

STAFF REPORT



THE CORPORATION OF THE TOWN OF COBOURG

Report to:	Mayor and Council Members	Priority:	<input checked="" type="checkbox"/> High <input type="checkbox"/> Low
Submitted by:	Ian D. Davey, BBA CPA CA Treasurer / Director of Corporate Services	Meeting Type:	
		Open Session <input checked="" type="checkbox"/> Closed Session <input type="checkbox"/>	
Meeting Date:	November 15, 2021		
Report No.:			
Submit comments to Council			

Subject/Title: Lease Agreement – Graphic Packaging International, LLC

RECOMMENDATION:

THAT Council receive this report for information purposes and further that a By-Law be prepared to authorize the Mayor and Municipal Treasurer to execute a lease agreement with Graphic Packaging International, LLC (GPI) for 88,245 square feet within Building 1 and 119,143 square feet within Building 6 of Northam Industrial Park.

1. STRATEGIC PLAN

Pillar – Prosperity – The Town plans for, markets and develops assets for economic growth and financial security.

2. PUBLIC ENGAGEMENT

N/A

3. PURPOSE

To provide Council with an update on negotiations with GPI to renew the existing lease with them for space within both Building 1, their main manufacturing plant and Building 6, currently being used for warehouse space. The total combined square footage under this lease being 207,388.

4. ORIGIN AND LEGISLATION

N/A

5. BACKGROUND

GPI currently occupy 88,245 square feet within Building 1 which is the location of their main manufacturing plant. The current lease on this space expires December 31, 2021.

Earlier this year GPI agreed to add 31,510 square feet of space in Building 6 to their existing Building 6 lease bringing their total leased space within Building 6 to 119,143. This agreement also expires December 31, 2021.

Schedule A attached to this report outlines the space that will be covered by the lease agreement.

GPI and its predecessors in the packaging products industry have been tenants in Northam Industrial Park since 1992 and currently employ approximately 130 employees.

6. ANALYSIS

Building 6

Earlier this year when GPI agreed to take the additional space in Building 6, the landlord agreed to approximately \$185,370 of improvements to this space to make it acceptable as warehouse space for GPI finished goods. This work was completed in January and February of this year and included removal of all asbestos, repairs to the concrete floor, application of two coats of clear epoxy coating to seal the floor and the installation of an insulated rolling steel door and hydraulic dock leveler. These capital costs were factored into the rent calculations for 2021 with approximately half of this amount recovered during 2021.

The only additional capital work being requested by the tenant for this renewal is the replacement of 15 infrared tube heaters at a budgeted cost of \$81,130.

Building 1

The following capital works have been requested to the Building 1 space and all are considered reasonable landlord costs:

1) Upgrade to Fire Alarm System	\$27,500
2) Replacement of Air Conditioning Units	\$24,555
3) Replacement of Infrared Tube Heaters	\$41,200
4) Step Repairs	\$ 5,000
5) Electrical separation between GPI & Baxter's	\$123,025
6) Asphalt Repair at Entrance	<u>\$ 5,000</u>
Subtotal	\$226,280
Project management fee @ 5%	<u>\$ 11,314</u>
Total expected capital costs	<u>\$237,594</u>

Total combined additional landlord costs to be recovered over the term of the lease are budgeted at \$318,724.

7. FINANCIAL IMPLICATIONS/BUDGET IMPACTS

The terms of the new lease will be as follows:

Total area	207,388 square feet
Term	Five years – January 1, 2022 to December 31, 2026
Base rent	Building 1 - \$4.20 per square foot for Year 1 Building 6 - \$3.30 per square foot for Year 1
Annual increase	Years 2 through 5 – annual increase of 2% per year.
Taxes & Insurance	Proportionate share estimated at \$0.95 per square foot
Renewal Option	Two five year renewal options after December 31, 2026

In summary, the total leased area is 207,388 square feet and the annual rent for the first year will be \$763,800 plus taxes and insurance of an additional \$197,000.

8. CONCLUSION

That a By-Law be presented to Council as part of the November 1, 2021 Regular Council meeting authorizing the Mayor and Municipal Treasurer to execute a lease agreement with Graphic Packaging International, LLC for existing space in Building 1 and Building 6 within Northam Industrial Park for an initial 5 year period from January 1, 2022 through December 31, 2026.

Report Approval Details

Document Title:	Northam Industrial Park - Graphic Packaging Lease Renewal - Corporate Services-130-21.docx
Attachments:	
Final Approval Date:	Oct 14, 2021

This report and all of its attachments were approved and signed as outlined below:

Tracey Vaughan, Chief Administrative Officer - Oct 14, 2021 - 3:24 PM



Northam Industrial Park Directory

- 1** Town of Cobourg Public Works
- 2** Graphic Packaging International (GPI)
- 3** Canada Candy
- 4** Horizon Plastics
- 5** Cameco
- 6** Northam Park Administrative Office
- 7** Vacant
- 8** Bardon Supplies
- 9** Go Green
- 10** Venture13 Innovation and Entrepreneurship Centre
- 11** Baxter's Bakery
- 12** Northumberland Collision
- 13** CCS Industrial
- 14** National Shunt Service Ltd (NSSL)
- 15** Post/Weetabix
- 16** St. John Ambulance
- 17** Rebound Youth Services
- 18** Just Dance Northumberland
- 19** Northumberland Fare Share Food Bank
- 20** Cobourg Soccer Club
- 21** Northumberland Youth Unlimited
- 22** VON Northumberland

SCHEDULE A

