



## STAFF REPORT ACTION REQUIRED

### Office Lease Extension – 1920 Yonge Street – 5<sup>th</sup> and 6<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 and extend the two existing lease agreements of the fifth and sixth floors of 1920 Yonge Street. The lease for the office space located on the fifth floor is dated December 1, 2010, and expires January 31, 2016. The office space located on the sixth floor is dated October 1, 2010 and expires October 31, 2015. TTC requires the continued use of this building for office space. Therefore, the extension of 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 the lease amendment agreement to extend the lease between 1920/1944 Davisville Centre Inc. and the Toronto Transit Commission for the lease of Suite 500 located on the fifth floor of 1920 Yonge Street for a term of approximately four years and nine months in substantial accordance with the terms and conditions set out in the “Proposal to Amend and Extend the Existing Lease” for the lease of Suite No. 500 and 600, 1920 Yonge Street, Toronto, Ontario dated June 25, 2015 to the satisfaction of the TTC’s Head of Legal and General Counsel;
2. Authorize the execution of the lease amendment agreement to extend the lease between 1920/1944 Davisville Centre Inc. and the Toronto Transit Commission for the lease of Suite 600 located on the sixth floor of 1920 Yonge Street for a term of five years in substantial accordance with the terms and conditions set out in the “Proposal to Amend and Extend the Existing Lease” for the lease of Suite No. 500 and 600, 1920 Yonge Street, Toronto, Ontario dated June 25, 2015 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 the fifth floor in the amount of \$1,856,000 (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 the sixth floor in the amount of \$2,651,000 (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 the extension of the lease in accordance with terms and conditions of the offer.

### **Financial Summary**

The proposed leases are for a term of four years and nine months for the fifth floor and five years for the sixth floor. The total rent obligation (including operating costs and property taxes) for the space is estimated at \$4,507,000 plus HST for the term. Sufficient funds for the lease are included in the 2015 operating budget and sufficient funds will be incorporated into future operating 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 the street to the leased space at 1920 Yonge Street by means of doors and elevators located on the ground floor of the building.

### **Decision History**

Board approval was received at the August 23, 2010 meeting to enter into a lease for 10,964 square feet of office space located on the fifth floor of 1920 Yonge Street, for office space to meet the needs of TTC offices for a term of five years commencing February 1, 2011 and termination on January 31, 2016. This lease contains one option to extend the lease term for an additional period of five years.

Refer to TTC Board Meeting No. 1922 held August 23, 2010 – Item 8.b

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2010/Aug 23 2010/Reports/Space Requirements f.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2010/Aug_23_2010/Reports/Space_Requirements_f.pdf)

Decision: Approved

Board approval was received at the June 2, 2010 meeting to enter into a lease for 14,723 square feet of office space located on the sixth floor of 1920 Yonge Street, for office space to meet the needs of TTC offices for a term of five years commencing November 1, 2010 and termination on October 31, 2015. This lease contains one option to extend the lease term for an additional period of five years.

Refer to TTC Board Meeting No. 1920 held June 2, 2010 – Item 4.c

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2010/June 2 2010/Reports/Space Allocation at.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2010/June_2_2010/Reports/Space_Allocation_at.pdf)

Decision: Approved

## **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 1920 Yonge Street is one such example of an existing lease requiring renewal.

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 fifth and sixth floors of 1920 Yonge Street meets the operational requirements of the occupants of the office space. There has been no request to relocate or reconfigure the space from the departments currently occupying this space.

The current lease term for the fifth floor space commenced on February 1, 2011 and expires on January 31, 2016. The current lease term for the sixth floor space commenced on November 1, 2010 and expires on October 31, 2015.

The TTC proposed an extension of the lease terms for a period of approximately five years on the same terms and conditions as the current lease except for the base rent.

The proposed base rent for the fifth and sixth floor extended term is \$14.00 per square foot per annum and is competitive with the market. Additional rent for 2015 is estimated at \$20.80 per square foot per annum. 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.

## Comments

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

<b>Terms and Conditions</b>	
Term:	Fifth Floor: Four (4) years and ten (10) months beginning on February 1, 2016 and ending October 31, 2020  Sixth Floor: Five (5) years beginning on November 1, 2015 and ending on October 31, 2020
Rentable Area:	Fifth Floor: 10,964 square feet  Sixth Floor: 14,723 square feet
Basic Rent	Years 1 to 5: \$14.00 per square foot of rentable area
Additional Rent (per square foot of rentable area):	Estimated at \$20.80 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:	Fifth Floor: January 31, 2019  Sixth Floor: January 31, 2019

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.

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

## Contact

Joanna Kervin

Head (Acting) Property, Planning and Development Department

Tel: (416) 393-7884, Fax: (416) 338-0211, Email: [joanna.kervin@ttc.ca](mailto:joanna.kervin@ttc.ca)

Lucie Jabour

Development Coordinator – Property, Planning and Development Department

Tel: (416) 393-6536, Fax: (416) 338-0211, Email: [lucie.jabour@ttc.ca](mailto:lucie.jabour@ttc.ca)

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