

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** May 28, 2014

**SUBJECT:** LEASE EXTENSION - 40 CARL HALL ROAD

## **ACTION ITEM**

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### **RECOMMENDATION**

It is recommended that the Board approve extending the term of the lease dated October 28, 2009 between Parc Downsview Park Inc. (the "Landlord") and the Toronto Transit Commission (the "Tenant") for 40 Carl Hall Road (the "Lease") as amended by the lease amending agreements dated December 2, 2011, November 2, 2012 and May 28, 2013 between the Landlord and the Tenant, for a further term of two (2) years in accordance with the proposal received from the Landlord dated April 15, 2014.

### **FUNDING**

The proposed lease extension is for a term of two (2) years beginning January 1, 2015 and ending December 31, 2016. The leasing of the space will cost the TTC approximately \$2,520,000 (including estimated operating costs and property taxes), plus HST across the term. The proposed extension is an operating expenditure which will be provided for within the 2015 and 2016 Operating budgets.

### **BACKGROUND**

At its meeting of October 29, 2009, the Board approved the execution of an agreement with the Landlord for the lease of a 95,000 square foot warehouse facility for a period of two (2) years commencing January 1, 2010, with two options to further extend the agreement for two additional terms of one (1) year each. The first and second options were exercised and lease amending agreements extending the lease term to December 31, 2013 were entered into. At its meeting of May 24, 2013 the Board approved a further extension of the Lease to December 31, 2014 and the rental of approximately an additional 40,000 square feet of space from the Landlord on the same terms and conditions as set out in the Lease, excepting the base rent which was set at \$4.50 per square foot of rentable area per annum.

**DISCUSSION**

The Lease expires December 31, 2014. The Landlord has notified TTC that it intends to redevelop its property at 40 Carl Hall Road. The TTC's Materials and Procurement department has an on-going operational need for the warehouse functions housed at 40 Carl Hall Road. It will take approximately two (2) years to secure a suitable replacement facility and move the inventory held at 40 Carl Hall Road to a new location. (TTC staff have initiated an overall warehouse needs assessment in this regard.) The TTC requested and the Landlord agreed to extend the term of the Lease to December 31, 2016 on the same general terms and conditions contained in the lease except for the base rent and the removal of terms and conditions related to a renewal or extension of the Lease.

The proposed base rent for the extended term is \$4.75 per square foot per annum and is competitive with the market. Additional rent for 2014 is estimated at \$4.36 per square foot per annum, including operating costs and property taxes. At an assumed inflation rate of 3%, additional rent is predicted to increase to \$4.49 for 2015 and \$4.63 for 2016 assuming there are no unusual market events. Therefore, leasing costs for 2015 and 2016 are currently estimated at \$1,250,000 and \$1,270,000 plus HST, respectively bringing total anticipated leasing costs for the extended term to \$2,520,000 plus HST.

**JUSTIFICATION**

Entering into an agreement with the Landlord for a two year extension to the existing Lease provides the TTC with cost effective accommodation to meet its warehouse requirements while it procures alternate warehouse space and relocates the existing functions into a new facility.

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