To: Mayor and Members
   Board of Health

From: Elizabeth Richardson, MD, MHSc,
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Date: August 28, 2008
Re: 2 King St. W. Dundas Lease Agreement- BOH08033 (Ward 13)

Council Direction:

n/a

Information:

In accordance to Item 21, Committee of the Whole Report 01-029 adopted by Council on September 18, 2001 as amended by Item 9, Corporate Administration Committee Report 05-011 adopted by Council on June 29, 2005, City Council approved the Delegation of Authority to staff for routine real estate matters of value less than $250,000.

Public Health Services is a tenant in the subject building since 1993. This lease is expiring on August 31, 2008 after a ten (10) year term, at $9.00 per square foot (net), and current operating costs of $2.66 per square foot, plus GST.

While the City’s Accommodation Strategy Study continues, Public Health Services has directed Real Estate to secure a lease extension. The Landlord is offering the premises at $12.00 per square foot over a five (5) year term, and the City is to pay its proportionate share of operating cost escalations over the 2007 base year. In 2007, the operating costs amounted to about $2.66 per square foot. Rent and operating costs are subject to GST, where applicable.
The proposed rental rate is reflective of the market for office space in Dundas.

The increase in lease costs will be absorbed within the 2008 budget and reflected in subsequent annual budget submissions.

Details of Lease:

**Term:** A Lease extension of five (5) years commencing September 1, 2008 and terminating on August 31, 2013.

**Property:** 2 King Street West, comprising an area of 10,825 square feet, on two floors, distributed as follows:

- Second Floor: 3,634.5 square feet
- Third Floor: 7,190.5 square feet

**Rate:** $12.00 (net), per square foot plus applicable G.S.T. The monthly rent will be $10,825.00, and on an annual basis would amount to $129,900.00 plus GST. Funding for this Lease is available in Account# 791407.

**Operating Costs:** The City of Hamilton will be responsible for its proportionate share of operating costs, which in 2007 amounted to about $2.66 per square foot, or $28,795 exclusive of realty taxes.

**Termination:** Upon six months’ written notice to the Landlord, the City may terminate its lease.

**By-Law:** Legal Services be authorized to prepare a by-law under Section 110 of the Municipal Act to propose that this leasehold be designated as a City Capital Facility, thereby exempting the City from paying realty taxes at this location.

Lease Amendments:

The offices and clinics occupied by Public Health Services in this building were fitted up in 1993 to suit its particular needs, including clinical examination rooms. The existing lease provides that the City “may” remove its trade fixtures and tenant improvements, however Real Estate is amending this provision to shield the City from any obligation to remove its fixtures and tenant improvements, when the lease terminates.

The existing agreement is somewhat ambiguous as to operating cost exclusions, particularly in the area of base building capital cost items. After consulting with our Legal Department, the Real Estate Department amended certain lease provisions to relieve the City from future costs associated with structural, capital cost repairs or replacements.

Tenant Improvements
Public Health Services has requested that the Landlord install sinks in the clinic. This request will be fulfilled by the Landlord.

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