



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

Proposed Acquisition of 391 Alliance Avenue

Date:	February 25, 2016
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

The Toronto Transit Commission currently leases 391 Alliance Avenue for its Streetcar Overhead Wiring Section. The proposed acquisition was first brought to the Board at its meeting of February 28, 2014. At this meeting the Board approved the recommendations set out in the Confidential Attachment to the report with the condition that the Board provide final approval to acquire the property. The property owner and City of Toronto Real Estate Services have since reached an agreement in principle on this purchase.

The purpose of this report is to seek final approval to acquire 391 Alliance Avenue. To ensure continuous occupancy of the facility, the report also requests approval to enter into a lease amending agreement to extend the term of the existing lease for a term of one year, until such time as the purchase of the property is finalized, at which point the monthly rent payments will cease. The sale of the property is expected to be finalized in the summer of 2016.

Recommendations

It is recommended that the Board:

1. Approve the recommendations set out in the Confidential Attachment;
2. Authorize the public release of the confidential information contained in the Confidential Attachment once the transaction which is the subject of the report is completed;
3. Authorize the execution of a lease amending agreement for the lease of 391 Alliance Avenue which will extend the lease for an additional term of one (1) year

in accordance with the TTC's policies, in a form acceptable to TTC's General Counsel, and;

4. Approve the expenditure of an estimated \$420,585 including applicable taxes, for rent payments of up to one year, in accordance with the terms and conditions of the above noted lease amending agreement.

Implementation Points

In Accordance with Corporate Policy 6.5.0 Authorization for Expenditures and Other commitments, paragraph 3.7.9, leasing contracts having a term over ten years or lease payments of over \$200,000.00 per year require Board approval.

Financial Summary

Sufficient funds for the purchase are included in the Toronto Transit Commission's 2015 – 2024 Capital Budget under 3.9 Buildings and Structures – Purchase of Property for Overhead Wiring System as approved by the City of Toronto Council on March 10/11, 2015 and is also included in the 2016 – 2025 Capital Budget as approved by the Board on November 23, 2015 and is pending City Council approval on February 17/18, 2016.

The pay-back period for this purchase is 13 years, based on the costs outlined in the Confidential Attachment.

The cost for the lease and related maintenance and utility expenses is included in the 2016 Operating Budget that was approved by the Board on November 23, 2015 and is pending City Council approval on February 17/18, 2016. Sufficient funds will be included in future Operating Budget requests, as required.

Annual rent for 391 Alliance is estimated at \$420,585 including applicable taxes. The rent does not include the cost of utilities or the cost to maintain the property which are estimated at \$153,800 and consist of approximately \$82,600 for maintenance and \$71,200 for utilities.

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

Accessibility/Equity Matters

There are no accessibility or equity matters arising from this report.

Decision History

The purchase of the property was brought before the Board at its meeting of February 24, 2014. Refer to the agenda item 1(a) in the following link:

https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2014/February_24/Reports/Proposed_Acquisition_391_Alliance_Avenue.pdf

The lease was brought before the Board for approval at its meeting of December 15, 2010. Refer to agenda item 8(c) in the following link:

https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2010/Dec_15_2010/Reports/Traction_Power_New_O.pdf

Issue Background

The Streetcar Department's Overhead Wiring Section installs and maintains Toronto's overhead catenary system on the streetcar mainline and in 3 streetcar overhaul and maintenance yards (Roncesvalles, Russell and Leslie Barns).

Due to a lack of space within the TTC's operations centre located at 1138 Bathurst Street (Hillcrest) or within any of the maintenance yards, it became necessary in 2010 to lease space for the Streetcar Department for the storage of materials and service vehicles for the use of the Overhead Wiring (Traction Power) section.

A single storey, 34,952 square foot building on 2.164 acres of land located at 391 Alliance Avenue was available for lease. The building has a clear height of 18 feet from floor to underside of structure; 9 overhead, at grade truck doors that permit TTC to store its service vehicles in the building; and a large interior storage area for materials. These characteristics made the building suitable to house over 100 employees and accommodate 17 maintenance overhead trucks. The building also provides a suitable area for pre-assembly of hardware for job sites and can store large cable reels, pole hardware and other construction and maintenance materials. It also is a suitable facility for on-site overhead training and crew certification. The building footprint leaves 1.06 acres of land available for outside material storage and parking and provides easy access to the TTC's pole yard located at 200 Rockcliffe Court which is located less than 1 km from this site. Based on the foregoing, it was determined that the site at 391 Alliance Avenue met TTC's requirements and was considered an ideal site for lease.

TTC entered into a lease for 391 Alliance Avenue for a term of 5 years commencing February 1, 2011. Because the leasehold improvements contemplated under the lease were not completed by the lease commencement date, the TTC and the landlord mutually agreed to change the lease commencement date to May 1, 2011 and the expiry date to April 30, 2016.

Comments

In late 2013, the owner of 391 Alliance Avenue placed the property on the market for sale. The lease contains a provision giving TTC a right of first offer to purchase the property if, during the term of the lease, the landlord decides to market the building for sale. TTC expressed an interest in acquiring the property for the following reasons: it is in close proximity to the streetcar lines it services; it is of the appropriate floor area and height to allow for current operations and foreseeable growth; and it is readily accessible to major highways for restocking. The proposed acquisition of 391 Alliance Avenue meets the TTC's operational requirements to store materials and equipment needed to rebuild and maintain the overhead wiring network for TTC's fleet of streetcars.

No alternative suitable space for the Overhead Wiring section was available in any TTC or City facilities at the time the property was offered on the market. A recent review of inventory has confirmed that no suitable facilities have become available in either the TTC's or City's portfolio. Furthermore, a recent market search of the immediate area did not reveal any suitable facilities available on the market.

At the February 24, 2014 meeting of the Board, staff recommended the purchase of 391 Alliance Avenue for TTC's use. The Board adopted the recommendation contained in the Confidential Attachment to the report, and stipulated that no final commitment be made without Board approval.

TTC requested City of Toronto Real Estate Services to enter into negotiations with the owner to purchase the property shortly after the February 2014 Board meeting. City staff began negotiations with the owner and continued to maintain an open dialogue regarding the proposed acquisition across 2014, finally reaching an agreement in principle on the purchase price in the third quarter of 2015. In the fourth quarter of 2015, City staff and the owner agreed to enter into an "Offer to Sell" agreement.

In the intervening period, under the direction of City staff, environmental site assessments were carried out on 391 Alliance Avenue. The reports were completed in December of 2014 and indicated that the property was in compliance with applicable Ministry of the Environment and Climate Change (MOECC) standards and that it was fit for the intended municipal purpose. City and TTC staff agreed with the findings set out in the reports.

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Attachments

Confidential Attachment 1

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