

REPORT

ADMINISTRATIVE SERVICES COMMITTEE

MEETING DATE: JUNE 18, 2018

FROM: Legal Department

DATE: May 28, 2018

SUBJECT: Short Term Leases in the Trafalgar Road/Cross Avenue Plaza

LOCATION: 233 Cross Avenue, 544 Trafalgar Road

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RECOMMENDATION:

1. That the Manager, Realty Services be authorized to enter into a listing agreement with Colliers Macaulay Nicolls Inc. for the purpose of marketing vacant space and obtaining short term offers to lease Town lands at 233 Cross Avenue and 544 Trafalgar Road.
2. That the Manager, Realty Services be authorized to enter into short-term leases for space in Town-owned buildings at 233 Cross Avenue and 544 Trafalgar Road in accordance with the report from the Legal Department dated May 28, 2018 entitled *Short Term Leases in the Trafalgar Road/Cross Avenue Plaza*.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The Town owns the plaza at Trafalgar Road and Cross Avenue and there are currently 4 vacant units in the plaza.
- Staff completed an RFP seeking real estate brokerage services to assist in finding tenants to lease vacant space in Town-owned properties.
- Colliers Macaulay Nicolls Inc. (the “**Broker**”) was the successful brokerage from the RFP.
- Staff are seeking authority to enter into listing agreements with the Broker for the Trafalgar Road/Cross Avenue Plaza (collectively the “**Properties**”) to allow the Broker to start marketing the vacant space.
- Offering the Properties through the Broker will allow for exposure to the market to better ensure the Town obtains fair market rent and the process is transparent and open to the public.
- Staff are also seeking authority to enter into short term leases for the Properties, provided such leases are approved by the CAO and the rent is fair market rent, as recommended by the Broker.

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BACKGROUND:

The Town acquired the plaza at Trafalgar Road and Cross Avenue to accommodate future road realignment. The property continues to be rented on an interim basis, until such time as the road project construction timing is determined. The plaza currently has 2 tenants, one unit being occupied by Town staff, and 4 vacant units.

Staff completed an RFP in March 2018 seeking real estate brokerage services to assist in finding tenants to lease vacant space in Town-owned properties. The Broker was the successful proponent from the RFP. Utilizing a broker will provide the benefit of the broker's advice to the Town on marketing strategies for maximizing occupancy and rent. The Broker's resources and exposure to the market will ensure the Town obtains fair market rent and the process is transparent and open to the public.

COMMENT/OPTIONS:

The Trafalgar Road/Cross Avenue plaza is not intended to operate as a commercial plaza for the long-term as a result of the planned realignment of Cross Avenue. In the interim, staff are recommending short-term leases that will provide the Town with some rental income and keep the plaza operating, rather than have the units remain vacant.

The short-term nature of the leasing opportunities for the Properties will make it difficult to find tenants, particularly those contemplating potentially significant capital improvements, and costly to obtain appraisals to determine the fair market rent. Therefore, staff are recommending engaging the Broker to market the Properties and find the tenants. The Broker will also be able to use their expertise to provide strategies to maximize occupancies and give an opinion as to fair market rent without the need to obtain independent costly appraisals.

If Council approves the staff recommendations, staff will bring the proposed leases to the CAO for his approval prior to execution. The form of the leases will be reviewed and approved by the Town Solicitor, and the rent will be recommended by the Broker as being fair market rent.

CONSIDERATIONS:**(A) PUBLIC**

The inclusion of this report in Council agenda will provide public notification.

(B) FINANCIAL

The Broker will receive 8% of the first year's net rent and 4% of the net rent for the balance of the term for leases acquired by the Broker.

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(C) IMPACT ON OTHER DEPARTMENTS & USERS

Staff from the Facilities and Construction Management Department will be involved prior to entering into any leases for Town owned buildings.

(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- continuously improve our programs and services
- be accountable in everything we do
- be fiscally sustainable

(E) COMMUNITY SUSTAINABILITY

Leases at market rent will provide economic benefits to the Town

APPENDICES:

None

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