



**For Action
with Confidential Attachment**

Materials and Procurement Consolidated Warehouse Leasehold Improvements Authorization Amendment

Date: September 24, 2019
To: TTC Board
From: Chief Capital Officer

Reason for Confidential Information

This report is about a proposed or pending land acquisition or disposition of land for municipal or local board purposes.

Summary

This report, and confidential attachment, requests an amendment to the Leasehold Improvements allowance with respect to the lease for the new consolidated warehouse at 2233 Sheppard Avenue West for the Materials and Procurement Department.

Recommendations

It is recommended that the Board:

1. Adopt the confidential recommendation contained in the confidential attachment to this report; and
2. Authorize the release of the confidential information contained in this report once the TTC takes occupancy of the Leased Premises.

Financial Summary

The financial summary is contained within the Confidential Attachment.

Equity/Accessibility Matters

The consolidated warehouse is being constructed to be accessible.

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](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/July%2012/Reports/5%20Proposed%20Lease%20of%20Property%20for%20TTC%20Warehousing.pdf)

At its meeting of October 16, 2017, the Board approved the Consolidated Warehouse Strategy:

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2017/October 16/Reports/12 Consolidated Warehouse Strategy.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/October%2016/Reports/12%20Consolidated%20Warehouse%20Strategy.pdf)

At its meeting of October 16, 2017, the Board approved the lease authorization for the Consolidated Warehouse at 2233 Sheppard Avenue West:

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2017/October 16/Reports/13 Materials and Procurement Warehouse Lease Authorization.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/October%2016/Reports/13%20Materials%20and%20Procurement%20Warehouse%20Lease%20Authorization.pdf)

Issue Background

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 require Board approval.

In 2017, the TTC retained Colliers International to determine whether TTC's consolidated warehouse should be owned or leased. The analysis presented the availability of sites, the cost of leasing versus owning, and the proximity to the TTC's facilities and major highways for ten available sites in the GTA.

The conclusion was that leasing 2233 Sheppard Avenue West for a minimum 20-year term had the lowest 20-year net present value. The TTC Board considered this lease or buy analysis at its meeting of July 2017 and approved the staff recommendation to lease 2233 Sheppard Avenue West.

The lease of the consolidated warehouse for a 20-year term, with one renewal term of 15 years, was executed between the TTC and the Landlord on November 1, 2018. The design and construction of the facility is presently underway by the Landlord and its representatives. Construction of the base building commenced in 2018 and is expected to be completed in late 2019. The fixturing and commissioning of the TTC space, which includes the Leasehold Improvements, will commence following the building completion, with TTC occupancy anticipated in Q2 2020.

The TTC currently utilizes four warehouses located across the city for its warehousing needs. Two of the warehouses, which are filled to capacity, are owned by the TTC and located on the Hillcrest and Greenwood properties. The two leased facilities are located on properties slated for redevelopment with no long-term lease potential. Consolidating the warehousing will enable the following benefits:

- Improvement in preventative maintenance programs for all three modes of operations (bus, subway and streetcar) through the provision of adequate space to stage and kit materials;
- Utilization of available technology and automation to better manage re-order points, reducing inventory levels consistent with AG recommendations;
- Reduction in time and costs associated with transporting inventory to four separate locations across the city to one centrally located warehouse having access to major highways;
- Implementation of processes aimed at doubling turn rates, reducing inventory levels;
- Provision of 69,000 sq. ft. of existing space within internal facilities for other TTC needs, avoiding future lease costs; and
- Accommodation of future growth in TTC inventory requirements.

Comments

The requested amendment regarding the Leasehold Improvements for the TTC's use of the consolidated warehouse is included in Attachment 1.

Contact

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Signature

Susan Reed Tanaka
Chief Capital Officer

Attachments

Attachment 1 – Confidential Information

SP#03078-31-419

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