



STAFF REPORT ACTION REQUIRED with Confidential Attachment

Office Lease Extensions

Date:	November 13, 2017
To:	TTC Board
From:	Chief Executive Officer
Reason for Confidential Information:	This report is about a proposed or pending acquisition or disposition of land for municipal or local board purposes.

Summary

This report seeks authority to enter into renewal agreements for existing office space for leases nearing expiry. These leased premises are needed until there are alternative TTC offices available through the Toronto Real Estate Agency.

Recommendations

It is recommended that the TTC Board:

1. Direct staff to continue to work with Toronto Realty Agency and City Real Estate Services and Planning departments to progress TTC's office consolidation strategy including business case development and report back to the Board in Q2 – 2018.
2. Adopt the recommendations contained in the Confidential Attachments to this report; and
3. Authorize the public release of the confidential information contained in this report once the lease agreements have been executed between the TTC and the landlords.

Implementation Points

In accordance with Corporate Policy 6.5.1 Authorization for Expenditures and Other Commitments, Paragraph 3.7.9, leasing contracts having a term greater than ten years, and/or with payments more than \$1,000,000 per year, require Board approval.

Financial Summary

Sufficient funds for the total rent obligation (including additional rent and property taxes) and leasehold improvements will be included in the TTC's 2018 Operating Budget and 2018-2027 Capital Budget to be considered by the Board on November 28, 2017 and City Council on February 12/13, 2018. Sufficient funding will be requested in future budgets to cover future expenditures.

Staff will be working with the City of Toronto and the Municipal Property Assessment Corporation to have this leased space obtain a Municipal Capital Facility designation which will eliminate the property tax requirement. This will result in an overall cost reduction of 13-18%.

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

Accessibility/Equity Matters

Any proposed alterations will incorporate accessibility requirements.

Decision History

At its meeting of December 16, 2005 the Committee of the Whole received the report in regards to the details of the offer to lease office space on the sixth and ninth floors at 5160 Yonge Street.

At its meeting of January 25, 2006 the Commission approved the recommendation to enter into an office lease for the second and third floors at 1910 Yonge Street.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2006/Jan 25 2006/Other/Leasing Of 1910 Yong.jsp](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2006/Jan%2025%202006/Other/Leasing%20Of%201910%20Yong.jsp)

At its meeting of November 14, 2007 the Committee of the Whole approved the recommendation to execute the office lease agreement for the use of the fourth and sixth floors at 1835 Yonge Street.

At its meeting of December 6, 2007 the Committee of the Whole approved the recommendation to lease office space on the fifth and sixth floors at 5140 Yonge Street, the storage space at 5160 Yonge Street and to amend the office lease agreement to add the eleventh and thirteenth floors at 5160 Yonge Street.

At its meeting of July 6, 2011, the Commission approved the recommendation to lease additional space on the seventh floor at 1835 Yonge Street.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2011/July 6 2011/Supplementary Reports/OFFICE LEASE 1835 YO.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2011/July%206%202011/Supplementary%20Reports/OFFICE%20LEASE%201835%20YO.pdf)

At its meeting of September 27, 2012 the Commission approved the recommendation to extend the lease term of the fourth and sixth floor and additional space at 1835 Yonge Street and the Commission received the notice of award from Chair Stintz, Commissioner Parker and the Chief Executive Officer approving the extension of the office lease at 5140 and 5160 Yonge Street.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2012/September 27/Reports/1835 Yonge Street Le.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2012/September%2027/Reports/1835%20Yonge%20Street%20Le.pdf)

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2012/September 27/Reports/Notice of Approval -3.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2012/September%2027/Reports/Notice%20of%20Approval%20-3.pdf)

At its meeting of February 25, 2013 the Commission approved the recommendation to extend the term of the office lease for the second and third floors at 1910 Yonge Street.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2013/February 25/Reports/1910 Yonge Street - .pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2013/February%2025/Reports/1910%20Yonge%20Street%20-%20.pdf)

At its meeting of September 28, 2015 the Commission approved the recommendation to amend and extend the office lease for the sixth and seventh floors at 1835 Yonge Street.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2015/September 28/Reports/Office Lease Extension 1835 Yonge Street 6th and 7th Floor.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2015/September%2028/Reports/Office%20Lease%20Extension%201835%20Yonge%20Street%206th%20and%207th%20Floor.pdf)

At its meeting of May 27, 2015, the Board received a presentation with respect to the status of the office consolidation and TTC's immediate office accommodation needs.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2015/May 27/Reports/Information Report Presentation TTC Office Consolidation.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2015/May%2027/Reports/Information%20Report%20Presentation%20TTC%20Office%20Consolidation.pdf)

At its meeting of November 23, 2015 the Board directed staff to accelerate plans for TTC head office consolidation and report back with an accommodation strategy that includes an inventory of all existing TTC office locations and leases, a consolidation timeline, an overview of organizational office needs, and potential sites for consolidated head offices.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2015/December 16/Minutes/Minutes November 23%2C 2015.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2015/December%2016/Minutes/Minutes%20November%2023%2C%202015.pdf)

Issue Background

At its meeting of May 27, 2015 the Board received a presentation updating it on the status of the TTC Office Consolidation Study. The presentation set out an immediate need for approximately 500 additional office spaces to meet TTC's requirements based on 2015 approved staffing levels and noted a continuing future demand for new office space to support a number of key modernization and expansion projects and, therefore, the probability of a continued need for additional leased office space. Subsequently, TTC entered into leases for space at 250 Bloor Street East and 5 Park Home Avenue accommodating all but 70 spaces.

