



## New Retail Strategy

**Date:** February 15, 2018  
**To:** TTC Board  
**From:** Chief Executive Officer

### Summary

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This report proposes a new strategy to modernize the current and future retail offerings in the TTC to maximize revenue potential, increase neighbourhood integration with local communities and improve the customer experience.

Customers are familiar with retail names and brands that exist outside the subway and are exposed to an enriched retail experience through their day-to-day travel around the city. Street front retail is advancing at a faster pace than the retail on the TTC. In order to keep up with other Toronto retail developments, increase revenue and enhance the customer experience, similar upgrades must be made to TTC retail, while meeting necessary fire and life safety, and operational requirements of running a subway.

This report outlines the changes required to deliver this, including improvements to the way retail is procured, managed and the type of retail, range of services and merchandise mix offered.

### Recommendations

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It is recommended that the Board:

1. Approve the new Retail Strategy.
2. Authorize TTC staff, in consultation with the Director, Real Estate Services at the City of Toronto, to negotiate and execute three year extensions to 21 leases that expired on December 31, 2017.
3. Direct staff to develop a business case for the implementation of the Retail Strategy for consideration by the Board in conjunction with the 2019 Operating Budget process.
4. Direct staff to forward this report to the Director, Real Estate Services at the City of Toronto.

## Financial Summary

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Annual revenue from subway concessions, prior to the new Retail Strategy being implemented, is approximately \$5.1M. Forty-six percent of this comes from the current Gateway contract and 54% comes from 21 other long-term retail leases.

As of December 31, 2017, all of the 21 long-term leases have expired. It is recommended that they should be renewed for a three-year term, with rents the same or greater than the final year of the previous contractual term. This will ensure continuity of revenue and allow sufficient business focus during this time on the successful implementation of the new Market Shops network (see next paragraph) and other aspects of the Retail Strategy.

Staff has created a Request for Proposal (RFP) for the retail convenience stores currently operated by Gateway Newstands. The retail uses sought through the RFP are hereafter referred to as the Market Shops, which was issued on September 13, 2017.

The ability to negotiate future RFPs will likely mean higher revenues, more varied retail offerings and differentiated merchandise mix, which can be achieved through the negotiation process. Negotiations are expected to be complete in February 2018 with the procurement authorization being brought forward to the Board in March 2018.

Table 1 below summarizes the annual revenues that can be expected from the current retail model and includes the financial impact of the new Market Shops contract that will involve the closure of stores to allow for renovations.

**Table 1: Expected revenue from current retail model**

	2017 Actual	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Total Revenue	\$5.1M	\$4.4M	\$4.5M	\$6M	\$6.2M	\$6.4M	\$6.6M	\$6.79M

Forecast are based on 3% per annum increase from all long term retail leases

Table 2 below outlines the estimated potential of moving to the new retail model proposed under the new Retail Strategy. A transformational change to retailing in the stations requires additional revenue from a Click and Collect program, expansion of the long-term lease portfolio with 17 new locations, and a Pop-up/Activation Program (including food trucks).

The realization of the additional revenue is subject to safety, operational and financial feasibility assessments to determine what is possible and what the capital costs would be to implement the range of new retail opportunities and any associated future year operating impacts. These feasibility assessments have begun and a business case for the implementation of the Retail Strategy will be developed and brought back to the Board for consideration in conjunction with the 2019 Operating Budget process.

**Table 2: Estimated potential revenue from new retail model**

	2017 Actual	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Long term retail	\$5.1M	\$4.4M	\$4.5M	\$6M	\$6.2M	\$6.4M	\$6.6M	\$6.79M
17 new long term locations	-----	-----	----	\$0.5M	\$0.55M	\$0.6M	\$0.65M	\$0.65M
Pop-Up / Activation / Click & Collect	-----	\$0.1M	\$0.2M	\$0.35M	\$0.4M	\$0.45M	\$0.65M	\$0.65M
Total	\$5.1M	\$4.5M	\$4.7M	\$6.85M	\$7.15M	\$7.45M	\$7.9M	\$8.09M

Forecast are based on 3% per annum increase from all long term retail leases

*Table 2 Assumptions.* All new long-term revenues assume a 3% increase per year and assume broker fees are offset by increased retail income. Standard broker commissions are 6-8% of first year net rent and 3-4% of net rent for the balance of the term. The revenues for the potential 17 additional long term retail locations is based on the pro-rated revenues received from the current long term retail portfolio including a 3% increase per year. The revenues for pop-ups are based on industry rates for similar types of operation found elsewhere and assumes only a proportion of the locations identified for pop-ups prove to be feasible.

