

In January 1965 departmental officials met with the landlord to discuss termination of the lease but no agreement was reached. On February 26, 1965 the landlord advised the Department by letter that he was negotiating with a tenant to take over the whole of the premises and requested the right for ninety days from the date of his letter to terminate the lease upon thirty days notice. However, as negotiations were being conducted through the Department of Public Works for occupancy of the building by the RCMP, the Department did not agree to this request until April 9, 1965.

In addition to negotiating with the Department of Public Works in an effort to find a tenant, the Department held discussions with two realtors during which the cost of their services and difficulties that would be encountered in efforts to sublet were considered.

During further negotiations with the landlord in September 1965 several proposals were discussed, one of which was that the Department give the landlord authority to arrange a sublease of all or part of the property and to provide him with a cash incentive that he could pass on to any sublessee. He suggested that 50% of the rent due him for any space sublet would be sufficient for this purpose. However, as he might only be able to lease portions of the building, the Department felt that such an arrangement would be most cumbersome to administer since it would continue to be responsible for the cost of heating, utilities, maintenance and janitorial services and the rent on the unleased portions. The proposal was not accepted.

The Department finally agreed to recommend to the Treasury Board settlement for a lump sum payment of 75% of the amount due for the balance of the lease and the cost that the Department would be faced with in heating, utilities and caring for the property during the remainder of the lease. It was arranged that the lease would be terminated effective October 1, 1965, on payment of \$175,313 in lease termination charges based on 75% of the rental and estimated lighting, heating and other costs for the period October 1, 1965 to April 30, 1967. This payment together with the \$67,500 rent paid for the period April 1, 1965, to September 30, 1965, when the Department was attempting to find other

lessees, brings to \$242,813 the amount for which no benefit was received.

It has come to our attention that shortly after the landlord received this settlement from the Department of National Defence in October 1965, he leased the same premises to the Board of Education of the City of Toronto for five years commencing January 1, 1966 at an annual rental of \$108,000. We understand that the building was taken over by the Board of Education in November 1965.

Since the premises are being used as an adult training centre, which qualifies for federal assistance under the Technical and Vocational Training Agreement between the Federal Government and the Province of Ontario, the Federal Government, through the Department of Manpower and Immigration, will be reimbursing 75% of the centre's operating costs which will include the rent and the cost of extensive renovations.

Here the Department of National Defence paid over \$242,000 in lease termination and related charges for which no benefit was received. The building in question had been vacated March 31, 1965. The lease, which had almost two years to go, was finally terminated on October 1, 1965. These dates are important to recall.

It had proved impossible for the Department of National Defence, even with the assistance of the landlord, to locate anyone who would take it over until May 1967, its expiry. The landlord did offer to accept 50 per cent of the rent due at one stage, but this was not negotiated further as the arrangement was apparently considered administratively impractical. However, the audit office noted that shortly after receiving this settlement on October 1, 1965—that is to say the settlement of \$242,000—the Toronto landlord leased the same premises to the Board of Education of the City of Toronto and they moved in the following month, November 1965, within 30 days of the landlord's being paid off to this extent. The Board of Education of the City of Toronto took a five-year lease not to begin until January 1, 1966, at an annual rental of \$108,000. That interested us, and more so when we found that as the premises were being used as an adult training centre, the Board of Education qualified for assistance under the federal Technical and Vocational Training Assistance Act. Hence the federal government is reimbursing 75 per cent of the centre's operating costs to the Toronto Board of Education, including the