

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: December 15, 2010

SUBJECT: TRACTION POWER – NEW OVERHEAD FACILITY LEASE

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission approve the offer to lease office and shop space at 391 Alliance Avenue with 695072 Ontario Limited (Landlord) under the terms detailed in this report.

FUNDING

The leasing of this space (32,772 square feet) will cost approximately \$2.0 million through the five year base term which expires on January 31, 2016. There is a provision to extend the lease for two additional one year periods (through to January 31, 2018) for which the lease rates are to be negotiated.

Sufficient funds have been included in the Operating and Capital Budget submissions, and will be included in annual Budget submissions over the term of the lease.

BACKGROUND

The Capital Budget submission for 2011 includes a project to upgrade the Overhead network to accommodate the replacement streetcar fleet. This is a very extensive project which includes:

- Rebuilding of approximately 125 streetcar overhead intersections and loops;
- Replacement of 180 Km of tangent wire with higher capacity conductor and pantograph hardware; and
- Rebuilding of 3 legacy streetcar yards.

To fulfill this mandate the Overhead section will need to hire additional Overhead personnel, acquire additional Overhead vehicles and construction equipment, as well as increase the size of its current storage space to accommodate the storage of the material related to the rebuild project. The existing shops and offices at Hillcrest Yard are inadequate to accommodate these additions. It is intended to relocate the entire Overhead section from the Hillcrest complex to the leased facility at 391 Alliance Ave. This will free up badly needed space at Hillcrest for other operational needs.

DISCUSSION

An extensive search of possible location/facilities satisfactory to operations was conducted by the Property Development Department, resulting in the selection of this property. A major factor in selecting this property is that the lease includes an overhead 3 ton Crane which is required to move materials and cable reels from the shop floor to the Overhead vehicles.

The TTC offer to lease 391 Alliance Avenue from 695072 Ontario Limited, which has been accepted by the landlord (conditional on Commission approval), is summarized as follows:

Base Rent: February 1, 2011 – January 31, 2012 - \$7.00 per sq. ft. net
 February 1, 2012 – January 31, 2013 - \$7.25 per sq. ft. net
 February 1, 2013 – January 31, 2014 - \$7.50 per sq. ft. net
 February 1, 2014 – January 31, 2015 - \$7.75 per sq. ft. net
 February 1, 2015 – January 31, 2016 - \$8.00 per sq. ft. net

The total cost to the TTC over the life of the lease is \$1,937,119 plus applicable taxes. This includes base rent of \$1,228,950 plus \$708,169 for operating costs, property tax, and utilities. The attached tables show a breakdown in total cost for each year of the lease.

JUSTIFICATION

As a result of the introduction of the new LRV fleet, the entire TTC legacy Overhead network must be rebuilt. In order to accommodate the resources required for this project, as well as ongoing maintenance, a new facility is needed. Leasing space at 391 Alliance Avenue is the most logical and cost effective course of action and the rental terms are commercially acceptable.

November 24, 2010
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Attachments: Tables – Gross Rent Analysis

**TORONTO TRANSIT COMMISSION
391 ALLIANCE AVENUE
GROSS RENT ANALYSIS**

Lease Year: February 1 - January 31

TOTAL

	2011	2012	2013	2014	2015	2016	
Net Rent	\$210,287	\$236,914	\$245,107	\$253,300	\$261,493	\$21,848	\$1,228,950
Additional Rent Estimate	\$121,966	\$137,046	\$141,157	\$145,392	\$149,754	\$12,854	\$708,169
ANNUAL CASH FLOW	\$332,253	\$373,960	\$386,265	\$398,692	\$411,247	\$34,702	\$1,937,119