The Market Shops RFP includes the responsibility to fund the cost of renovations of all the retail locations specified in the new contract.

The minimum estimated potential cost per location could be in the range of \$100-200K and may include the addition of sprinklers, fire alarm panel changes and/or installation of fire separation.

The Chief Financial Officer has reviewed this report and agrees with the information.

## **Equity/Accessibility Matters**

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The plan for the retail program is to allow for a varied experience for all TTC customers, which will incorporate the demographics of the city of Toronto ensuring that retailers and brands to include products and services that are culturally and linguistically relevant, and accessible to the diverse communities surrounding the stations.

The outcome is to allow a community and local feel to the stations, in which the TTC customer experience would be enhanced and supported by retail concepts, events and promotions. The intention is to ensure that affordable retailers are part of the mix with a variety of diverse food options offered, respectful of food allergies and dietary needs of all TTC customers.

Toronto Public Health has been consulted on high-level retail plans and information has been shared with them on our customer research. We will continue to collaborate on ideas and services that are mutually beneficial and support strategic initiatives for both parties.

To modernize many of the retail locations a partial or total renovation will be required to meet Accessibility for Ontarians with Disabilities Act (AODA) Integrated Accessibility Standards Regulation (IASR).

This means retailers must adhere to the design criteria regarding accessible service counters to facilitate access for customers with disabilities to queue with ease and with accessible height levels. Any design improvements need to ensure that the TTC and its retailers meet or exceed the AODA IASRs.

## **Decision History**

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At its meeting on May 24, 2013, the TTC Board asked staff to:

1. Examine and study opportunities to maximize revenue through the retail operations available throughout the TTC; and
2. Examine and study opportunities to improve the customer experience through retail operations within the transit system with an emphasis on modernizing the retail experience to best meet our customer expectations.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2013/May 24/Supplementary Reports/Decisions/Reconsideration Gate1.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2013/May%2024/Supplementary%20Reports/Decisions/Reconsideration%20Gate1.pdf)

At its meeting on November 23, 2015, the TTC Board asked staff to:

1. The designation of a member of TTC Staff tasked with the mandate of increasing non-fare revenue.
2. A review and lease expiration timeline of all current contracts for service providers that generate non-fare revenue including, but not limited to, retail concessionaires, newspaper providers, and commercial leaseholders.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2015/November 23/Reports/Decisions/2016 TTC and Wheel Trans Operating Budgets.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2015/November%2023/Reports/Decisions/2016%20TTC%20and%20Wheel%20Trans%20Operating%20Budgets.pdf)

## Issue Background

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### Introduction

The purpose of offering retail in the TTC is to enhance the customer experience and to provide an ancillary source of revenue to the TTC. The broader retail program was introduced more than 30 years ago when the first deals were completed with Garfield Newsstands with the intention of providing convenience merchandise (newspapers, magazines, chips, confectionary, etc.) and enhancing the experience for all TTC customers; this mandate continues today.

The TTC has approximately 32,000 square feet (sf) of retail space comprising of 80 retail locations across 69 stations, with an additional six locations in the Line 1 extension stations, and ridership of 535 million. Total revenues for the retail program are \$5.1M annually for 2017. The current tenants include convenience uses such as dry cleaners, fashion accessory retailers, a florist, lottery tickets, gift retailers, and food services. There are also two different suppliers for ATM services at 16 stations, and courier boxes at five stations. The tenant mix is comprised of independent retailers and national chains that are operated through franchisees. There is a range in the sales performance from these retailers; from under \$100K in gross annual sales to more than \$4M at a single location.

In the not too distant past, the TTC's retail operations, like with many aspects of the system, was considered at the forefront of service delivery in transit. However, over the past five to seven years other transit agencies have advanced significantly. This can partly be attributed to their ability to leverage a different business relationship with retailers and brands outside of the standard RFP process.

