

## TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** May 1, 2012

**SUBJECT:** OFFICE LEASE – PROPERTY DEVELOPMENT DEPARTMENT

### **ACTION ITEM**

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#### **RECOMMENDATION**

It is recommended that the Commission approve the offer to lease office space at 2200 Yonge Street with 2200 Yonge (Canada 8) Holdings Limited (the “Landlord”) under the terms set out in this report.

#### **FUNDING**

The proposed lease is for a term of five (5) years commencing September 1, 2012. The leasing of this space (approximately 5,636 sq. ft.) will cost the Commission approximately \$1,064,000.00, plus applicable taxes across the term. Details of the financial analysis are attached as Appendix 1. The proposed lease is an unbudgeted expense; however, the Property Development Department currently leases space from the Toronto Coach Terminal (“TCT”) at 610 Bay Street at an annual budgeted rate of \$105,000.00. The unused balance (\$52,500) of this budgeted lease expense (covering the period July to December 2012) will be applied against the lease payments for 2200 Yonge Street. 2012 payments under the new lease (approximately \$115,100) will consist of one month’s rent (\$16,438) and five equal monthly instalments, totalling approximately \$98,630, for leasehold improvements. After applying the unused budget for the TCT space, there remains an unbudgeted expense of approximately \$62,600.00 for 2012.

#### **BACKGROUND**

Through an agreement reached with the carriers operating out of the Toronto Coach Terminal, the carriers will take over the operation of the building. They have indicated that they require the space on the second floor currently occupied by Property Development department for their own operations. Therefore, Property Development department has been required to find alternate space and move out of 610 Bay Street by the beginning of July, 2012. The proposed lease shall commence on September 1, 2012, with early occupancy provisions making the space available for move in the first week of July 2012.

The Property Development department currently occupies one half of the second floor at 610 Bay Street (approximately 3,000 sq. ft.) and a portion of the basement for offices and files (approximately 1,100 sq. ft. net of circulation space). In addition, it has use of the conference room and kitchen facilities located on the second floor (an additional approximately 750 square feet, excluding circulation). Following a search of office space in the Yonge corridor between Bloor and Finch, space meeting Property Development department's functional requirements and time lines was located at 2200 Yonge Street. The space is considered reasonable based on comparable net rents for available space in the corridor which range from \$10.00 to \$19.00 per square foot net. The lease term expires in August, 2017.

### **DISCUSSION**

The TTC offer for the leasing of a portion of the ninth floor at 2200 Yonge Street from 2200 Yonge (Canada 8) Holdings Limited, which has been accepted by the Landlord conditional on Commission approval, is summarized as follows:

Premises:	– A portion of the ninth floor approximately 5,636 sq. ft. (subject to final measurement).
Term:	– Commencing September 1, 2012 and expiring on August 31, 2017 (Entry for fixturing June 15, 2012)
Base Rent:	– Year 1- \$14.00 per sq. ft. net – The TTC receives three (3) months free net rent and 2 months pre-term rent free period or fixturing period.
Other:	– TTC will have one (1) right to extend the term for a period of up to two and a half (2½) years. – TTC will pay all additional rent for property taxes, utilities, maintenance, etc., estimated at approximately \$20.99 per sq. ft.
Parking:	– Currently set at \$185.00 per space per month. The TTC may use up to two unreserved spaces.
Renovations:	– Leasehold improvements on a turnkey basis are budgeted at \$17.50 per sq. ft (\$37.50 less \$20.00 per square foot leasehold improvement allowance from Landlord).

The total estimated cost to the Commission over the life of the lease is \$1,064,000.00 (not adjusted for inflation), plus applicable taxes. This includes base rent, operating costs, leasehold improvements made by the Landlord but excludes parking. Added benefits of this lease are that it is located relatively centrally between Davisville and North York optimizing travel time and placing Property Development department in closer proximity to other departments that it works with closely.

**JUSTIFICATION**

The lease of space at 2200 Yonge Street is a cost effective course of action as the Landlord undertakes to meet TTC's short timeline to prepare the leased space for occupancy, and represents the best overall value to meet Property Development department's need for leased office space.

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May 1, 2012

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Attachment: Appendix 1

