



## STAFF REPORT ACTION REQUIRED

### Office Lease Extension – 1835 Yonge Street – 6<sup>th</sup> and 7<sup>th</sup> Floor

<b>Date:</b>	September 28, 2015
<b>To:</b>	TTC Board
<b>From:</b>	Chief Executive Officer

#### Summary

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The purpose of this report is to seek approval to amend the lease and extend the existing lease agreement for the sixth and seventh floors of 1835 Yonge Street. The office space located on the sixth and seventh floor, accommodates the TTC offices. The lease is dated December 1, 2007. This portion of the lease will expire on October 31, 2015 for the sixth floor and the seventh floor on September 30, 2016. TTC requires the continued use of this building for office space therefore the extension to the lease agreements for the two floors within this building is recommended.

#### Recommendations

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**It is recommended that the Board:**

1. Authorize the execution of a lease amendment agreement to extend the lease between LPF Realty Office and the Toronto Transit Commission for the lease of Suite 600 located on the sixth floor of 1835 Yonge Street for a term of five years in substantial accordance with the terms and conditions set out in the “Lease Extension Proposal for the Premises located at 1835 Yonge Street, Suite #600 (part of the sixth floor) and #700 (comprising the entire seventh floor), lease dated December 1, 2007 between LPF Realty Office Inc., the Landlord and Toronto Transit Commission, the Tenant” (Offer), to the satisfaction of the TTC’s Head of Legal and General Counsel;
2. Authorize the execution of a lease amendment agreement to extend the lease between LPF Realty Office and the Toronto Transit Commission for the lease of Suite 700 located on the seventh floor of 1835 Yonge Street for a term of four years and one month in substantial accordance with the terms and conditions set out in the “Lease Extension Proposal for the Premises located at 1835 Yonge Street, Suite #600 (part of the sixth floor) and #700 (comprising the entire seventh floor), lease dated December 1, 2007 between LPF Realty Office Inc., the Landlord and Toronto Transit Commission, the Tenant”, to the satisfaction of the TTC’s Head of Legal and General Counsel;

3. Approve the expenditure of funds for:
  - a. the payment of rent in accordance with the terms and conditions of the above noted lease estimated for Suite 600 in the amount of \$815,000 (plus HST) subject to changes from current projection in the escalation of additional rent (e.g. utilities, property taxes and maintenance); and
  - b. the payment of rent in accordance with the terms and conditions of the above noted lease estimated for Suite 700 in the amount of \$1,534,000 (plus HST) subject to changes from current projection in the escalation of additional rent (e.g. utilities, property taxes and maintenance); and
4. Execute all document and agreements in accordance with the Toronto Transit Commission's policies and on terms and conditions acceptable to the TTC's Head of Legal and General Counsel.

### **Implementation Points**

The recommendations are for TTC staff to proceed with negotiations of a lease amendment agreement in substantial accordance with terms and conditions of the offer.

### **Financial Summary**

The proposed leases are for a term of five years for Suite 600 and four years and one month for Suite 700. The total rent obligation (including operating costs and property taxes) is \$815,000 plus HST for Suite 600 and \$1,534,000 plus HST for Suite 700, subject to changes from current projection in the escalation of additional rent (e.g. utilities, property taxes, maintenance) for the term. The cost for Suite 600 will be allocated to the operating budget. For Suite 700 the cost will be allocated to the farecard project in the capital budget until the end of 2018 and is expected to be allocated to the operating budget after 2018.

Sufficient funds have been included in TTC's 2015 Operating Budget and the 2015-2024 Capital Budget and Plan as approved by Council on March 10 to 11, 2015; and sufficient funds will be incorporated into future operating and capital budgets.

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 to the leased space at 1835 Yonge Street by means of doors and elevators located on the ground floor of the building.

## **Decision History**

Board approval was received at July 6, 2011 meeting to enter into a lease for 11,138 square feet of office space located in Suite 700 at 1835 Yonge Street, for a term of five (5) years commencing October 1, 2011 and termination on September 30, 2016.

Refer to TTC Board Meeting No.1938 held July 6, 2011 (Supplementary Agenda) – Item 13

[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2011/July\\_6\\_2011/Supplementary\\_Reports/OFFICE\\_LEASE\\_1835\\_YO.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2011/July_6_2011/Supplementary_Reports/OFFICE_LEASE_1835_YO.pdf)

Decision: Approved

The lease of the office space located in Suite 600 at 1835 Yonge Street did not fit within the parameters of Corporate Policy 6.5.0 Authorization for Expenditures and Other Commitments, Paragraph 3.7.9, and therefore did not require previous Board approval. However, the subject extension of the lease for Suite 600 requires Board approval in accordance with Corporate Policy 6.5.0.

## **Issue Background**

TTC staff is initiating an office consolidation study to identify options for future office accommodation including viability of retaining the McBrien Building and consolidation of TTC office space. The results of this study are not expected until the first quarter of 2016.

The office consolidation study was the subject of the presentation to the Board on May 29, 2015. As noted in the conclusion to this presentation, various existing leases require renewal prior to the completion of the office consolidation study. The subject renewal of 1835 Yonge Street is one such example.

Based on requests received for office space, and analysis of overall space needs, 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 for Operating and Capital Project staff, a search for leased accommodation began in 2014.

The existing office space located within the sixth and seventh floors of 1835 Yonge Street meets the operational requirements of the occupants of the office space.

The proposed extension of the lease terms is for a period of five years for the sixth floor and four years and one month for the seventh floor on the same terms and conditions as the current lease except for the base rent. The extension will bring the future expiry dates of both leases in line to October 31, 2020 and the offer includes a provision for early termination of each of the leases as detailed below.

The proposed base rent for the sixth and seventh floor extended term is \$10.00 per square foot per annum and is competitive with the market. Additional rent for 2015 is estimated at \$22.29 per square foot per annum.

## Comments

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

Terms and Conditions	
Term:	Suite 600: Five (5) years beginning on November 1, 2015 and ending October 31, 2020  Suite 700: Four (4) years and one (1) month beginning on October 1, 2016 and ending on October 31, 2020
Rentable Area:	Suite 600: 4,772 square feet  Suite 700: 11,138 square feet
Basic Rent	Years 1 to 5: \$10.00 per square foot of rentable area
Additional Rent (per square foot of rentable area):	Estimated at \$22.29 for 2015 (variable in future years, subject to review by TTC)
Option to Extend:	One option term of five (5) years at market rates
Early Termination:	Suite 600: October 31, 2018 at year 3 of the lease  Suite 700: October 31, 2018 at year 2 and one month of the lease

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

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 (ABCDs) meeting the necessary criteria for the required office space.

Staff recommends entry into the two lease extension and amending agreements based on the terms and conditions set out in the offer and summarized above as a cost effective means of providing suitable office accommodation.

Entering into an agreements with the landlord for the extensions to the terms of the two lease agreements at a competitive market rate provides the TTC with the most cost effective accommodation.

## Contact

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