The current RFP process used does not support innovations in the retail space. The degree of specificity in an RFP limits the ability for retailers to introduce new and innovative concepts through the standard RFP approach.

While the revenues generated today are very good for the minimal resources allocated to manage the portfolio, much can be done to modernize the offering and bring it up to par with the excellent retail found in the city of Toronto, meet the diverse needs of the TTC customer and to enhance the customer experience on the TTC.

Tobmar Investments Inc. operating as Gateway Newsstands is the largest leaseholder with 60 operating locations. They have been a tenant with the TTC for more than 23 years. The current lease expires on April 30, 2018. For the year ending April 30, 2017, the total sales for these Gateway locations were just over \$19M.

The last renewal for Gateway was completed in 2012 to ensure operations continued without interruption during the Pan Am Games in 2015. As part of the renewal agreement, a small refresh of a number of Gateway locations was completed, this was undertaken while the retailer continued to operate, not impacting retail operations with a closure of the premises. Despite this, there are still many retail locations that show signs of wear and visual presentation could be improved to align with the TTC's modernization efforts. A financial investment will be required by the retailer to bring the locations up to an appropriate, modern design.

The TTC's ATM providers are All Trans in 13 locations and BMO in three locations with combined annual revenues in excess of \$170K. The ATM service is an important service to TTC customers and the intention is to provide this at a greater selection of stations with further discussions with the current providers.

### **Operational and Fire and Life Safety Challenges**

The operational environment of the subway presents a number of significant operational, safety and security challenges in the provision of a successful and financially profitable retail portfolio.

Most subway stations are greatly restricted in their ability to deliver the industry minimum utility services, including power requirements of 200-amp service, water and drainage, which are required to support many retail uses. Building Code requirements also dictate the need for fire protection, e.g. sprinklers, fire alarm panel modifications and fire separation. Based on preliminary discussions, a large capital investment would be required by the TTC or a retailer to bring these services to many of the retail locations.

Another constraint is the small footprint of many of the retail locations, in comparison to average mall or street front. Where possible some of these locations should be enlarged. However, given the current layout and finite space available, in most cases expansion is not possible without impacting customer flows, station operations or safety.

As part of any construction or renovations to the retail premises all locations will need to meet the Ontario Building Code, the TTC's Design Standards, security requirements, as well as other relevant legislative requirements and standards (including but not limited to the Ontario Fire Code, NFPA-130, and Electrical Safety Code).

### **Retail Categories**

The TTC has a traditional retail operating program focusing almost solely on long term permanent leases with a variety of different retailers. There are other types of retail that may be introduced to create a more varied experience for customers and to provide additional revenue to the TTC. The following outlines the different types of retail:

**Long Term** – these are long-term permanent retailers whose term is generally in excess of 5 years.

**Pop-ups** – these are short-term retailers with a term of a minimum of a few days to a maximum of one year – operate on a license agreement rather than a lease and the landlord would have termination rights. Retailers would sell products and merchandise this would also include the development of a food truck program in specific stations. Pop-up/activation programs are a proven retail concept with major shopping centre developers in Canada and around the world and can be integrated into the TTC stations.

**Activations/Sampling** – these agreements are generally for a maximum of one day may involve multiple stations and are generally promoting a product or a service. Free samples may be distributed, but no merchandise is sold.

**Click & Collect** – this service allows on-line ordering of grocery and non-perishable goods for delivery or pick-up at designated locations at specific times.

**Virtual Store** – ability to scan a wall with selected goods and products and would allow the customer to have delivery or pick-up at a designated location.

**Automated Retail** – vending machines that could be secured in stations with lower foot traffic allowing some retail goods to be sold.

Currently, the TTC has long term retail and sampling. Limited sampling is being done through the Pattison Outdoor/Pattison One Stop Agreement. There is a potential opportunity to expand the portfolio to include pop-ups, activations/sampling, click & collect and automated retail categories.

## Comments

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### Retail Strategy Objectives

The development of the new Retail Strategy has centred around two main strategic objectives:

1. Increase non-fare revenue
2. Improve the Customer Experience

The opportunities and changes outlined in the new Retail Strategy enable the TTC to meet these primary objectives as well as the secondary objective to increase neighbourhood integration with local communities. This will be delivered through the modernization of current and future retail offerings, improvements to the way retail is procured and managed, and enhancing the type of retail, range of services and merchandise mix offered.

