

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** October 19, 2011

**SUBJECT:** TRANSIT EXPANSION OFFICE LEASE

## **ACTION ITEM**

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### **RECOMMENDATION**

It is recommended that the Commission approve the offer to lease office space at 5160 Yonge Street with The Great West Life Assurance Company and London Life Insurance Company (Landlord) under the terms detailed in this report.

### **FUNDING**

The leasing of this space (approximately 23,000 square feet) will cost approximately \$4,971,666.00, plus applicable taxes, until the lease term expires on November 29, 2016. Details of the financial analysis are attached as Appendix 1.

Funding for these services, which is dedicated to Transit Expansion funded by Metrolinx, is contained in the approved "Achieving 5 in 10:A Revised Plan for the Big 5 Transit Projects" approved by the Metrolinx Board of Directors on May 19, 2010. This work is being undertaken by TTC on behalf of Metrolinx and these eligible costs will be recovered through the City of Toronto against the funding advanced by Metrolinx.

### **BACKGROUND**

This space is required for staffing of the Transit Expansion department. The term of the lease shall commence on April 1, 2012. Staffing expectations for the Transit Expansion department has 245 positions, net of City staff resources, forecast for 2011/2012. The Transit Expansion department cannot be accommodated within existing owned or leased premises and consequently requires this additional office space.

Following a search of office space in the north Yonge subway market (Eglinton to Finch), the cost of the lease space at 5160 Yonge Street is considered very reasonable based on comparable rents to other leases at this location. The lease term expires in November, 2016 which coincides with the term expiry of the sub-lease space with Maple Leaf Foods which Transit Expansion occupies.

The benefit of this lease is that the space is located in the mezzanine level of the office tower and as such the net (base) rent is significantly lower than leasing space in the tower. For example, this space is being leased at \$14.00 per square foot, net. Current net lease rates for higher floor space range from \$20.00 to \$22.00 on a per square foot basis.

**DISCUSSION**

The TTC offer for the leasing of the space at 5160 Yonge Street from The Great West Life Assurance Company and London Life Insurance Company, which has been accepted by the landlord (conditional on Commission approval), is summarized as follows:

Premises:	– Mezzanine Level - approximately 23,000 square feet (subject to final measurement).
Term:	– April 1, 2012 to expiry on November 29, 2016. (TTC can take possession of the offices once an agreement has been executed).
Base Rent:	– April 1, 2012 – November 29, 2016 - \$14.00 per square foot net. – Transit Expansion receives two (2) months free net rent (April and May 2012)
Other:	– Transit Expansion will have one (1) right to extend the term for a period of up to five (5) years. – 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 \$19.54 per square foot.
Parking:	– Currently set at \$145.00 per space per month. Transit Expansion may use one (1) unreserved spot per 1,000 square foot of office space.
Renovations:	– Cost of leasehold improvements budgeted at \$50.00 per square foot.

The total cost to the Commission over the life of the lease is \$4,971,666.00, 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 Expansion department.

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