

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: October 29, 2009

SUBJECT: LEASING OF 40 CARL HALL ROAD, DOWNSVIEW PARK

ACTION ITEM

REASON FOR CONFIDENTIAL INFORMATION:

This report is about a proposed or pending land acquisition by the Commission.

RECOMMENDATION

It is recommended that the Commission:

1. Approve the execution of an agreement with Parc Downsview Park Inc. for the lease of a warehouse facility for the storage of TTC inventory material commencing January 1, 2010 for a term of two years at the total estimated cost of \$1,400,000 (including an allowance for hydro) plus GST subject to terms and conditions acceptable to the Chief General Manager, General Secretary and General Counsel; and
2. Not release the information contained in the confidential attachment until such time as the lease, including any amendments, between the Toronto Transit Commission and Parc Downsview Park Inc. for the premises at 40 Carl Hall Road is executed.

FUNDING

Sufficient funds will be included in the proposed 2010 TTC Operating Budget and will be included in future Operating Budgets as required.

BACKGROUND

Davenport Garage, located at the Hillcrest Complex, was used as an operating bus garage until its closure in December 1992. Since this time it has been used as a storage facility for inventory material controlled by the Materials and Procurement Department (M&P) for Streetcar Way, Bus Maintenance, Non-Revenue vehicles, surplus assets, other capital spare material (e.g. bus engines), etc.

A consultant was retained last year to complete a site survey and predesign report regarding concerns as to the condition of the concrete slab on the second floor of Davenport. To date only a preliminary survey of the condition of the slab on the second floor has been completed and therefore, there is no written Engineer's report. However, it is apparent that the second floor concrete slab at Davenport is delaminating particularly on the south side and some pieces of concrete have fallen from the ceiling into employee work areas in the basement at Davenport. The condition of the slab is such that it may have to be replaced as the damage (i.e. cracking, corroded re-bar, delaminating concrete,) may be extensive on the south side (a visual inspection of the underside of the slab would appear to confirm that the signs of damage are not isolated, but rather are extensive on the south side of the building). Further, the roof at Davenport leaks and so every time it rains the situation is aggravated (the repairs to Davenport's roof are an existing project in the Capital Budget).

As a result of this situation staff is not permitted to work in the basement south side and the second floor is to be cleared of material in order for the consultant to finish the site survey and predesign work (approximately three to four months once material is removed). Further, staff cannot use a forklift to access the material on the second floor due to concerns that its weight may exceed the current capacity of the floor even though much of the material on the second floor can only be removed using a forklift. To date only some of the heaviest material has been removed with the Engineer's approval (e.g. bus engines that are being stored in leased space) and there are two issues preventing the removal of all the material:

1. Engineering has determined that the second floor cannot bare the weight of a forklift as it would be unsafe and has only allowed the use of a manual pump truck, however much of the material is either too heavy to move with a pump truck or is stored on racking and is not accessible using a pump truck.
2. There is no place to store all the material in the building even if it could be removed unless M&P is allowed to rent/lease space to store such material.

At this point much of the material has not been removed and therefore, the site survey has not been completed. Further, if the slab needs to be replaced it would likely take several years to complete construction following the various required processes (i.e. funding approval, design/permits, procurement and construction) and also in light of the many competing priorities currently within the TTC.

Therefore, at this time it is necessary to remove the material from the building and store it in another building to allow Engineering to complete the site survey/predesign work and determine the building's future. In the meantime, the building will not be safe for the storage of Inventory material for at least two years. As a result, M&P must find an alternate facility as soon as possible to store this material for at least two years pending a decision on the future of the Davenport facility.

DISCUSSION

In its attempts to address this issue, staff considered the size and nature of the items that are required to be stored to determine if this material could be stored in high density storage units (i.e. vertical lifts). However, the materials stored at Davenport are primarily larger items that require racking or floor storage and therefore, would not be suitable for a high density storage system (e.g. Streetcar Way material [e.g. tools, welding material, switch boxes, etc.]; equipment [e.g. lights, welders, etc.]; Digital Video Recorders and Cameras for buses; rebuilt material [e.g. alternators, starters, radiators, etc.]; capital spares [e.g. bus engines, transmissions, etc.]; bus and streetcar body panels; etc.).