By making these changes to the current retail portfolio, revenue in 2024 is estimated to be around 33% higher than 2017. Should it be feasible to expand the portfolio with more long-term lease space being created, a pop-up/activation/sampling and/or click & collect program and automated retail, then revenues could increase by as much as 60% over the same timeframe.

## **Customer Experience**

The main focus of a transit system is to safely and efficiently move customers to and from their destination; the retail experience should not interfere with service operations but instead be complimentary. The customer research results confirm that the retail currently being offered is meeting the majority of customer needs by allowing people to take care of day to day items in an efficient way.

A pop-up program is an opportunity to increase revenue, add product diversity to the current retail offering, allow the retail concepts to support the local demographics and product demands, and to create an element of surprise and delight to the TTC customer.

Uninterrupted wireless service that allows customers to order their groceries, products and gifts on-line is fast becoming a basic expectation by ordering from their seats on the subway and the ability to collect them on the way home. Ensuring this need and expectation is met should be part of the future experience on the TTC.

## **Benchmarking**

A peer review, including meetings, phone calls and web research was conducted with a number of Canadian agencies (Metrolinx, York Region Transit (YRT)/Viva, Translink, Societe de transport de Montreal (STM) and one international peer (Transport for London (TfL)).

The key findings were (see Appendix 1 for details):

- broker services help secure the best tenants, both from a customer experience perspective and in terms of revenue generation
- the creation of a subsidiary company/investment entity enables the transit agency to move away from the standard RFP process and be in the best negotiating position
- investing capital into retail units can help maximize their revenue potential
- incorporating pop-ups, click & collect and automated retail can diversify the experience and generate additional revenue.

## **Customer Research**

Customer Research was conducted in March 2017 with nine-minute online survey engaging 1,113 customers, representing a variety of genders, ages, ethnicities and geographical regions in Toronto who provided their thoughts and feedback regarding the current retail, and what they would like to see going forward.



Results showed that 75% of the respondents have made a purchase from stations on the TTC subway network over the past three months, 41% have reported that they have purchased within the last four weeks; 38% have purchased less frequently and 21% have never made a purchase. These figures include purchases made from non-TTC stores connected to the subway, e.g. Union station/GO rail station.

The typical purchaser lives outside of Toronto and uses another transit agency to connect to the TTC. Forty-two percent of the TTC customers are satisfied with the current retail options stating that their needs are being met, and the transactions are quick and convenient. Twenty-two percent of customers are dissatisfied, citing limited options, high prices and an uninviting atmosphere as their concerns.

A number of respondents expressed their desire for food and cafes; ideally a bigger restaurant or café where people could have a drink and wait for someone. Ideally, they would like to see more seating or standing tables to quickly and comfortably eat or drink, allowing for a sense of gathering and meeting spaces.

When asked about future retail offerings, customers indicated that they would like a greater selection of products, ready-to-eat vendors, parcel pick-up kiosks, pop-up retailers and stores with a greater focus on healthy foods and take-home items such as milk, eggs and bread. Customers mentioned that an ideal TTC retail environment involves changing the atmosphere through modernizing the physical environment, further improving cleanliness and improving the lighting. Customers would like products offered at reasonable prices, quick and efficient transactions, and a wide variety of products. They were not interested in luxury, unique or name-brand retailers, except for coffee shops.

The concept of Click & Collect and the idea of a virtual store that allows customers to use their smartphones to scan labels and purchase products with arranged delivery or pick-up were considered appealing or somewhat appealing by 76% of customers that completed the survey.

The concept of retail ideas was also put to the TTC Customer Liaison Panel (CLP). Their comments were consistent with the on-line survey results: an interest in purchasing on-line while commuting for pick-up later in the day, healthier food selections with a wider variety of options.

### **New Procurement Approach**

One of the key opportunity areas to improve revenues and the retail proposition for customers is by introducing new procurement practices. TTC has developed a negotiable RFP (NRFP) template that allows the TTC to engage in negotiations regarding financial, and business terms and conditions, as part of the standard RFP process. The NRFP format is being used for the Market Shops network. This is an important step towards modernizing and improving the way retail is sourced.

