(a) That City Council approve a new lease with Metrolinx subject to the following terms and conditions:

(i) **Term:** Five (5) years commencing November 1, 2011 and terminating on October 30, 2016;

(ii) **Property:** 36 Hunter Street East - Ground Floor, comprising a gross rentable area of 1,055 square feet (existing ticket office); Third Floor, with a gross rentable area of 2,575 square feet (office space);

(iii) **Rental Rate:** From the date of commencement, being November 1, 2011, the City shall pay fixed rent at $12.00 per square foot gross, plus H.S.T., throughout the five (5) year term;
(iv) **Parking:** Four (4) existing parking spaces will be leased at a rent of $2,880.00 per year ($60.00 per month per space) plus H.S.T. or other applicable taxes;

(v) **Operating Costs:** Operating costs are included in the gross rent; however, the City will pay any escalation costs over the 2011 base year. The landlord recognizes that the premises will become exempt from property taxes once they are declared as a municipal capital facility. The rental rate of $12.00 plus H.S.T. reflects that taxes will not be included;

(vi) **Other:** The landlord, Metrolinx, agrees to provide up to $50,000 towards tenant improvement costs to adapt the third floor washrooms to AODA standards;

(b) That the existing ground floor ticket office lease at $13.55 per square foot gross plus H.S.T., which is due to mature on August 18, 2014, be terminated upon commencement of the new lease;

(c) That the rent and operating costs plus H.S.T. be funded from Account No. 54220-530280;

(d) That additional tenant improvements (furniture and moving costs related to the third floor premises) be funded from the client’s Capital Project Account No. 5310641001, as previously identified in Report PW09029, the Public Works Yards Master Plan;

(e) That Legal Services be authorized to prepare a by-law under Section 110 of the Municipal Act to designate the leased space as a Municipal Capital Facility, thereby exempting the City from payment of realty taxes; and,

(f) That the Mayor, General Manager of Finance and Corporate Services, and City Clerk be authorized and directed to execute the Lease in a form satisfactory to the City Solicitor.

**EXECUTIVE SUMMARY**

This Report seeks Council’s direction to enter into a new lease agreement with Metrolinx to replace an existing lease of the HSR ground floor ticket office at the GO station and add third floor office space. The additional space will facilitate relocation of HSR Administrative and Customer Service staff from overcrowded conditions at 2200 Upper James Street. This proposed lease amalgamation will provide a reduced rental rate for the ground floor HSR ticket office and improve amenities for staff.
Much of the GO Station is vacant above the terminal ground level. The relocation will help a downtown heritage building remain occupied and increase synergy between the municipal and provincial transit departments.

*Alternatives for Consideration – See Page 4*

### FINANCIAL / STAFFING / LEGAL IMPLICATIONS

**Financial:** Lease costs will be funded from the 2011 approved operating budget.

The approved Public Works Yards Master Plan identified the need to relocate of staff from the 2200 Upper James Street facility.

**Staffing:** There are no increases to staff levels associated with the recommendations of this Report.

**Legal:** Legal Services Division will be involved in the development of the Lease Agreement through to its completion. It will also provide assistance in designation of the premises as a Municipal Capital Facility under Section 110 of the Municipal Act.

### HISTORICAL BACKGROUND

The HSR ticket office within the Hunter Street GO Station has been in place since 1996 and in 2010, Council approved upgrades to this facility. Transit Section of Public Works, being the line department responsible for these premises, has requested a two year extension on this leasehold which expires on August 18, 2014.

Along with this extension, HSR also needs to relocate some staff from 2200 Upper James Street, as acknowledged in the Public Works Yards Master Plan. Since 2010, HSR has been negotiating with Metrolinx for additional space in the GO Station.

Negotiations with the Landlord resulted in an extension of the ground floor ticket office lease from 2 ¾ years to 5 years, third floor office space, a reduced rental rate from $13.55 to $12.00 per square foot gross, and $50,000 in tenant improvements.

### POLICY IMPLICATIONS

The recommendations are consistent with the City’s Real Estate Portfolio Management Strategy Plan as approved by City Council on November 24, 2004 and Procedural By-Law No. 04-299. On June 29, 2005, City Council approved the Delegation of Authority to staff for the acquisition, disposition or lease of properties as follows:
General Manager or designate not exceeding $150,000
City Manager or designate not exceeding $250,000.

Although the amount of the annual lease payments are below the foregoing limits, Council approval is required for new leases, as mandated by Council. Addition of the third floor office space is regarded as a new lease.

**RELEVANT CONSULTATION**

- Transit Management Team
- City Manager’s Office, Legal Services Division
- Public Works, Facility Services Division
- Portfolio Management Committee

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

The GO Station is well located for HSR clients, with direct access to municipal bus routes, GO Transit and close proximity to the new downtown bus terminal. Transit has established a presence on the ground floor of this heritage building.

By adding the third floor office space, operations can be consolidated with the benefit of additional amenities. Also, the existing rent for the ground floor ticket office will decrease by 13%.

By approving the lease recommendation(s), the City will secure a five year lease at a fixed gross rental rate of $12.00 per square foot (after tax exemption), which is below the current market range of $14.00 to $17.00 per square foot in this vicinity.

These premises will offer sufficient space for the administrative and customer service staff. In addition, this relocation will reduce space pressures at 2200 Upper James Street.

**ALTERNATIVES FOR CONSIDERATION**

If the lease recommendation is not adopted, the City can continue to search for alternative space within the downtown core. A recent review of available space found that no suitable space was available at a lower price.
CORPORATE STRATEGIC PLAN


Skilled, Innovative & Respectful Organization
• An effective work environment that enables effective communication, respectful culture, well-being and safety.

Financial Sustainability
• Lease Costs are fixed for a five year term at below market rates.

Growing Our Economy
• Reduces vacant commercial space within downtown core.

Social Development
• Improved customer service to clients.

Healthy Community
• Compatible uses and/or social; services will be located within a close vicinity.

APPENDICES / SCHEDULES

Appendix “A” to Report PED11144 – Location Map

JH/sd
Location Map

Subject Property

- GO Station - 36 Hunter Street East
- Ground Floor Ticket Office - 1,055 square feet
- Third Floor Office - 2,575 square feet

Appendix "A" to Report PED11144, Page 1 of 1