



# The Regional Municipality of Durham

## Report

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To: Works Committee  
From: Acting Commissioner of Works  
Report: #2023-W-20  
Date: June 7, 2023

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### **Subject:**

Lease Agreement with Ivanhoe Cambridge II Inc. and 7503067 Canada Inc. for Space Located at 419 King Street West, Suite 102, in the City of Oshawa, for Use by the Health Department

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### **Recommendations:**

That the Works Committee recommends to Regional Council:

- A) That the Lease Agreement with Ivanhoe Cambridge II Inc. and 7503067 Canada Inc. (collectively, the “Landlord”) for premises located at 419 King Street West, Suite 102, in the City of Oshawa, containing approximately 2,593 square feet of office space be approved with the following terms and conditions:
- i) The lease term is for a period of five (5) years commencing September 1, 2023 and ending on August 31, 2028;
  - ii) The annual rental rate for the five (5) year term of this Lease will be \$37,598.50\*, based on the rate of \$14.50\* per square foot per annum;
  - iii) The additional rent for the term is estimated at \$26,448.60\* per annum based on the rate of \$7.00\* per square foot per annum to cover operating costs for the premises, which includes common area maintenance, utilities, and janitorial service and \$3.20\* per square foot per annum for realty taxes, for a total additional rent rate of \$10.20\* per square foot per annum. The amount per square foot for additional rent is to be adjusted annually based on actual costs;
  - iv) The Regional Municipality of Durham will have the option to renew the lease for two (2) additional five (5) year terms under the same terms and conditions subject to the rental rate being negotiated;

- v) The Landlord will be responsible for the maintenance, repairs and replacement of the systems, facilities and equipment necessary for the operation of the building and parking lot and other common areas; and
  - B) That the Regional Chair and Regional Clerk be authorized to execute all documents associated with the Lease Agreement.
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**Report:****1. Purpose**

- 1.1 The purpose of this report is to obtain approval to execute the lease with Ivanhoe Cambridge II Inc. and 7503067 Canada Inc. for Health Department programming space as per the terms and conditions outlined herein.
- 1.2 Dollar amounts followed by an asterisk (\*) are before applicable taxes.

**2. Background**

- 2.1 The Health Department is currently leasing space from Capital Holdings (Ontario) Corporation and 1615 Dundas St. E. Commercial Centre Inc., at 1615 Dundas Street East, in the Town of Whitby since September 1, 2005, to operate a breastfeeding clinic. The current lease agreement will expire on August 31, 2023. The rental rate for the current lease is \$14.00\* per square foot per annum.
- 2.2 The Health Department requested that Real Estate identify another space for the relocation of the clinic upon the expiration of the current lease term as the current facility, located on the second floor of the Whitby Mall at 1615 Dundas St. East, was leased jointly with the Oral Health Clinic. The Oral Health Clinic relocated in July 2022. Prior to Oral Health moving, staff members working at these clinics shared certain amenities, equipment and spaces which provided efficiencies for both programs.
- 2.3 The current clinic space has ongoing maintenance issues that impact operations at this location. In addition, the elevator to the second floor has been unreliable and when not in operation poses challenges in accessing the clinic for clients with infants and strollers. From May 2022 to October 2022, the breastfeeding clinic was temporarily relocated to Regional Headquarters because of ongoing elevator challenges. Other concerns raised by staff and clients at this location include wayfinding challenges which often result in clients arriving late for scheduled appointments.
- 2.4 To locate space for the breastfeeding clinic Real Estate staff viewed several properties and found the space at 419 King Street West, Suite 102, in the City of Oshawa

(Oshawa), to be suitable for the Health Department needs. The suite located within the executive centre and office galleria of the Oshawa Centre provides accessible transportation options for clients, has reserved parking spots for expectant mothers and families with children, and provides a secluded area for breastfeeding mothers.

- 2.5 The subject facility contains approximately 2,593 square feet of office space and will be used for the breast-feeding program and immunization services provide by the Health Department. The premises will be outfitted with five consultation rooms, five immunization rooms, a vaccine storage room and space for an administration and reception areas.
- 2.6 The property owner advised that they would use their preferred contractor to construct the space as part of their obligations in the lease agreement versus the Regional Municipality of Durham (Region) undertaking the work. The current estimate provided by the property owner to construct the necessary leasehold work with their preferred contractor is \$147,321\*. Regional staff reviewed the quotation and have determined that the rates quoted are competitive based on recent leasehold projects tendered by the Region. The preliminary construction schedule indicates that the upfitting could be completed by August 31, 2023. The obligations regarding the leasehold improvements will form part of the lease agreement.

### **3. Terms of Lease**

- 3.1 The proposed lease is for a term of five (5) years commencing on September 1, 2023 and ending on August 31, 2028. The Region will have the option to renew the lease for two (2) further five (5) year terms under the same terms and conditions subject to the rental rate being negotiated.
- 3.2 The proposed annual rent for the first year of the term is \$37,598.50\*, payable in monthly instalments of \$3,133.21\* based on the rate of \$14.50 per square foot per annum.
- 3.3 The proposed operating costs is estimated at \$26,448.60\* per annum or \$10.20\* per square foot per annum payable in monthly instalments of \$2,204.05\*. This includes \$7.00\* per square foot per annum for utilities, common area maintenance costs, janitorial services and \$3.20\* per square foot per annum for realty taxes. The amount per square foot for additional rent will be adjusted annually based on actual costs.
- 3.4 The Landlord will be responsible for repairs and maintenance of the building and other common areas.

#### **4. Financial Implications**

- 4.1 Financing for this Lease Agreement will be provided from within the Health Department Business Plans and Budget for this facility. Financing for the leasehold improvements and upfitting in the amount of \$250,000 is available within the approved 2023 Capital budget (Project ID G2302).
- 4.2 Since the approval of this Lease requires a long-term financial obligation for which payment is required beyond the term for which Regional Council was elected, the Regional Treasurer has updated the Region's financial debt and obligation limit. In accordance with Section 4 of the Ontario Regulation 403/02, the Region's Treasurer has calculated an updated long-term debt/financial limit and has determined that the limit has not been exceeded. Therefore, this lease renewal does not require the approval of the Local Planning Appeal Tribunal.

#### **5. Relationship to Strategic Plan**

- 5.1 This report aligns with the following strategic goals and priorities in the Durham Region Strategic Plan:
  - A) Goal #2: Community Vitality
    - 2.2: Enhance community safety and well-being;
    - 2.3: Influence the social determinants of health to improve outcomes for vulnerable populations
    - 2.4: To support a high quality of life for all through human services delivery
  - B) Goal #5: Service Excellence
    - 5.1: Optimize resources and partnerships to deliver exceptional quality services and value
    - 5.2: Allow for a seamless service experience

#### **6. Conclusion**

- 6.1 The Health Department has advised that they wish to lease the premises at 419 King Street West, Suite 102, in the City of Oshawa for the breast-feeding clinic and immunization services. It is recommended that the Lease Agreement be approved based on the above-noted terms and conditions.
- 6.2 This report has been reviewed by the Finance Department.

6.3 For additional information, please contact Christine Dunkley, Manager, Financial Services and Corporate Real Estate, at 905-668-7711 extension 3475.

Respectfully submitted,

Original signed by:

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Ramesh Jagannathan  
MBA, M.Eng., P.Eng., PTOE  
Acting Commissioner of Works

Recommended for Presentation to Committee

Original signed by:

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Elaine C. Baxter-Trahair  
Chief Administrative Officer