The next step is to secure the services of a broker. The broker will be secured through an RFP process and will be the broker of record for renewals, new retail locations and any opportunities for future retail expansions with the mandate to introduce new, innovative and highly desired retail concepts to the identified stations and locations within the TTC network. The broker will work closely with the Director, Real Estate Services at the City of Toronto to ensure that the two organizations have a consistent mandate and deliver the highest quality and standards to the retail program.

A transformational step will be to create a similar business structure as Translink and STM (see Appendix 1 for reference) by creating a separate operating investment entity, supported by the services of an outside broker, who facilitates the prospects and deals, negotiating for all long-term leases. This ensures the TTC is in the best negotiating position to create the desired tenant mix, allowing the TTC to move away from the RFP process, access to latest retail innovations and generate the highest revenues. A review of the City of Toronto Act, in consultation with the City of Toronto's Real Estate Services, is required to determine whether the creation of a separate operating investment entity is possible.

### **Long Term Retail**

Gateway operates at 60 locations within TTC subway stations. Five have been closed over the term. As was previously mentioned, the negotiable RFP for the Market Shops contract will be the new contract for the current network for healthy food options, renovations to the stores, broader selection of food items, and the request for new and innovative retail ideas.

The new Market Shops contract will have the largest number of retail locations, the renovation and merchandise mix upgrades will have the greatest positive customer experience impact, but will also as cause the most disruption to retail operations and revenues during the transition.

There are limited options for the transition to the new Market Shops network. Starting May 1, 2018, store renovations will likely take 18 to 24 months. Groups of locations can be renovated at the same time and it will be imperative the renovations are completed as quickly as possible to ensure minimal closure time for customers and the retailer, and minimal disruption to station operations. This will be critical to the success of the retailer and to ensure that the TTC continues to provide the services that our customers want and expect throughout the system.

A thorough review was conducted of sales data from the current Gateway locations and each station was assessed for potential new retail locations and opportunities to expand existing locations or to create new ones. It has been determined that there are up to 17 new long-term retail locations. Feasibility reviews are being conducted to understand the costs of providing the necessary utility services and construction needed to meet Building Code requirements.

There are 21 long-term retail leases that expired on December 31, 2017. It is recommended that they be renewed for a three-year term to ensure that there is sufficient business focus on the successful implementation of the new Market Shops network and other aspects of the Retail Strategy. These renewals will also ensure that customers continue to have retail services available to them while the Market Shops are undergoing their substantial renovations. Board endorsement is needed to allow these leases to be extended as per Recommendation # 2.

### **Pop-ups/Activations/Click & Collect**

Currently, the retail mix within TTC stations is limited to tenants with long term leases. The TTC may be able to introduce a pop-up and activation/sampling program, click & collect retailing options, automated retail (self-serve vending) and virtual stores that diversify the retail options and experience, potentially allowing TTC to cater more specifically to the diverse neighbourhoods and communities where stations are located.

Feasibility reviews are already underway to determine where pop-ups can be introduced. Subject to the review findings, pilots of each new type of retail will help determine their viability system-wide. Appendix 2 outlines the minimum license agreement conditions for pop-ups and Appendix 3 outlines the key pilot success criteria. Should a pop-up and activation/sampling program or click & collect be possible, the expanded portfolio will need to be supported by a marketing promotional package, including information on the TTC website with details of the opportunities, locations, rents and requirements, and an online submission form to secure a pop-up location.

A Request for Information (RFI) has been created, that outlines the details of the pop-up pilot program and highlights the TTC intentions to identify and obtain details from retailers/brands/concepts that are interested in taking part. Once this strategy is endorsed by the Board, and if pop-ups are feasible, the RFI will be issued.

One aspect of pop-ups is a food truck program at specific stations. A food truck program is an exterior leasing program allowing a third-party approved retailer to lease at-grade space from the TTC outside a station for a short period of time to sell products and food services directly from their trucks. A specific food truck pilot allows the TTC to test the viability of this type of operation and allows the TTC to provide customers with access to food at stations that do not have any traditional long-term retail locations. Locations where food trucks can be accommodated is limited, as they must not impede daily and emergency operation of the station, including customer access.

