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LEASED OFFICE SPACE AT 1091 GORHAM STREET, IN NEWMARKET

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, October 2, 2006, from the Commissioner of Corporate Services:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize a four-year lease extension, commencing on January 1, 2007, for existing office space consisting of 6,360 square feet, located at 1091 Gorham Street, Suite 104, Newmarket. The annual lease obligation is $137,254.32 (base and additional rent). This office is currently being occupied by Housing York Inc.

2. The Regional Chair and the Regional Clerk be authorized to sign the necessary agreement with Anndale Properties Limited 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 a lease extension agreement for a four-year term, to provide office space for Housing York Inc., in Newmarket.

3. BACKGROUND

The Region is currently leasing 6,360 square feet of office space at this location, for an annual base rent of $50,880.00 and an annual operating cost of $68,884.32.

The current lease for this facility was originally assigned over to the Region by Tarion Warranty Corporation (Tarion), by way of an Assignment Agreement dated September 17, 2004. Tarion leased this office space from the landlord for an annual base rent of $60,420.00.

The Region and Tarion reached an agreement whereby the Region would assume the lease from Tarion, at a lower annual base rent of $50,880.00, and Tarion would give the landlord a cheque for the total difference of the base rent payable under the existing lease, and what the Region agreed to pay.

4. ANALYSIS AND OPTIONS

Housing York Inc. would like to renew their existing space, and have not requested Property Services Branch to pursue other space options.

The location is accessible and convenient for the delivery of direct services to the public in this area, until such time as the proposed Central Service Centre is considered.

5. FINANCIAL IMPLICATIONS

Property Services staff have entered into negotiations with the landlord and have reached a tentative agreement, whereby base rent will be $10.75 per square foot and additional rent will be $10.83 per square foot, for this location.

The landlord has also agreed to allow the Region to terminate the lease at the end of the third year of the lease term, so long as the Region provides the landlord with twelve months prior written notice and pays the landlord an amount of $17,092.50, which represents three months of base rent.

This termination right would allow Housing York Inc. the option of leaving this location at the end of the third year of the lease, in order to move into either the Central Service Centre, if approved and ready for occupancy at this speculated time, or another owned facility.

Table 1
Lease Cost Analysis

Current Base Rent Paid by Region	Base Rent Paid by Tarion Prior to the Assignment of lease	Proposed Base Rent for the Extended Term	Proposed Operating Cost for the Extended	Proposed Total Annual Rent (Base and Operating Cost) for the Extended Term
$50,880.00	$60,420.00	$68,370.00	$68,884.32	$137,254.32

The proposed total annual rent noted in the table above includes base rent, maintenance and janitorial services, insurance, property tax and an administration fee. They do not include the cost for hydro, which is approximately $2.00 per square foot.

This lease agreement complies with the Region's policy relating to financing leases contained in the Capital Financing and Debt Policy, approved by Council in January 2003.

6. LOCAL MUNICIPAL IMPACT

This lease extension agreement will allow Housing York Inc. to continue providing valuable programs and services to the residents of York Region, in an accessible and convenient location.

7. CONCLUSION

Entering into a four-year lease arrangement with an early termination provision at the existing location, will provide the Region with the most cost effective solution and flexibility, until such time as suitable owned accommodation becomes available.

The Senior Management Group has reviewed this report.