Staff also considered rearranging material within M&P's existing facilities by purchasing more high density storage units and moving smaller materials to them from existing racking to free up space to then store the larger Davenport materials. However, M&P have determined that this initiative would not come close to addressing the volume of storage space required as a result of the loss of Davenport. In any event, M&P has already requested the advancement of the installation of two vertical storage lift units from 2012 to 2010 in the proposed 2010-2014 Capital Budget to deal with pre-existing storage concerns in the Duncan Central Warehouse as all of M&P's storage facilities are already full to capacity.

Beyond M&P's current storage facilities, there are no other existing TTC facilities available for use to store inventory material; therefore staff reviewed possible existing TTC locations that would be in a condition appropriate for the immediate construction of a suitable storage facility (i.e. sprung structure type building with concrete slab floor, lighting, heating/ventilation and office/washroom facilities for use by employees that would reside at the site).

There are two issues associated with construction of a sprung structure. The first issue is cost and based on pricing obtained from a supplier; staff has estimated that the cost of a suitable sprung structure (i.e. 75,000 sq. ft.) would be in the range of \$7.5 to \$8.5 million. This estimate excludes any other requirements outside of the building footprint (e.g. construction of roads, truck parking, etc.) and assumes that a suitable "ready for construction" site on TTC or City property would be available. Based on the estimated cost, the construction of a new building represents an expensive option, particularly if it is found that M&P may be able to re-occupy Davenport in the future pending required remedial work on the building's structure.

The second issue is timing as depending on the site and the degree of difficulty in obtaining the required planning/permit/internal approvals as well as the necessary design, procurement and construction processes, it could take between one to two years to complete the construction of a sprung structure in the size required. In the meantime, arrangements would still have to be made to lease/rent storage space for the displaced Davenport inventory material until the new facility was constructed.

Staff investigated existing TTC properties and also contacted the City's Facilities & Real estate staff, who confirmed that there are no City owned facilities available at this time to

suit TTC requirements. Staff identified four potential TTC sites for construction of a 75,000 sq. ft. sprung structure, but further investigation revealed that one site (Danforth) was not large enough for the required building and the other three sites were either not available for TTC use as the location has been designated for development or not in a "ready for construction" state. As a result, using these sites would introduce complications or new requirements that would likely significantly increase the cost of construction (e.g. environmental assessment/public consultation would be required; extensive grading requirements, paved roads and parking for heavy trucks; etc.) and delay completion of the facility.

The only "ready for construction" site was Danforth; however the largest structure that could be installed at Danforth is 25,000 sq. ft. (allowing for truck access/turning) at an estimated cost of \$2.5M, including a concrete slab, ventilation and lighting. This solution would not replace the space lost at Davenport and is also significantly more expensive than the lease of space at Downsview. Besides, M&P already have a submission in the 2010-2014 Capital Budget to build a 25,000 sq. ft. sprung building at Davenport in 2010 to store the new "Toronto Rocket" subway parts as there is no available space available anywhere else in the Commission. In any event, constructing a sprung structure on any of the four possible TTC sites is not a practical alternative to the leasing of storage space at 40 Carl Hall Road.

Since there is no other existing Commission facility to store this material nor suitable TTC or City sites for construction of a sprung building, the Property Development Department was requested to perform a search of suitable storage facilities available for lease within the City of Toronto.

Property Development identified four potential buildings with the Downsview Park facility being the best fit and lowest cost option meeting the Commission's requirements. This facility consists of 95,000 sq. ft. of inside storage as well as 3,200 sq. ft. of outside storage. It is centrally located and is in relatively close proximity to the Hillcrest Complex. As a result of negotiations, the landlord has offered the Commission an attractive discounted rental fee as well as a free rental period from November 1, 2009 to December 31, 2009, since we require the storage space as soon as possible. In addition, the landlord has offered the outside storage space at no additional charge to the Commission.