### **Retail Department**

There is only one permanent full-time employee responsible for retail and parking management operations, resulting in limited capacity to focus on the appearance of retail and overseeing of the day-to-day operations of the retail locations in the stations.

The Retail Department should have new accountabilities including preparing and distributing the rent schedules, preparing performance analysis, implementing and tracking metrics, and assisting with collections where warranted.

Regular sales analysis is required on the productivity of retailers, consistent with industry standards. This sales analysis enables the provision of industry relevant information to retailers and brands to facilitate new retailer approaches for future locations, and ensures that the current retailers are addressing the needs and wants of TTC customers.

A new retail and parking analyst/administrator resource should support the current retail and parking officer, in all the above work, including preparing license agreements, booking of locations, sales analysis and retailer support. This position will also provide important analytical and administrative support. Further resources may be required if the implementation of a pop-up program proves feasible.

TTC staff, working with Director of Real Estate Services at the City of Toronto will ensure both agencies work together to leverage their assets and expertise to maximize revenue and deliver an enhanced retailing experience. (Refer to Appendix 4 on the recent amendments to the Toronto Municipal Code highlighting the new Real Estate Approval Process for the TTC).

### **Planning Future Retail**

The customer research highlighted a desire by some for seating within a larger restaurant or café experience in select stations. Aside from this type of experience potentially conflicting with the TTC's primary objective to keep people moving through the stations in a safe and efficient manner, Building Code requirements restrict the use of gas and other key services needed for a restaurant or larger café style operation involving cooking and food preparation.

Although this severely limits the opportunity within existing stations, there is the potential to deliver this retail experience in future TTC stations by incorporating specifications into new station designs.

### **Contact**

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### **Signature**

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### Appendix 1: Benchmarking

*Metrolinx, Ontario.* Metrolinx have been developing their retail strategy for over two years; they have an 'open for business' approach; their website supports and promotes new business opportunity proposals and partnerships, for property-use, filming and advertising. Metrolinx have also developed a Promotional and Strategic Partnership Policy. The policy provides transparent and guiding principles for Promotional and Strategic Partnerships that allow for a more innovative and collaborative approach than the traditional RFP process; resulting in a more sophisticated partnership with retailers and brands. The policy is designed to ensure that all potential relationships align and meet specific criteria.

*York Region Transit (YRT)/Viva, Ontario.* YRT/Viva currently follow the RFP process, but believe going to an outside company would allow them to secure the highest rents and desired tenant mix. They followed the RFP process and secured the services of an outside real estate broker to provide leasing services for the retail locations.

*Translink, Vancouver, British Columbia.* Translink has created a separate investment entity to allow the Real Estate and other revenue producing departments to operate as a separate and private venture; this is a similar strategy to the Mass Transit Railway (MTR) in Hong Kong. This has resulted in a significant increase in net financial revenue. The real estate department has two internal employees, who support the day to day operations and approval of lease negotiations. The average length of term is 10 years plus 5-year renewals and work on a percentage rent basis. They are working on a cart and kiosk program which will rotate every three months with new retailers, a trial program for coffee, automated retail vending and click and collect in three potential stations; all expect to launch over the next year.

*Societe de transport de Montreal (STM), Montreal, Quebec.* STM created Transgesco in 2003, which is a subsidiary of STM with the mandate to develop non-fare revenue sources. Their objective is to also enhance the user experience through various means, such as improving passenger information and creating a dynamic, user-friendly and pleasant environment. Transgesco, has established various types of private-sector partnerships, with a focus on three main areas: Media and Advertising, Development and Technology and Real Estate and Retail. A broker has the exclusive rights for the leasing and marketing of the retail spaces and carrying out commercial activities. This includes all retail spaces, including pop-up and long term in the STM properties.

