

# Staff Report

Presented By: Tammy Grove, Municipal Solicitor  
Meeting Date: October 27, 2025  
Subject: Standard Lease Agreement Template  
Attachment(s): Template - Standard Lease Agreement

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## **Recommendation**

That Council receive the Standard Lease Agreement Template report for information.

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## **Report Summary**

One of the Town's 2025 Major Initiatives is to standardize its commercial lease documents. This report presents the proposed template, intended as a consistent foundation for most commercial leases, with adjustments made as needed. Standardization aims to increase efficiency, reduce costs, and streamline leasing processes.

## **Background/Analysis**

The Template – Standard Lease Agreement (the “Lease”) sets forth the terms and obligations between the Town of Saugeen Shores (as Lessor) and the Lessee when leasing Town-owned facilities. The Town will use this Lease, subject to modification as deemed necessary, when renting out all or part of a Town-owned facility. The Lease is not intended for residential facilities, which are governed by the Residential Tenancies Act; it applies only to commercial spaces and is subject to the Commercial Tenancies Act.

## **The Lease**

The Lease has been intentionally drafted to minimize required input when negotiating with potential Lessees. It features:

- A cover page identifying the parties and the date of last execution.
- A table of contents (pages 2-3) for quick reference to articles and provisions, with each provision starting with its heading as listed.
- Article 1 – Section 1.2 (pages 5 and 6) provides a high-level overview of the Lease's basic terms for quick reference.
- Article 3, related to Rent and Additional Rent, includes drop-down boxes for selection based on specific circumstances.

- Schedules are fillable forms, to allow for inserting relevant terms according to the facility and negotiations.
- Clauses on pages 7 to 20 are generally not modified unless there is a fillable box or drop-down menu, such as in Article 2 – Rent. Should negotiations require a clause change, the practice will be to strike out the original clause (leaving it visible but inapplicable) and add the new negotiated clause to Schedule “B” (Special Provisions). This approach eliminates inconsistencies and errors and also alerts Council to any negotiated changes.

### **Brief Summary of Main Terms**

The following represents a high-level summary of the main terms of the proposed Lease template:

#### **a) Lease Term and Permitted Use (Basic Terms – 1.2 and Article 2)**

The Lease has been drafted to allow the Town to insert the proposed duration of the Lease, based on negotiations with the Lessee. The maximum term of the Lease will be 20 years or less. Any term exceeding 20 years will require a customized lease and compliance with the Town’s Disposal of Land Policy.

The Lease includes wording granting the Lessee with exclusive use of the leased property, as defined, for an agreed period of time, with permitted uses specified in Schedule A and any ancillary uses requiring the Town’s consent. Also, if there are any common use areas (shared spaces) these will be identified in Schedule A.

There is a Holding Over clause included in the Lease, which converts a fixed tenancy into a monthly tenancy thereby avoiding the necessity of renewing the lease term. This clause allows the parties to continue with all terms to remain if the Town accepts rent or accepts the overholding.

There is also a clause which contemplates a renewal of the Lease. If a renewal is agreed to, the terms of the Lease (except for rent) will continue for the renewal period.

#### **b) Rent and Payments (Basic Terms 1.2 and Article 3)**

##### **i. Basic Rent (Section 3.1)**

The Lease, as drafted, provides flexibility for the amount of basic rent that will be charged as well as the terms of payment i.e. Monthly, annually, etc. Regardless of the amount collected, it is recommended that HST be applicable. To date, the Town has no policy on what it should charge for rent. At this time, the Lease is drafted for Town to insert the amount of rent that Council desires to collect.

