



STAFF REPORT ACTION REQUIRED

Lease Extension for Construction Office – 1 Yorkdale Road

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

Summary

The purpose of this report is to seek approval to extend and amend the existing lease dated May 15, 2009 for office space currently located on the second floor of 1 Yorkdale Road, which accommodates a construction site office working on Capital Projects in the northwest quadrant of the City of Toronto, in accordance with the terms and conditions of the Offer and as summarized in this report; and to seek approval to expend funds on leasehold improvements to reconfigure the existing space to create an additional enclosed office in response to an increase in staff working out of this site office.

Recommendations

It is recommended that the Board:

1. Authorize the execution of a lease extension and amendment agreement between Yorkdale Shopping Centre Holdings Inc. and the Toronto Transit Commission for the lease of Suite 201 located on the second floor of 1 Yorkdale Road for a term of five (5) years in accordance with the terms and conditions set out in the “Proposal to Amend and Extend the Lease dated May 15, 2009 for the Lease of Suite No. 201, 1 Yorkdale Road, Toronto, Ontario (the “Lease”)” dated February 10, 2015 (Offer) and as summarized in this report, and any other documents or agreements arising as a result of entry into the Offer, all in accordance with the Toronto Transit Commission’s policies and on terms and conditions acceptable to the TTC’s General Counsel; and
2. Approve the expenditure of funds for:
 - a. the payment of rent in accordance with the terms and conditions of the above noted lease estimated in the amount of \$422,407.00 (plus HST) subject to changes from current projection in the escalation of additional rent (e.g. utilities, property taxes and maintenance); and

- b. leasehold improvements estimated in the amount of \$58,500.00 (including all fees and taxes).

Implementation Points

In Accordance with Corporate Policy 6.5.0 Authorization for Expenditures and Other Commitments, Paragraph 3.7.9, leasing contracts having a term over ten years require Board approval. With the additional proposed term of five years and the option to renew for an additional five years, Board approval is required.

Financial Summary

The proposed lease is for a term of five (5) years beginning September 1, 2014, and ending August 31, 2019. The total rent obligation (including operating costs and real estate taxes) for the space is estimated at \$422,407.00 plus HST for the term. Leasehold improvements to be undertaken on a turnkey basis by the landlord are estimated in the amount of \$58,500.00 (including all fees and taxes) for 2015. Sufficient funds for this expenditure have been included in TTC's 2015 - 2024 Capital Budget as approved by Council, on March 10 to 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 street and surface parking lot levels to the leased space at 1 Yorkdale Road by means of doors and banks of elevators located on the ground floor of the building.

Decision History

Board approval was not required to enter into the Lease in 2009 as the terms fell within the authority delegated to staff under Corporate Policy 6.5.0 Authorization for Expenditures and Other Commitments.

Issue Background

Based on the schedules for approved construction projects, there will continue to be a need for a construction field office located in the northwest quadrant of Toronto for at least five years.

The Lease contains an option to extend the lease term for a period of five years. A market search of office space available for lease was performed prior to notifying the landlord of TTC's intent to extend the lease, but did not reveal any properties which fit the locational criteria. Based on a review of the available space, the existing office space located at 1 Yorkdale was the optimal match of cost, location, and space size, configuration, proximity to construction sites and availability.

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

The space is required to be reconfigured to accommodate an additional enclosed office to meet an increase in staff working out of this office.

Comments

The following is a summary of the terms and conditions of the Offer negotiated with the landlord.

Terms and Conditions	
Term:	Five (5) years beginning on September 1, 2014 and ending August 31, 2019
Rentable Area:	1,892 square feet
Basic Rent (per square foot of rentable area)	Years 1 to 5: \$23.00 per square foot of rentable area
Additional Rent (per square foot of rentable area):	Estimated at \$22.71 for 2015 (variable in future years, subject to review by TTC)
Free Rent Period	No payment of Basic Rent for a period of six (6) months commencing May 1, 2015
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 extension and amending agreement based on the terms and conditions set out in the Offer and summarized above as a cost effective means of providing suitable office accommodation for staff working on construction projects located in the northwest quadrant of the City of Toronto.

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