The lease of the Downsview Park facility is for a period of two years with options for two additional one year periods. The two year term will provide the Commission sufficient time to determine the disposition of Davenport and if at that time Davenport is not available to be re-occupied, staff will recommend extension of this lease, which would be the subject of a future report.

The Commission's offer for leasing the space at Downsview Park has been accepted by the Landlord (conditional upon Commission approval) and is summarized as follows:

Premises: 95,000 sq. ft. of inside storage and 3,200 sq. ft. of outside storage

Term: Two years with an option for two additional one year terms

Base Rent: Year 1 - Jan 1, 2010 – Dec 31, 2010: \$3.00 per sq. ft. per annum

Year 2 - Jan 1, 2011 – Dec 31, 2011: \$3.50 per sq. ft. per annum

Additional Rent: \$2.85 per sq. ft. for operating expenses
 \$1.15 per sq. ft. for realty taxes

Other Costs: TTC to pay the cost of hydro costs which is metered separately

Rent-Free Period: November 1, 2009 – December 31, 2009

The lease of the Carl Hall Road facility would also present the Commission with some options to reduce or defer current and proposed future expenditures. The first opportunity is that M&P has been paying a total of \$30,000 per year for third party storage at two other facilities to store inventory material due to a pre-existing space restriction. Leasing the Downsview Park facility would permit M&P to move this inventory material to Downsview for storage and therefore, eliminate the rental costs for these facilities.

In addition as mentioned earlier in this report, M&P has a submission in the 2010-2014 Capital Budget to build a 25,000 sq. ft. structure at Danforth in 2010 to store parts for the new Subway Toronto Rocket Train Sets (as there is currently no available storage space at any existing Commission facilities). The facility at Downsview Park, which is close to the Wilson Complex where the new subway trains will be maintained, would be large enough to also store the Toronto Rocket parts; thereby the requirement for a new sprung structure at Danforth could be deferred.

M&P requires space to store the necessary inventory material to support the Commission's maintenance requirements and if suitable lease space for the storage of Davenport inventory material cannot be secured, M&P will be compelled to store inventory material at high cost, third party storage facilities. At these types of facilities, all loading and unloading of material to and from Commission vehicles must be performed by the company's employees and requires advance notice, which both drives up the cost to store/move material and is also not conducive to the Commission's operational requirements. As a result, this alternative is highly undesirable as it will be substantially more expensive than the recommended lease of space at Carl Hall Road (at least 50% more per sq. ft. plus handling charges).

JUSTIFICATION

The unexpected loss of storage capacity due to structural problems at Davenport Garage requires that a suitable facility be secured immediately for TTC inventory material stored at Davenport. There are no existing TTC facilities available to accommodate M&P's requirements, nor can M&P compensate for this loss of space by increasing the density of storage space at existing facilities. In addition, there are no TTC or City properties available in a "ready for construction" state for the construction of a 75,000 sq. ft. facility and this situation would likely significantly increase the already expensive estimated construction cost (i.e. at least \$7.5M to \$8.5M). Further, the construction would require at least between one to two years to complete depending on the site and the various processes required to be followed and in the meantime, M&P would still require storage space until the new facility is

built. Finally, such an expense may be unjustified if it is found that pending remedial action, Davenport can be re-occupied by M&P in the future.

As a result of this situation, staff has investigated lease properties within the City and identified several, of which the best fit and lowest overall lease cost is the facility at 40 Carl Hall Road, Downsview Park. This option will also permit the elimination of existing expensive, third party storage as well as the elimination of a new sprung structure at Danforth from the proposed 2010-2014 Capital Budget. The recommended lease of the facility at Downsview Park represents the least cost option to resolving M&P's storage requirements in the short term and will provide the time necessary to determine the future of Davenport Garage and to better determine a more economic long term solution if Davenport is not available for use in the future.

October 6, 2009
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