



Five Year Lease Extension at 525 Dundas Street East

Item 7E

June 27, 2023

Board of Directors

Report: TCHC:2023-33

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee
 (“BIFAC”)

Date: June 19, 2023

PURPOSE:

The purpose of this report is to seek the Board of Directors’ (the “Board”) approval of a lease extension and amending agreement with the Toronto Birth Centre Inc. (“TBC”) at 525 Dundas Street East (230 Sackville Street, Dev. 924). The extension is for a five year term, generating \$1,811,040.24 in Minimum Rent. The lease includes the option to extend for two additional five year intervals, for a term not exceeding 15 years. The total potential value of the lease in Minimum Rent is \$5,990,138.56 over the 15 year term, including the renewal periods.

Board approval is required as this is a revenue contract with revenue commitments in excess of \$5 million over the entire term of the lease, including the renewal period.

RECOMMENDATIONS:

It is recommended that the Board:

1. authorize TCHC to extend the lease agreement with the Toronto Birth Centre Inc. at 525 Dundas Street East as follows:
 - a. an initial extension of five years, generating \$1,811,040.24 Minimum Rent; and
 - b. an option for the tenant to renew the lease for an additional two five-year terms, generating an estimated total of \$5,990,138.56 in Minimum Rent over the next 15 years at TCHC Management’s discretion; and

2. authorize the appropriate staff to take all other necessary actions to give effect to the above recommendations

BIFAC:

This report will be considered by the BIFAC on June 23, 2023.

BACKGROUND:

The TBC is led by Indigenous community members, including midwives, where people in the care of midwives can labour and give birth. Delivery at the Toronto Birth Centre is provincially funded, regardless of OHIP (Provincial Health Insurance) status.

The TBC is committed to Indigenous cultural integrity, which includes integrating Indigenous ways of seeing, being, knowing, doing and celebrating into birthing space.

On October 16, 2013, TCHC awarded a lease to Toronto Birth Centre Inc. at 525 Dundas Street East for a term of 10 years, commencing on November 1, 2013 and expiring on October 31, 2023. The lease is in good standing and both parties have entered into discussions to have the lease extended.

REASONS FOR RECOMMENDATIONS:

The proposed lease extension provides continuity of service to a tenant in good standing with TCHC. TBC has provide a valuable amenity to the community for the past nine years.

TCHC has negotiated rates at mid-market range, reflecting an initial increase of 3.0% above the last year of the prior term, followed by a 3.25% increase in year 3 and another 3.25% increase in year 5. All property taxes and operating costs shall continue to be charged back on a full cost-recovery basis.

IMPLICATIONS AND RISKS:

This transaction generates \$1,811,040.24 in Minimum Rent over the five year extension term. Rent is calculated on a per square foot basis and reflects an initial increase of 3.0% above the last year of the prior term, followed by a 3.25% increase in year 3 and another 3.25% increase in year 5.

Should TCHC exercise the option of either additional extension, the increase in per square foot rent will be recalculated at that time. The projected total

value of the lease, should it be extended to the full 15 years, is estimated at \$5,990,138.56 in Minimum Rent for TCHC.

Table 1 details the rental rates negotiated for each year of the first five year extension.

Table 1: Minimum Rent per Year

Lease Year	Per Year
1	\$352,963.40
2	\$352,963.40
3	\$364,425.70
4	\$364,425.70
5	\$376,261.80
Total	\$1,811,040.00

SIGNATURE:

“Allen Murray”

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