



STAFF REPORT ACTION REQUIRED with Confidential Attachment

Materials and Procurement Warehouse Lease Authorization

Date:	October 16, 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 the Board's approval to lease a 550,000 square foot central warehouse facility at 2233 Sheppard Avenue West for the Materials and Procurement (M&P) department subject to the terms and conditions outlined in the confidential attachment. The TTC occupies approximately 460,000 square feet of warehouse space. Approximately 90,000 square feet of additional space within a central facility (totalling approximately 550,000 square feet) is required to accommodate its warehouse needs.

Recommendations

It is recommended that the Board:

1. Adopt the confidential recommendations contained in the confidential attachment to this report; and
2. Authorize the public release of the confidential information contained in this report once a lease has been executed between the TTC and the landlord.

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 of more than 10 years, and/or with payments of more than \$1 million per year including the cost of leasehold improvements split over the initial term of the lease, require Board approval.

Financial Summary

Sufficient funds to meet the obligations associated with the offer to lease have been included in the TTC's 2017 Operating Budget as approved by the Board on November 21, 2016 and approved by City of Toronto Council on February 15, 2017.

Sufficient funds will be incorporated into future operating budgets for the rent, amortization of leasehold improvement costs and other costs arising out of entry into the proposed lease including a one-time moving expenditure.

Staff will be working with the City of Toronto and the Municipal Property Assessment Corporation to obtain Municipal Capital Facility designation for this leased space, which will eliminate the property tax requirement.

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

Accessibility/Equity Matters

Accessibility will be addressed through the design and construction of the leasehold improvements for the facility.

Decision History

At its meeting of July 12, 2017, the Board approved the recommendation to negotiate an offer to lease warehouse space.

https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2017/July_12/Reports/5_Proposed_Lease_of_Property_for_TTC_Warehousing.pdf

Issue Background

TTC presently uses 460,000 square feet of space for warehousing purposes, primarily to store vehicle replacement parts, with the majority being bus parts. Approximately 78% of that space is leased at 21 Don Roadway (224,000 sq. ft.) and 40 Carl Hall Road (95,000 sq. ft.). These two leases will terminate in the next few years and will not be renewed by the landlords as the properties are slated for redevelopment. The remaining 22% of the warehouse space is located in TTC owned space at Hillcrest Yard and the Greenwood Carhouse.

In addition, the warehouse study determined a need for additional warehouse space. Within Toronto, there are a limited number of large warehouse buildings available. Locating suitability facility and preparing it for use can take 12 to 18 months. As reported at the July 12, 2017 Board Meeting, Colliers evaluated 10 possible locations in a

lease or buy scenario for the consolidated warehouse and performed a market assessment of the GTA in May of 2017. This analysis concluded that the site at 2233 Sheppard Avenue West had the best net present valuation.

The proposed warehouse campus to be constructed at 2233 Sheppard Avenue West is the only warehouse space of this size available for lease in the Toronto market at this time, or projected to come to market within the timeframe that TTC will need to move out of the facilities it currently leases. TTC is able to rent approximately 550,000 square feet of a building containing over 800,000 square feet of space at 2233 Sheppard Avenue West.

Presently, there are no warehouse properties with buildings of this size available for sale. The 2233 Sheppard Avenue West site is also a prime location operationally for TTC as it minimizes deadheading costs due to its centralized location and highway access.

The inability to extend the existing warehouse leases, along with a better understanding of M&P's warehousing needs, provides the TTC with an opportunity to consolidate its warehouse requirements for the next 20 years.

