

TORONTO TRANSIT COMMISSION REPORT NO.

(Re-submitted August 26, 2009)

MEETING DATE: July 9, 2009

SUBJECT: TRANSIT CITY - LEASE OF OFFICE SPACE

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission approve the offer to sub-lease office space at 5160 Yonge Street with Maple Leaf Foods under the terms detailed in this report.

FUNDING

The leasing of this space (37,118 square feet) will cost the Commission approximately \$10,976,825.00, plus applicable taxes, until the lease term expires on November 29, 2016. Details of the financial analysis are attached as Appendix 1.

No funding for this commitment is included in the \$29.9 million approval for work as approved by the Council on December 10, 2008. A report addressing further commitments is the subject of another report to the Commission at the meeting of July 9, 2009. Full provincial funding of various lines was announced on April 1, 2009, and this funding is subject to the establishment of appropriate agreements, including eligibility of expenditures.

BACKGROUND

This space is required for staffing of the Transit City department. The term of the sub-lease shall commence on November 1, 2009. Staffing expectations for the Transit City department has 81 positions budgeted for 2009 and is expected to increase in 2010 to approximately 200-250 positions. In 2013, it is expected that staffing levels will increase to 450 positions, where Transit City cannot be accommodated within TTC owned premises and will require acquiring additional office space at that time. From 2013 to 2020, Transit City will require approximately 90,000 square feet of office space.

Following a search of office space in the north Yonge Subway market (Eglinton to Finch), the cost of the sub-lease space at 5160 Yonge Street is considered very reasonable based on gross effective rents per square foot (taking into account net rent, operating costs and the value of leasehold improvements) and comparable to other leases at this location. The sub-lease term expires in November, 2016. Maple Leaf Foods rejected all offers from the TTC with a lease expiry date of November, 2013.

The benefit of a sub-lease is that the net (base) rent is significantly lower than a direct lease with a head landlord. For example, this space is being leased at \$12 per square foot, net. Current net lease rates with head landlords in the north Yonge area range from \$16 to \$20 per square foot.

DISCUSSION

The TTC offer for the sub-leasing of the space at 5160 Yonge Street from Maple Leaf Foods, which has been accepted by the landlord (conditional on Commission approval), is summarized as follows:

Premises:	<ul style="list-style-type: none"> - 2nd Floor - 3,771 square feet - 3rd Floor - 33,347 square feet
Term:	<ul style="list-style-type: none"> - November 1, 2009 to expiry of the lease on November 29, 2016 (TTC will take possession of the offices on August 1, 2009) - Maple Leaf Foods would not accept a term expiry date of November 29, 2013
Base Rent:	<ul style="list-style-type: none"> - November 1, 2009 – November 29, 2016 - \$12.00 per sq. ft. net
Other:	<ul style="list-style-type: none"> - TTC will receive eight months of gross free rent on 8,000 sq. ft. of space - TTC will pay all additional rent for property taxes, utilities, maintenance, etc., as set out in the Head Lease which is currently set at approximately \$19.00 per sq. ft.
Parking:	<ul style="list-style-type: none"> - Currently set at \$130 per space per month 84 parking spaces required
Renovations:	<ul style="list-style-type: none"> - Cost of leasehold improvements budgeted at \$45.00 p.s.f.

The total cost to the Commission over the life of the sub-lease is \$10,976,825.00, plus applicable taxes. This includes base rent, operating costs, leasehold improvement costs and the cost of parking.

JUSTIFICATION

The lease of space at 5160 Yonge Street is the most prudent and cost effective course of action and represents the best overall value to meet the need for additional leased office space for the Transit City department.
