MEETING DATE: March 27, 2013

SUBJECT: LEASE EXTENSION – 40 CARL HALL ROAD, DOWNSVIEW PARK

ACTION ITEM

RECOMMENDATION

It is recommended that the Board approve extending the term of the lease dated October 28, 2009 between Parc Downsview Park Inc. (the “landlord”) and the Toronto Transit Commission (the “tenant”) for 40 Carl Hall Road (the “lease”) as amended by the Lease Amending Agreement dated December 2, 2011 between the landlord and the tenant, for a further term of one (1) year on the terms and conditions set out in the lease.

FUNDING

The proposed lease extension is for a term of one (1) year beginning January 1, 2013 and ending December 31, 2013. The leasing of the space will cost the TTC approximately $843,827.00 (including property taxes), plus applicable taxes across the term. The existing lease and proposed extension are budgeted operating expenditures provided for within the approved 2013 Operating budget.

BACKGROUND

At its meeting of October 29, 2009, the Board approved the execution of an agreement with Parc Downsview Park Inc. for the lease of a 95,000 square foot warehouse facility for the storage of TTC inventory material for a period of two years commencing January 1, 2010, with two options to further extend the agreement for two additional one year terms. The annual base rent for each of the two options was specified within the lease. The option for the first extended term was exercised and a lease amending agreement extending the term of the lease to December 31, 2012 was entered into on the terms and conditions set out in the lease (the “amended lease”).
DISCUSSION

The TTC’s Materials and Procurement department has an on-going operational requirement for the warehouse space at 40 Carl Hall and is currently over holding, as the term of the amended lease expired December 31, 2012. The base rents for the second lease extension were preset at the time the Lease was executed at rates that were then competitive in the marketplace. The base rent for the second option to extend is $4.50 per square foot of rentable area per annum. Additional rent is approximately $4.38 per square foot per annum. Industrial lease rates have not changed substantially in the intervening three years and the base rate remains competitive. Suitable warehouse space of similar size is not readily available within the City of Toronto and the TTC would incur substantial costs to relocate its warehouse operations elsewhere. Staff are in discussions with the landlord for a further extension of the term of the lease beyond 2013.

JUSTIFICATION

Entering into an agreement with the landlord for a one year extension to the term of the lease, at the rate provided for in the lease, provides the TTC with cost effective accommodation for its warehouse requirements.

March 27, 2013
22-11-10