In early 2016 Cushman & Wakefield (CW) was engaged to complete the TTC Office Consolidation Strategy (Strategy). The Strategy included an analysis of how the value of TTC's asset at 1900 Yonge Street can be used by the TTC to offset the costs of the broader office consolidation. The Strategy also included the creation of an Occupancy Strategy that recommends a cost effective consolidation of TTC offices. Currently CW is in the process of completing the Strategy which will provide TTC with the specific departmental adjacencies (how each department works with the others) and office location dependencies (where these departments should be located within the City and in relation to each other and City services). This information will assist in the recommendation of the TTC corporate office consolidation.

The Strategy will be completed by CW by the end of 2017. The recommendations of the Strategy will inform a business case that will be developed in consultation with the Toronto Realty Agency and City Real Estate Services. In the interim, staff recommends extending the terms of the existing office space leases which will expire before the process of consolidation can be completed. Incorporating flexible terms and conditions (including early termination and the ability to extend term) into the leases will allow for smoother implementation of TTC's future office consolidation.

TTC began leasing office and storage space in the Davisville and North York Centre nodes well over 10 years ago. The leases for 1835, 1910, 5140 and 5160 Yonge Street have staggered termination dates, based on the date when a particular space was first acquired. Collectively, the current lease terms are now nearing their expiry. At the same time, TTC's space requirements at 1835 and 5160 Yonge Street are changing.

With respect to 1835 Yonge Street, growth to support key modernization projects resulted in the need to relocate the Streetcar department to Hillcrest and 250 Bloor Street East. The expansion of Farecard/Presto and Legal departments and the addition of the Change Management office has resulted in a need to reconfigure the sixth and seventh floors to adapt the leased premises to the changes. The majority of the leasehold improvement costs pertain to the requirements of the new Farecard/Presto lab. The PRESTO system will be processing over a billion dollars of TTC revenue on an annual basis. It is therefore essential to have a TTC test lab that enables staff to test and validate the functioning of the PRESTO system and any software updates that PRESTO will be implementing in the future.

With respect to 5160 Yonge Street: The Toronto-York Spadina Subway Extension (TYSSE) project is nearing completion and YYSSE's need for space on the eleventh floor is now decreasing. In 2016, it was identified that the growth of Strategy and Service Planning (SSP) (located on the ninth floor) and the Portfolio Management Office (PfMO) created a need for approximately 6,500 square feet of leased space. At the same time the Relief Line (RL) and Yonge Subway Extension (YSE) projects will take up the remaining space that YYSSE is vacating. The existing YYSSE fixtures and furnishings will remain as the project team leaves and will be utilized by the RL and YSE projects, SSP and PfMO offices. Therefore, this report recommends extending the current lease term on the eleventh floor.

TTC staff have confirmed that space to replace the leased space at 1835, 1910, 5140 and 5160 Yonge Street is not available within its or the City's portfolios. A market search of available office space at Davisville and North York Centre revealed a limited number of properties meeting TTC's requirements. In the absence of suitable owned space, there is an ongoing need to continue leasing office space and acquire additional space prior to the finalization of the office consolidation project. Remaining in the same locations also avoids relocation costs.

The base rents being charged reflect market rents for buildings of comparable age and size in the same general location.

Comments

Staff recommends:

1. Enter into renewal agreements for the existing office at 1835, 1910, 5140 and 5160 Yonge Street and storage space at 5160 Yonge Street;
2. Undertaking the reconfiguration of the sixth and seventh floors of 1835 Yonge Street on a turnkey basis with the majority of the effort required as result of the creation of a lab for Farecard/Presto team; and
3. Where TTC has been in occupancy of a leased premises for a period approaching or exceeding ten years, replacing worn carpet, painting and undertaking minor repairs and alterations as needed to maintain it in accordance with TTC obligations under the lease.
4. Continue working with the Toronto Realty Agency, City Real Estate Services and Planning departments on the Office Consolidation Strategy.

Extending the leases is the most efficient and cost effective option currently available given the:

- absence of suitable space in TTC and City owned portfolios,
- no other properties available for lease in the Davisville and North York nodes and in move-in condition, and
- cost/disruptions to relocate staff.

All other terms and provisions of the existing leases will remain constant.

Contact

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Attachments

Confidential Attachment 1

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