

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: May 28, 2014

SUBJECT: LEASE EXTENSION - 1120 FINCH AVENUE WEST

ACTION ITEM

RECOMMENDATION

It is recommended that the Board approve the extension of the term of the lease dated May 26, 2010 between Century Standard Development Corporation (the "Landlord") and the Toronto Transit Commission (the "Tenant") located on the eighth floor of 1120 Finch Avenue West (the "Lease") for a further term of two (2) years in accordance with the offer dated January 24, 2014.

FUNDING

The proposed lease extension is for a term of two (2) years beginning August 1, 2014 and ending July 31, 2016. The leasing of the space will cost the TTC approximately \$ 440,652, (including operating costs and property taxes) plus HST across the term. (See Appendix 1 attached.)

Sufficient funds for this expenditure have been included in the Toronto-York Spadina Subway Extension (TYSSE) project, as set out on pages 1007 to 1010 of the TTC 2014-2023 Capital Program (Category – Expansion) which was approved by the Board on November 20, 2013 and by City Council on January 29/30, 2014.

BACKGROUND

On November 22, 2009, by way of delegated authority, the Board approved entry into a lease for approximately 9,000 square feet of office space located on the eighth floor of 1120 Finch Avenue West for a field office for the Toronto-York Spadina Subway Extension (TYSSE) project for a term of four (4) years commencing August 1, 2010 and terminating July 31, 2014. The lease contains two (2) options to extend the lease term, each for an additional period of one (1) year.

DISCUSSION

The Lease expires July 31, 2014. TYSSE has an on-going operational requirement for the office functions housed at 1120 Finch Avenue West until the completion of the project, expected in 2016. As the need for the office space is on-going into 2016, rather than entering into renewed lease extension discussions with the Landlord within a few months of executing a lease amending agreement for a one year extension, the TTC proposed and the Landlord granted an extension of the lease term for a period of two (2) years on the same terms and conditions as the current lease except for base rent.

The proposed base rent for the extended term is \$8.50 per square foot per annum and is competitive with the market. Additional rent for 2014 is estimated at \$ 15.64 per square foot per annum. At an assumed inflation rate of 2%, leasing costs for the lease term are estimated at \$440,652 plus HST. (See Appendix 1 attached.)

JUSTIFICATION

Entering into an agreement with the Landlord for a two year extension to the Lease, provides the TTC with cost effective accommodation for the TYSSE project in proximity to the construction sites until such time as the project is anticipated to be completed.

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Attachment: Appendix 1



TORONTO TRANSIT COMMISSION

1120 Finch Avenue W, Toronto, ON
8th Floor, Suite 800

CONDITIONAL OFFER TO EXTEND THE TERM OF THE LEASE - March 27, 2014

	TOTAL PROPOSED NEW OBLIGATIONS
Two Year Extension Term	<u>01-Aug-14</u> <u>31-Jul-16</u>
Rentable Area of Suite 800	9,000
Net Rent per sq.ft.	\$8.50
Additional Rent per sq.ft.	\$15.64
	\$24.14

CASH FLOW BY CALENDAR YEAR

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total New Obligation</u>	<u>NPV @ 8%</u> <u>GROSS</u>
	<u>01-Aug-14</u> <u>31-Dec-14</u> (5 months)		<u>01-Jan-16</u> <u>31-Jul-16</u> (7 months)		
Net Rent	\$31,875	\$76,500	\$44,625	\$153,000	\$130,525
Additional Rent	\$58,650	\$143,575	\$85,427	\$287,652	\$245,213
Gross Rent	\$90,525	\$220,075	\$130,052	\$440,652	\$375,738

Note: Additional Rent Inflation
 NPV of New Obligations @ 8%

2% (estimate)
 \$375,738