



STAFF REPORT ACTION REQUIRED

5 Park Home Avenue – Office Lease

Date:	May 27, 2015
To:	TTC Board
From:	Chief Executive Officer

Summary

The purpose of this report is to seek approval to enter into a lease for office space located on the third and fourth floors of 5 Park Home Avenue, Toronto, to accommodate staff working on Capital Projects being undertaken by the TTC, in accordance with the terms and conditions set out in this report.

The proposal to lease office space at 5 Park Home Avenue meets the criteria for size and location to house approximately 110 staff, whose positions have been identified in the Capital Program.

Recommendations

It is recommended that the Board:

1. Authorize the execution of a lease agreement between Slate Toronto Core Office Inc. and Incore Equities Inc., and the Toronto Transit Commission for the lease of Suites 300 and 401 located on the third and fourth floors of 5 Park Home Avenue, Toronto for a term of ten (10) years in accordance with the terms and conditions set out in the offer to lease dated May 4, 2015 (Offer) and as summarized in this report, in accordance with the Toronto Transit Commission's policies, and any other documents or agreements arising as a result of entry into the Offer or the lease, all on terms and conditions acceptable to the TTC's General Counsel; and
2. Approve the expenditure of \$9,410,000 plus HST for rent payments, subject to changes from current projections in the escalation of additional rent (e.g. utilities, property taxes and maintenance), in accordance with the terms and conditions of the above noted lease.

Financial Summary

The proposed lease is for a term of ten (10) years beginning June 1, 2015, and ending May 31, 2025. Sufficient funds for the total rent obligation (including operating costs and property taxes) in the estimated amount of \$9,410,000 plus HST for the term have been included in the TTC's 2015-2024 Capital Budget as approved by Council on March 10 and 11, 2015.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

Accessibility/Equity Matters

Barrier free access is provided from the street and underground parking levels to the leased space at 5 Park Home Avenue, by means of doors and banks of elevators located on the ground floor of the building and serving the street entrances, passenger drop off areas and underground parking facilities. Any modifications to the leased space to meet Accessibility for Ontarians with Disabilities Act (AODA) requirements will be undertaken as part of leasehold improvements, however any modifications to common areas will be made by the landlord.

Decision History

A report to request approval of an offer to lease space at 5 Park Home Avenue was brought before the Board at its meeting of April 29, 2015. The Board's decision was to defer the report to the May 27, 2015 Board meeting.

Issue Background

Based on requests received for office space, there is presently a shortfall of office space for the current approved staff complement in owned and leased office facilities. In order to accommodate shortfalls in various departments for office space and recognized needs to house capital project staff, the Property, Planning and Development (PPD) Department began a search for leased accommodation in 2014.

A requirement to rent approximately 22,000 to 25,000 square feet of office space was identified as needed to accommodate Capital Project staff. The duration of the requirement was estimated at approximately ten years and the range of suitable locations to minimize travel for meetings and meet adjacency requirements was identified as being north of Bloor but south of Finch, in proximity to Line 1 (Yonge-University Line).

TTC staff confirmed with City of Toronto Real Estate Division staff that there was no surplus office space within their office portfolio including the Agencies, Boards, Commissions and Divisions (ABCDs) that met the necessary criteria for the required office space.

A market search of office space available for lease revealed a number of properties which fit the criteria. Based on a review of the available space, the optimal match of cost, location, and space size, configuration, connectivity and availability was the office space located at 5 Park Home Avenue. The building is connected to the North York Centre Subway Station on Line 1 via a commercial development which connects to the station and the space is immediately available.

The office space for lease at 5 Park Home Avenue was identified as being suitable to meet the needs of the Scarborough Subway Extension Project team. In the interim it will also provide temporary staff accommodation for the Computer Aided Dispatch (CAD)/Automatic Vehicle Location (AVL) Project, and the Systems, Applications and Products (SAP) Project. If there are changes in the requirements of any of these Projects, other departments in the organization could be accommodated at this location.

When the Board made the decision to defer the April 29, 2015 report to the May 27, 2015 meeting of the Board, the offer to lease dated March 27, 2015 expired. Staff negotiated a new agreement with the landlord on the same terms and conditions as the offer dated March 27, 2015, but with a later expiry date for the offer.

Comments

The following is a summary of the terms and conditions of the Offer to Lease, including rent inducements, negotiated with the landlord.

Terms and Conditions	
Term:	Ten (10) years beginning on June 1, 2015 and ending May 31, 2025
Rentable Area:	3 rd Floor: 17,912 square feet 4 th Floor: 5,238 square feet Total: 23,150 square feet
Basic Rent (per square foot of rentable area)	Years 1 to 4: \$20.00 Years 5 to 8: \$21.00 Year 9: \$21.50 Year 10: \$22.00
Additional Rent (per square foot of rentable area):	Estimated at \$20.02 for 2015 (variable in future years, subject to review by TTC)
Rent Credit	\$511,000 This amount is incorporated in the total estimated rent obligation of \$9,410,000 plus HST.
Leasehold Improvement Allowance	\$35 per square foot, \$810,250 in total.
Option to Extend:	One option to extend for an additional term of five (5) years at market rates

The estimated base rents per square foot of rentable area are competitive with market rents in the general location of the building for buildings of comparable age and size.

Staff recommend entry into a lease based on the terms and conditions set out in the Offer to Lease and summarized above as a cost effective means of providing suitable office accommodation in the absence of available space in TTC's portfolio of existing leased and owned office space.

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