*Transport for London (TfL), UK.* The majority of the retail space is managed internally by TfL. The core strategy is for them to continue to retain the internal management of the program. As the organization has expanded and acquired additional assets there have been some instances where third party managers have been retained. The focus is on tenant quality and the need to provide a safe retailing environment in a very crowded underground system. There has been a deliberate attempt in recent years to invest in the retail assets, by renovating and changing spaces, to improve the tenant mix and to meet wider customer expectations. They are increasingly including linking the retail offer with other media, retailing and promotional activities to enhance the customer

experience by working with their media partners. The current leasing activity is based on an RFP process; however, within this is a tenant mix strategy and a policy to secure independent retailers and smaller businesses. The intention is to offer a diverse and complimentary retail mix to support the local area that the station serves. In the near future TfL will be providing detailed information online on the usage and customer profile of their stations to encourage potential retailers.

## **Appendix 2: Minimum license agreement conditions for pop-up retailers**

Assumes the necessary Fire and Life Safety requirements are in place as referenced elsewhere in the report and the license agreement's terms of use are adhered to.

1. Products and services that may be sold or promoted must be non-combustible, fixtures must be non-fixed, and additional fire extinguishers may be required.
2. Retailers/Vendors must be prepared to evacuate in an emergency.
3. Each retailer/vendor will be required to review and sign off on a station emergency procedure/training package.

## **Appendix 3: Key success criteria for pop-ups**

1. The retailer market feedback and response to the pop-up program and the ability to secure appropriate retail uses and concepts that will ensure that Fire and Life Safety are satisfied with the sale of products and merchandise.
2. Confirmation that customer flow is safe, access and egress is maintained throughout.
3. Confirmation from Station management that the pilot has not negatively impacted daily operations.
4. The ability to generate revenue from the leasing of these pop-up locations to interested brands or retail concepts and the sales generated from the pilot to support the program for an on-going basis.
5. Clearer understandings of the associated implementation and operational costs that will help determine the overall viability of each location and the program as a whole.

## **Appendix 4: City of Toronto and Toronto Municipal Code**

Recent amendments have been made to the Toronto Municipal Code to revise the TTC's "Real Estate Approval Process". The details of this amendment are highlighted below and have been reviewed and supported by TTC.

- A. As used in this Section, the following term shall have the meaning indicated:  
REAL ESTATE APPROVAL PROCESS - The real estate service delivery model and delegated authority approval process as set out in Item EX27.12, adopted by Council at its meeting of October 2, 3 and 4, 2017, including any amendments as approved by Council from time to time.

- B. The Toronto Transit Commission shall have authority to approve and enter into licences and leases for the use of lands under the jurisdiction of the Toronto Transit Commission on terms acceptable to the Toronto Transit Commission Board, including insurance and indemnification provisions, and in a form satisfactory to the General Counsel of the Toronto Transit Commission, provided that:
- (1) the term of the arrangement, including all licences and leases, and rights of extension or renewal, is
    - (a) for a total period of one (1) year or less; or
    - (b) where the arrangement relates to only a portion of an existing building or structure, for a total period of three (3) years or less, and
    - (c) subject to a right of termination in favour of the Toronto Transit Commission, exercisable upon not greater than 90 days' prior notice;
  - (2) the total rent or licence fee payable to the Toronto Transit Commission pursuant to such arrangement does not exceed \$50,000;
  - (3) the start date for the use shall not be later than six (6) months from the date the licence or lease was issued; and
  - (4) the fee(s) payable to the Toronto Transit Commission in relation to such arrangements reflects fair market value.
- C. Where the proposed transaction does not meet the criteria set out in Subsection B, the transaction shall be directed through the Real Estate Approval Process.
- D. Where the Toronto Transit Commission wishes to proceed with a transaction that falls outside of the scope of authority delegated by Council pursuant to the Real Estate Approval Process, the Toronto Transit Commission shall seek Council approval for such transaction by way of a joint report to Council from the Toronto Transit Commission and the Deputy City Manager, Internal Corporate Services.
- E. Any property interest acquired or held in the name of the Toronto Transit Commission shall be deemed to be acquired or held by the Toronto Transit Commission in its capacity as an agent of the City, and for the purpose of a transportation system provided by the City, within the meaning of City of Toronto Act, 2006, or any successor legislation.
- F. Toronto Transit Commission shall assist in the implementation of transactions proposed by the Deputy City Manager, Internal Corporate Services with respect to property under the jurisdiction of, or registered in the name of, the Toronto Transit Commission, as requested by the Deputy City Manager, Internal Corporate Services