



## **Subway Vendor Lease Agreements**

**Date:** December 3, 2024  
**To:** TTC Board  
**From:** Chief Strategy and Customer Experience Officer

### **Reason for Confidential Information**

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This report contains information about a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City or local board.

### **Summary**

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The TTC has both fare and non-fare revenue streams. The leasing of retail space in the TTC’s subway network provides a source of non-fare revenue for the TTC and a better customer experience while facilitating a safer environment.

TTC staff work with the City of Toronto’s Corporate Real Estate Management Department (CREM) to approach, negotiate, and prepare leases for its 119 retail locations as per Municipal Code 279. The chart below outlines the types of retail tenants within the TTC.

<b>Leasing Breakdown of all TTC Retail Locations</b>	<b># of Locations</b>
<b>Independent and National Business Tenants:</b>	<b>28</b>
Independent tenants referenced in this Board report	<u>12</u>
Remaining independent and national tenants	16
<b>Tenant Vacancies</b>	<b>14</b>
<b>Gateway (Newsstands/Bakeries/Lotteries)</b>	<b>77</b>
<b>Total:</b>	<b>119</b>

This Board report addresses the post-COVID financial situations of these 12 locations under “Independent Tenants.” These tenants, known as Subway Concessions, have been operating month-to-month since their leases expired on December 31, 2020. Staff are seeking the TTC Board’s approval to write off the difference between pre-COVID rental rates that remain on file and the reduced rental arrangements negotiated individually to support these small businesses and to continue these reduced rental arrangements until the end of 2025. New leases will be negotiated in 2025 to start January 1, 2026.

This approach was implemented to help keep businesses afloat during and after the COVID-19 pandemic, with a focus on retaining commercial relationships and continuing the TTC's non-fare revenue stream, while ridership continued to recover and foot traffic patterns stabilized.

## **Recommendations**

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It is recommended that the TTC Board:

1. Retroactively approve negotiated rents from December 1, 2022, extend these rental rates to December 31, 2025, and authorize staff to work with the City of Toronto Corporate Real Estate Management Department to negotiate new terms and rates for leases starting January 1, 2026, as identified in Confidential Attachment 1 to this report.
2. Approve the write-off of \$1,462,096.42 for uncollectible rental payments as detailed in Confidential Attachment 1 to this report.
3. Authorize that the information in Confidential Attachment 1 remain confidential as it contains information about a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City or local board.

## **Financial Summary**

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The tenants paid rent under their applicable lease terms until the onset of the COVID-19 pandemic in March 2020, and all tenants were in good standing until then. When the significant decrease in ridership negatively impacted their revenue, the reduced ridership and foot traffic through stations resulted in many retailers struggling to satisfy their rent obligations from the end of March 2020 to the present.

The proposed write-off amount of \$1.462 million is made up of two parts, which are further discussed in the Confidential Attachment. Of the \$1.462 million outstanding balance, approximately \$1.1 million is lost rental revenue to the TTC due to reduced ridership from the onset of the COVID-19 pandemic to the end of 2022. COVID-19 relief funding through the Province of Ontario's Safe Restart Agreement mitigated the financial impact arising from the loss in ancillary revenue. The remaining approximately \$0.3 million from the period of January 2023 to October 2024 has been accounted for and funded through the TTC's 2023 and 2024 Operating Budgets.

\$1.114 million of the \$1.462 million write-off proposed has already been provided for in bad debt in 2023. The remaining proposed write-off will be accounted for in bad debt in 2024. Therefore, this proposal will have no impact on the 2025 Operating Budget.

Further details are outlined in the Confidential Attachment to this report.

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

## **Equity/Accessibility Matters**

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Equity, diversity, inclusion and accessibility are key principles of the TTC's Corporate Plan, and as a proud leader in providing accessible public transit to Toronto residents and surrounding municipalities, the TTC is committed to ensuring reliable, safe, accessible, and inclusive transit services for all its customers. The TTC provides access to retail services to all customers without discrimination and does not create any barriers, disadvantages, or inequities when doing so.

## **Decision History**

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The [COVID-19 – Transitioning from Response to Restart and Recovery](#) report outlines the relief options decided upon by the Commission on June 17, 2020.

## **Issue Background**

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As a result of COVID-19 causing significantly lower ridership, all TTC tenants suffered financial hardship and many tenants are still struggling to recover.

TTC staff have been working with the tenants since mid-2022 to ensure that sales and rents (as well as new rents) have been reviewed and paid, thus supporting the continuation of their operations, along with the negotiated repayment schedules.

