

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: February 24, 2014

SUBJECT: Lease Extension and Amendment
– 6th and 9th Floors 5160 Yonge Street

ACTION ITEM

RECOMMENDATION

It is recommended that the Board approve the agreement to extend the term of the lease dated January 24, 2006, between the Great-West Life Assurance Company and London Life Insurance Company (the “Landlord”) and the Toronto Transit Commission (the “Tenant”) for the 6th and 9th floors at 5160 Yonge Street for a term of five (5) years beginning on October 1, 2014 and ending on September 30, 2019 at a total cost of \$9,063,773.00.

FUNDING

The lease of this space will cost the TTC approximately \$8,021,038.00, plus HST in the amount of \$1,042,735.00 for a total of \$9,063,773.00 across the term. Details of the financial analysis are attached as Appendix 1. The existing lease and the proposed extension are budgeted capital expenditures provided for within the 2014-2023 Capital Budget as approved by City Council on January 29/30, 2014.

BACKGROUND

Due to a lack of space within 1900 Yonge Street and 1138 Bathurst Street, it was necessary to lease space for the Service Planning, Materials & Procurement and Construction departments. The current lease term for this space at 5160 Yonge Street ends on September 30, 2014. TTC is undertaking a study to determine its non-operating staff office space requirements to allow development of a long term office space strategy. The initial phase of the study is expected to be completed by mid-2014. A strategy and an approach to implement the strategy will be developed for inclusion in the 2015 to 2024 budgets as appropriate. The options contained within the proposed lease extension relating to early termination and further extensions to the lease term allow for flexibility to accommodate the future office space implementation strategy.

DISCUSSION

The Construction and Materials & Procurement departments occupy approximately 27,937 square feet of space on the 6th floor and Service Planning approximately 13,593 square feet on the 9th floor of 5160 Yonge Street for a total of 41,530 square feet. A search of office space along the north Yonge corridor showed that floor areas of a size to meet these department’s requirements were not readily available at a cost competitive with the lease rate for 5160 Yonge Street.

The TTC's offer for an extension to the term of the lease was accepted by the landlord conditional on the Board's approval and is summarized as follows:

Premises:	The Premises consist of Suite 600 (27,937 square feet rentable) on the 6 th floor and Suite 900 (13,593 square feet rentable) on the 9 th floor for a total area of 41,530 square feet rentable, located at 5160 Yonge Street								
Term:	A period of five years commencing October 1, 2104 and ending on September 30, 2019								
Base Rent:	<table> <tr> <td>October 1, 2014 – September 30, 2016</td> <td>\$16.50</td> </tr> <tr> <td>October 1, 2016 – September 30, 2017</td> <td>\$17.50</td> </tr> <tr> <td>October 1, 2017 – September 30, 2018</td> <td>\$18.50</td> </tr> <tr> <td>October 1, 2018 – September 30, 2019</td> <td>\$19.50</td> </tr> </table>	October 1, 2014 – September 30, 2016	\$16.50	October 1, 2016 – September 30, 2017	\$17.50	October 1, 2017 – September 30, 2018	\$18.50	October 1, 2018 – September 30, 2019	\$19.50
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Early Termination	One time right to surrender the Premises effective on May 31, 2018								
Option to Extend	One option to extend the Term for a further five (5) years								
Other	Terms and conditions are added to the Lease to protect TTC's computer programs and licenses as well as stored information in any format; bring the lease in line with TTC's current operating procedures; and address future liabilities and obligations.								

The total estimated cost to the TTC of the lease extension for the office space on the 6th and 9th floors of 5160 Yonge Street, over the five year term, is \$8,021,038.00 plus HST in the amount of \$1,042,735.00 for a total of \$9,063,773.00. This includes base rent and operating costs, including property taxes. The base rent and overall cost is considered reasonable based on comparable rents for available and renewing leased space in the Yonge corridor between Eglinton and Sheppard which range in cost from \$ 16.00 per square foot to \$ 22.00 per square foot net asking for a five year term for comparable office space.

JUSTIFICATION

Entering into an agreement with the landlord for a five year extension to the term of the lease at a competitive market rate provides the TTC with the most cost effective accommodation.