In addition, the Basic Rent section includes a drop-down menu which provides the selection of one of the following scenarios related to Basic Rent increases:

- Basic Rent will increase by 3% annually plus applicable HST;

- basic Rent will increase annually based on CPI;
- basic Rent will increase annually based on the Town's Fees and Charges By-law, if adjusted annually; or
- basic rent will not increase unless the Town provides 6 months advance notice and engages in good faith negotiations with the Lessee to establish a reasonable increase.

ii. Additional Rent (Section 3.2)

The Lease includes the collection of "Additional Rent", in addition to Basic Rent, which is intended to cover utilities, minor repairs, property taxes, and other specified costs. The purpose of this provision is to ensure that the Town is not operating in a deficit with respect to its commercial properties. With municipal properties that are rented to third parties, property taxes are applicable. Currently on Town properties, unless specifically stated, the Town is responsible for paying the realty taxes on behalf of a Lessee, unless there is a provision included in the existing lease which ensures recovery for the Town. The purpose of this provision is to require a Lessee to be responsible for these costs, in addition to the Basic Rent, plus HST. Schedule B provides an opportunity to check which expenses will be paid by the Lessee, as there may be circumstances which warrant the expenses being paid by the Town.

iii. HST (Section 1.2 and Article 3)

Commercial real property leases are taxable unless exempted, and thus subject to HST. The Town's practice regarding rent amounts and HST collection has not been consistent.

iv. Interest (Section 3.4)

All payments are considered rent for enforcement purposes and are subject to interest, if not paid within the time stipulated. The interest rate applicable (1.25% per month, compounded monthly) is based on the Town's current interest rate applied for property tax arrears to be consistent with Town practice.

**c) Obligations and Covenants of the Lessee (Article 4)**

The Lease outlines the responsibilities of the Lessee. In particular, the Lessee agrees to pay all rents and charges, use the property only for permitted purposes, supply their own equipment and telecommunications, comply with laws, maintain applicable licenses, keep the property neat, avoid nuisance or illegal use, and report damages promptly. They must also keep the property free of liens except when contesting them properly.

Any services that the Lessee is expected to provide are to be included in Schedule B and can be negotiated.

In addition, if there are specific Rules or Regulations related to the particular property being leased, then these can be added to Schedule C.

**e) Lessor Obligations and Covenants (Article 5)**

The Lease outlines the responsibilities of the Town, as Lessor. It guarantees quiet enjoyment of the property, provides specified services (as outlined in Schedule B), gives notice for major repairs, and is not liable for damages if the Lessee fails to report defects or denies access for repairs.

**f) Maintenance and Repairs (Article 6)**

The Lease outlines the terms related to Lessee's maintenance requirements and repairs. The Lessee must maintain the property and improvements in good condition at their expense, allowing Lessor access for inspections and repairs with notice. Any permanent improvements belong to the Lessor unless otherwise agreed. Any major repairs are the responsibility of the Town.

**g) Insurance and Indemnification (Article 7)**

The Town's standard practice is to require a Lessee to maintain \$5 million commercial general liability insurance, naming the Town as an additional insured and indemnifying the Lessor against claims arising from Lessee's negligence or misconduct, with indemnity surviving a termination of the lease. The requirement for the Lessee to maintain insurance does not eliminate the Town's requirement to maintain insurance.

**h) Default and Remedies (Article 8)**

The Lease identifies "Events of Default" which permit the Town to terminate the Lease, such as non-payment of rent, breaches, bankruptcy, liens, insurance cancellation, or abandonment. In addition, clauses have been included to allow the Town to fulfil Lessee's obligations, re-let the property, or terminate the lease, with Lessee responsible for all outstanding payments and costs.

**i) Dispute Resolution (Section 9.2)**

The Lease provides for dispute resolution via mediation or arbitration.

**j) General Provisions**

Notices must be in writing and delivered to specified addresses. Assignment or subletting is not permitted without the Town's consent. Force majeure extends performance times or allows Lessee termination after 90 days. There shall be no registration of the lease against title to the leased premises without consent of the Town, which shall not be unreasonably withheld however if registration does occur, then the responsibility and the cost to remove the Lease is borne by the Lessee.

## **Next Steps**

The implementation of the Template - Standard Lease Agreement is expected to begin in 2026, following the creation of a fillable template, finalization of a checklist to be used by the Town, and training.

## **Linkages**

- Strategic Plan Alignment: Pillar 1: Meeting the Needs of a Growing Community
- Business Plan Alignment: CAO Major Initiative

## **Financial Impacts/Source of Funding**

No costs or revenue is associated with this report.

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