It should be noted that Gateway Market Shops Inc. and Tobmar International Investments Inc. are not included in this report. These leases were part of a separate negotiation as described in the [February 2023 Board report](#).

## **Comments**

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The unprecedented reduction in ridership experienced during COVID-19 had a significant financial impact on the TTC's retail tenants in subway stations. In response, the TTC undertook a series of actions to support these small businesses through a very difficult and ambiguous time. The chronology below summarizes the events, decision-making, and the staff recommendations to regain balance for the Commission, its tenants, and the customer experience.

<b>Chronology of TTC Independent Tenant Experiences and Staff Mitigations during the Covid Pandemic</b>	
March 2020	<ul style="list-style-type: none"> <li>• Pandemic begins.</li> <li>• All tenants discussed in this report are in good standing regarding rents.</li> </ul>
April 2020-September 2020	<ul style="list-style-type: none"> <li>• First lockdowns and economic restrictions.</li> <li>• First round of Federal grants announced.</li> <li>• TTC tenants not eligible as they are in government buildings.</li> </ul>
September 2020-May 2022	<ul style="list-style-type: none"> <li>• Some tenants eligible for COVID-19 financial relief from the Canada Emergency Rent Subsidy (CERS) and Hardest-Hit Business Recovery Programs (HHBRP).</li> <li>• Relief did not cover all costs/lost revenues.</li> </ul>
December 2021-May 2022	<ul style="list-style-type: none"> <li>• Second Province-wide shutdown occurs.</li> <li>• Staff initiated discussions about tenant situations and considered impacts to determine the best plan forward, while ensuring safety, customer experience, station experience, and support of small businesses.</li> </ul>
March 2022	<ul style="list-style-type: none"> <li>• Mask and Vaccine mandates lifted; however, ridership is slow to return.</li> </ul>
July 2022-December 2022	<ul style="list-style-type: none"> <li>• Return to pre-pandemic travel patterns does not occur.</li> <li>• TTC's Retail staff engage each tenant independently to discuss the ability to pay by reviewing sales and foot traffic at each location.</li> <li>• A repayment plan for outstanding uncollectible rents was established to be paid back by December 31, 2025.</li> <li>• Agreements were reached with each tenant to reduce rents to a manageable amount for the period starting December 1, 2022 to December 31, 2025.</li> </ul>
January 2023-December 2023	<ul style="list-style-type: none"> <li>• Ridership rebuilds slowly and does not return to pre-pandemic levels/patterns as expected.</li> <li>• Staff meet regularly with tenants to ensure that modified schedules are manageable and monitor tenants who continue to struggle, while ridership builds slowly.</li> <li>• Two tenants close their shops (three locations in total).</li> </ul>
January 2024-present	<ul style="list-style-type: none"> <li>• Staff report prepared and delayed due to contingency planning and consideration of the potential impact of a service disruption on retail locations and how that might impact repayment schedules.</li> </ul>

TTC staff met with all tenants after pandemic restrictions were lifted and ridership began to return to better assess current sales, determine their lost revenue, and establish a repayment plan and amount for their rent arrears. Staff negotiated with tenants to determine a mutually satisfactory repayment schedule for rent arrears and worked collaboratively to develop a path forward. All tenants experienced major financial setbacks attributed to decreased pandemic ridership. The tenants mentioned in this report were in good standing before the pandemic and are long-term tenants.

The TTC is recommending a new rental rate based on current passenger counts and a repayment plan to recover some portion of the past unpaid rent. The intention of this report is to support these 12 small, independent businesses in TTC retail locations through December 31, 2025. During 2025, TTC staff will undertake negotiations with these tenants, in conjunction with CREM, to determine if they continue to be viable with the required market rates prepared by CREM. TTC staff will review tenants' retail sales from 2024 to early 2025 against the rental rates provided by CREM, and staff will undertake negotiations to ensure market rents are achieved, or replacement tenants will be approached during 2025.

These new rental rates will allow TTC tenants to continue to recuperate, while ridership returns and provide the Commission with retail activity in subway locations and ongoing non-fare revenue.

A further strategic review detailing future tenant plans will be incorporated into the Non-Fare Revenue Strategy. TTC staff also continue to work in collaboration with CREM to address any leasable vacancies.

## **Contact**

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## **Signature**

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Josh Colle  
Chief Strategy and Customer Experience Officer

## **Attachments**

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Confidential Attachment 1 – Subway Vendors Lease Agreement