

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: December 9, 2014

SUBJECT: LEASE EXTENSION FOR CONSTRUCTION OFFICE
- 895 DON MILLS ROAD

ACTION ITEM

RECOMMENDATION

It is recommended that the Board approve:

1. Extending the term of the lease dated November 4, 2009, between Fana Park Centre Corp. (the "Landlord") and the Toronto Transit Commission (the "Tenant"), for Suite 106, 895 Don Mills Road (the "Lease") for a further term of five (5) years and two (2) months at a cost of \$408,704 in accordance with the offer described in this report; and
2. Funds for leasehold improvements to the leased space in the amount of sixty-five thousand dollars (\$65,000.00), including applicable taxes.

FUNDING

The proposed lease extension is for a term of five (5) years and two (2) months beginning January 1, 2015 and ending February 28, 2020. The leasing of the space will cost the TTC approximately \$ 474,000.00 (including leasehold improvements, operating costs and property taxes), plus HST across the term. Details of the financial analysis are attached as Appendix 1. The lease cost will be apportioned to the appropriate capital projects managed out of this location for the duration of the lease. Sufficient funds for this expenditure have been included in the TTC's Capital Budget which was approved by the Board on November 20, 2013 and by City Council on January 29/30, 2014.

BACKGROUND

As a replacement for office space located in temporary trailers, approximately 2,737 square feet of office space located on the ground floor of 895 Don Mills Road was leased for a construction field office for the Engineering, Construction and Expansion Group for a term of five (5) years commencing January 1, 2010 and terminating December 31, 2014. The lease contains an option to extend the lease term for an additional period of five (5) years.

DISCUSSION

TTC Construction Department has an on-going requirement for the office at 895 Don Mills Road to manage construction projects located in the east end of the city. Examples of construction

**LEASE EXTENSION FOR CONSTRUCTION OFFICE
- 895 DON MILLS ROAD**

projects that have been managed by this office include Malvern Garage roof rehabilitation and on-grade pavement rehabilitation, Greenwood Station on-grade pavement rehabilitation, Greenwood Carhouse roof rehabilitation and Wheel-Trans transportation office renovation and expansion. Future project that this office is expected to manage include Greenwood Yard track conversion and south fence replacement, Lakeshore Garage hoist replacement and bus washracks upgrades, Russell Carhouse interior modifications and acoustic wall, bus cleaning equipment at Malvern and Arrow Bus Garages and subway end of line cleaning at Kennedy Station.

A search for office space in the area showed that floor areas of a size to meet the department's requirements were not available at a competitive cost. Therefore, an extension of the current lease is recommended.

In addition, due to the increased number of projects managed out of this office, a reconfiguration of the leased space is needed to provide work space for three additional engineers and one site supervisor. The reconfiguration can be accomplished without the lease of any additional space by downsizing of the existing boardroom and file room. The reconfiguration will also lower TTC's leasing costs by replacing existing inefficient lighting systems. The cost of the reconfiguration is estimated at sixty-five thousand dollars (\$65,000), including applicable taxes, and will be procured through the Landlord on a turnkey basis.

TTC's offer for exercising the extension to the Lease was accepted conditional upon the approval of the Board and is summarized as follows.

Premises	Approximately 2,737 square feet located on the ground floor of 895 Don Mills Road
Term	Five (5) years and two (2) months commencing January 1, 2015 and terminating on February 28, 2020.
Base Rent	January 1, 2015 to February 28, 2017: \$12.00/square foot March 1, 2017 to February 28, 2018: \$13.00/square foot March 1, 2018 to February 28, 2020: \$14.00/square foot
Option to Extend	Option to extend for a further term of 5 years
Reconfiguration of the Leased Space	Design and Construction on a turnkey basis with costs to be paid as a lump sum on completion of construction
Other	TTC will not be responsible for the payment of rent for the first two (2) months of the extended term. Terms and conditions are added to the Lease to bring the lease in line with TTC's current operating procedures.

The total estimated cost to the TTC of the lease extension for 895 Don Mills Road over the term of the lease extension is \$474,000, plus applicable taxes. This includes base rent, operating costs and reconfiguration of the office space.

JUSTIFICATION

Entering into an agreement with the Landlord for a five-year extension to the Lease provides the TTC with cost effective accommodation.

87-10-13
Attachment
03078-5-120