Contact

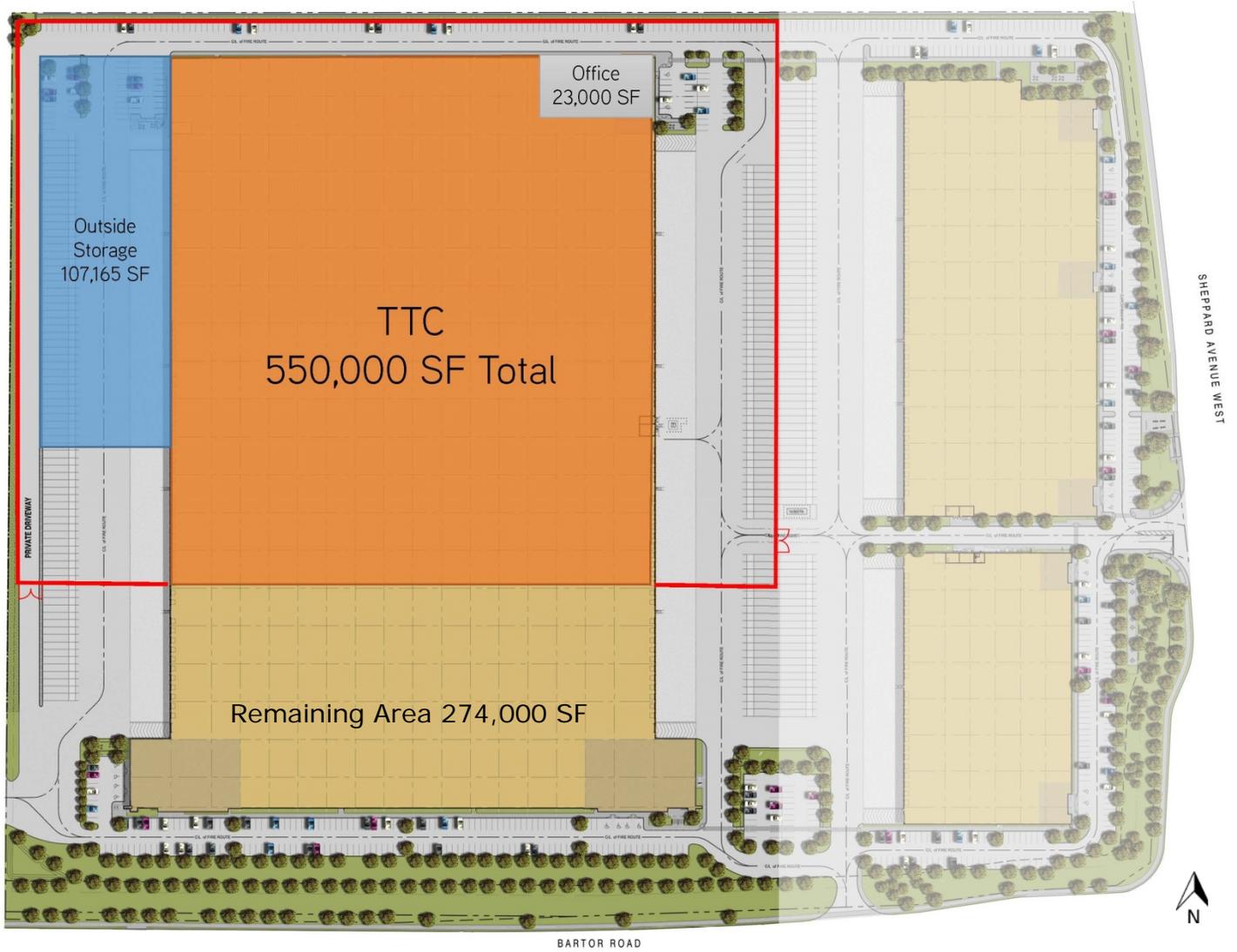
Pamela Kraft
Head – Property, Planning and Development
Phone: 416-590-6108, Fax: (416) 338-0251
Email: Pamela.Kraft@ttc.ca

Attachments

Appendix A – 2233 Sheppard Avenue West – Site Plan
Appendix B – 2233 Sheppard Avenue West – Location Map
Confidential Attachment

SP#03078-31-311

Appendix A
2233 Sheppard Avenue West – Site Plan



Note: Total building area is 824,000 SF

Appendix B
2233 Sheppard Avenue West – Location Map

