hill since January of 2005

WWW have been occupying their current location at 426 Major Mackenzie Drive, Richmond Hill, since January of 2005. This facility was previously occupied by Emergency Medical Services, as a paramedic response station since 2000, until it relocated to the York Regional Police District 2 Headquarters in Richmond Hill. WWW

staff then relocated from the Leslie Street Pumping Station, as that location had reached its capacity and a more central location was required.

Prior to the lease expiration date of December 31, 2007, it was determined that the current facility had deteriorated below Regional standards and therefore a new location was required. The existing lease was renewed for an additional year in order to provide the required time to locate a facility more suitable for WWW. WWW are also expanding their program, as demands for their services have been increasing due to the continued growth in population throughout the Region and increased development. Therefore, a larger facility is required to accommodate this growth.

4. ANALYSIS AND OPTIONS

4.1 Accommodation Option 1 – Current Location

The current location is no longer suitable as there have been continued and ongoing maintenance issues over the past few years which has resulted in this facility deteriorating to below Regional standards. In addition, WWW require a larger facility as its program is expanding due to an increase in service demands.

4.2 Accommodation Option 2 – Alternative Locations

Through a real estate broker, the Property Services Branch conducted a market research of suitable facilities throughout Markham and surrounding municipalities. Due to WWW's specific requirements of: a catch basin drain for washing vehicles, a warehouse garage with 3 overhead doors in a facility less than 5,000 square feet and ample office space, the search resulted in limited possibilities. As a result, Property Services and WWW staff identified three potential sites, only one of which was considered suitable.

4.3 Recommended Site – 8 Laidlaw Boulevard, Markham

The property located at 8 Laidlaw Boulevard, Markham was determined most suitable as it met most of the operational requirements identified by WWW (see Attachment 1 – Location Map, 8 Laidlaw Boulevard). It contains a catch basin drain, four garage doors, is under 5,000 square feet and is in an accessible and convenient location. However, it will be necessary to expand the office area to accommodate WWW's needs.

Property Services staff have reached a tentative agreement with the landlord for a five-year lease term, with an option to renew the lease for an additional five-year term at the then current market rent.

5. FINANCIAL IMPLICATIONS

The following chart outlines the cost for leasing this space:

Table 1
Lease Cost Analysis

Site	Annual Base Rent	Estimated Annual Additional Rent	Total Annual Rent
Existing Location: 426 Major Mackenzie Drive, Richmond Hill	Current (based on \$6.00 per sq. ft.): \$16,500.00	Current (based on \$2.20 per sq. ft.): \$6,050.00	Current: \$22,550.00
New Location: 8 Laidlaw Boulevard, Markham	Proposed: <i>Lease Years 1 & 2</i> <i>(based on \$9.75 per sq. ft.):</i> \$40,189.50 <i>Lease Years 3 & 4</i> <i>(based on \$10.25 per sq. ft.):</i> \$42,250.05 <i>Lease Year 5</i> <i>(based on \$10.75 per sq. ft.):</i> \$44,311.50	Proposed (based on \$5.60 per sq. ft.): \$23,083.20	Proposed: <i>Lease Years 1 & 2:</i> \$63,272.70 <i>Lease Years 3 & 4:</i> \$65,333.25 <i>Lease Year 5:</i> \$67,394.70

The new site is 4,122 square feet in size. The Additional Rent includes the cost of maintenance, insurance and property taxes. Utilities are metered separately and payable directly by the Region to the providers based on consumption. The leaseholds to construct the office will be approximately \$60,000.00.

Although the rental rate of the new facility is higher than the existing one, the new facility meets Regional standards. The new facility is also newer, larger, and contains more of the operational requirements than the existing facility.

The landlord is providing the Region with a four-month net rent free period from October 1, 2008 to January 31, 2009.

Given the estimated annual lease costs, the proposed lease is a non-material lease for the purposes of the Region's Capital Financing and Debt Policy.

All costs associated with this lease will be accommodated in the Environmental Services 2009 budget.

6. LOCAL MUNICIPAL IMPACT

The proposed lease will enable WWW to continue providing services to the residents of the southern tier municipalities.

7. CONCLUSION

It is necessary to enter into a new lease to enable Environmental Services to continue providing water and wastewater services in the southern tier of York Region.

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

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the September 3, 2008 Committee meeting.)