

# COUNCIL REPORT

**To: Mayor & Council**

**Date: October 14, 2009**

**From: Bill Preisentanz**

**Re: OPG Lease – Amended Agreement**

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**Background:**

Council had previously ratified a lease agreement with Ontario Power Generation for 4,600 sq.ft. office, secure parking, and warehouse space at the Operations Centre last month. The lease required a further estimated capital investment by the City of \$182,000 broken down as follows:

- \$50,000 City cost - City constructing partition walls on the second floor to bring the floor space into a rentable condition
- \$132,000 OPG cost - capital works for offices and storage recovered by the City over 10 years at 5% interest

The attached spreadsheet outlines the approved lease rates included in agreement providing an annual rent of \$107,084 of which \$16,800 is an annual recovery of OPG capital works.

Since the passing of Bylaw No.142-2009 ratifying the lease agreement, two events can be identified which has led to new negotiations between the City and OPG – 1) OPG corporate lawyers became involved 2) \$182,000 estimated capital cost is now \$204,748 after tender proposals were received.

Given the very tight construction timelines for a January 01, 2010 occupancy, a new negotiated lease is now being presented after lengthy negotiation involving our City solicitor and Building Manager. There are 4 outstanding issues which are not reflected in the new revised lease and which require Council support

- Construction costs between OPG and the City be based on actual construction costs as opposed to the City's \$50,000 maximum limit
- City portion of the construction be of the same quality as the existing finish of offices within the building
- Realty taxes imposed on the portion of space occupied by OPG only reflect the school portion i.e. 40%
- Base lease rate on the main floor be reduced from \$13 per square foot to a market rate comparable to a warehouse rate