

Long-term Industrial Lease at 245 Bartley Drive for Toronto Transit Commission's Automatic Train Control Project and Signals Group

Date: April 4, 2023

To: General Government Committee

From: Executive Director, Corporate Real Estate Management

Wards: 16 - Don Valley East

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a new ten year offer to lease and subsequent lease agreement (collectively the "Lease") with 245 Bartley Inc. (the "Landlord") for approximately 46,000 square feet of industrial space at the property municipally known as 245 Bartley Drive (the "Leased Premises") to meet the needs of the Toronto Transit Commission's ("TTC") Automatic Train Control ("ATC") Project and Signals Group, as approved by the TTC Board of Commissioners, subject to obtaining the necessary City authorization, by adoption of Item 4 at its meeting of January 19, 2023.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management recommends that:

1. City Council authorize the City to enter into an offer to lease and the subsequent lease agreement (collectively the "Lease") with 245 Bartley Inc. (the "Landlord") for part of the property municipally known as 245 Bartley Drive, comprising of approximately 46,000 square feet of industrial space (the "Leased Premises") as identified in Appendix A, for a term of ten years with three options to renew for five years each, substantially based on the terms set out in Appendix B, and on such other or amended terms and conditions acceptable to the Executive Director, Corporate Real Estate Management or designate, and in a form satisfactory to the City Solicitor.
2. City Council authorize each of the Executive Director, Corporate Real Estate Management, and the Director, Transaction Services, Corporate Real Estate Management severally, to execute the Lease, and any related documentation as required, and to deliver any notices, and amend the respective commencement,

termination and other dates to such earlier or later date(s), on such terms and conditions, as the City Solicitor, or their designate, may from time to time, determine.

FINANCIAL IMPACT

The proposed Lease is for an initial term of ten years, with three options to extend of five years each, if required by the TTC. The total financial obligation for the initial ten year term is approximately \$12,192,900 (net of Harmonized Sales Tax recovery) as outlined in Table 1 below. Funding for the initial term of the Lease is available in the 2023-2032 Council Approved Capital Budget and Plan for the TTC, under ATC Line 2 and various projects within CTT008 – Signal Systems. Funding for any of the extension terms will be included future TTC Budget plan submissions.

Table 1: Summary of Rental Payments over the Initial 10-Year Term of the Lease

Year	Rental Payment Amount (Net of Harmonized Sales Tax Recovery)
2023	\$ 544,162
2024	\$ 1,101,927
2025	\$ 1,129,475
2026	\$ 1,157,712
2027	\$ 1,186,655
2028	\$ 1,216,321
2029	\$ 1,246,730
2030	\$ 1,277,898
2031	\$ 1,309,845
2032	\$ 1,342,591
2033	\$ 679,583
Total Rental Payment Amount	\$ 12,192,900

The above rental payments are considered to be fair market value.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

At its meeting on January 19, 2023, the TTC Board recommended that City staff negotiate and enter into a new lease for industrial space suitable for the Project on TTC's behalf.

[BR - Jan. 2023 \(azureedge.net\)](#)

COMMENTS

Background

The TTC has been a tenant at 40 Carl Hall Road for 13 years, with the ATC Line 1 project and Signals Group occupying 37,000 square feet of space. The current site is located at the north end of Parc Downsview Park which is proposed for redevelopment in the near future. The landlord of 40 Carl Hall Road could only propose a short term lease extension of two years beyond the present December 31, 2023 expiry.

TTC Requirement for Industrial Space

The ATC and Signals Group are in the process of transitioning to begin work on the Line 2 project that will continue until 2034. In addition to the 40 Carl Hall Road lease expiring on December 31 2025, prior to the Line 2 project completion date, it is also not ideally located within proximity to Line 2.

Given the lack of industrial space within the TTC and the City's real estate portfolio, and absence of suitable purchase opportunities within the marketplace, the TTC and City have negotiated the terms of the Lease to meet the anticipated space needs. The Leased Premises is of an appropriate size with minimal required building renovations, and is located within easy access to Line 2.

The Lease term for the Leased Premises covers the duration of the ATC Line 2 project and the options to extend the Lease enable the TTC to continue to occupy the space if the Line 4 project proceeds, or to end the Lease if the space is no longer required. The major terms and conditions of the Lease are outlined in Appendix B. Staff consider the proposed agreement to be fair, reasonable and reflective of market rate.

Municipal Capital Facility Designation

The City will seek authority to designate the Leased Premises as a Municipal Capital Facility, and to provide an exemption from taxation for municipal and education purposes, pursuant to the provisions of section 252 of the City of Toronto Act, 2006, through a report back to Council at a later date.

CONTACT

Vinette Prescott-Brown, Acting Director, Transaction Services, Corporate Real Estate Management, 416-392-7138, Vinette.Prescott-Brown@toronto.ca

Pamela Kraft, Head - Property, Planning and Development, Toronto Transit Commission, 647-880-8607, Pamela.Kraft@ttc.ca

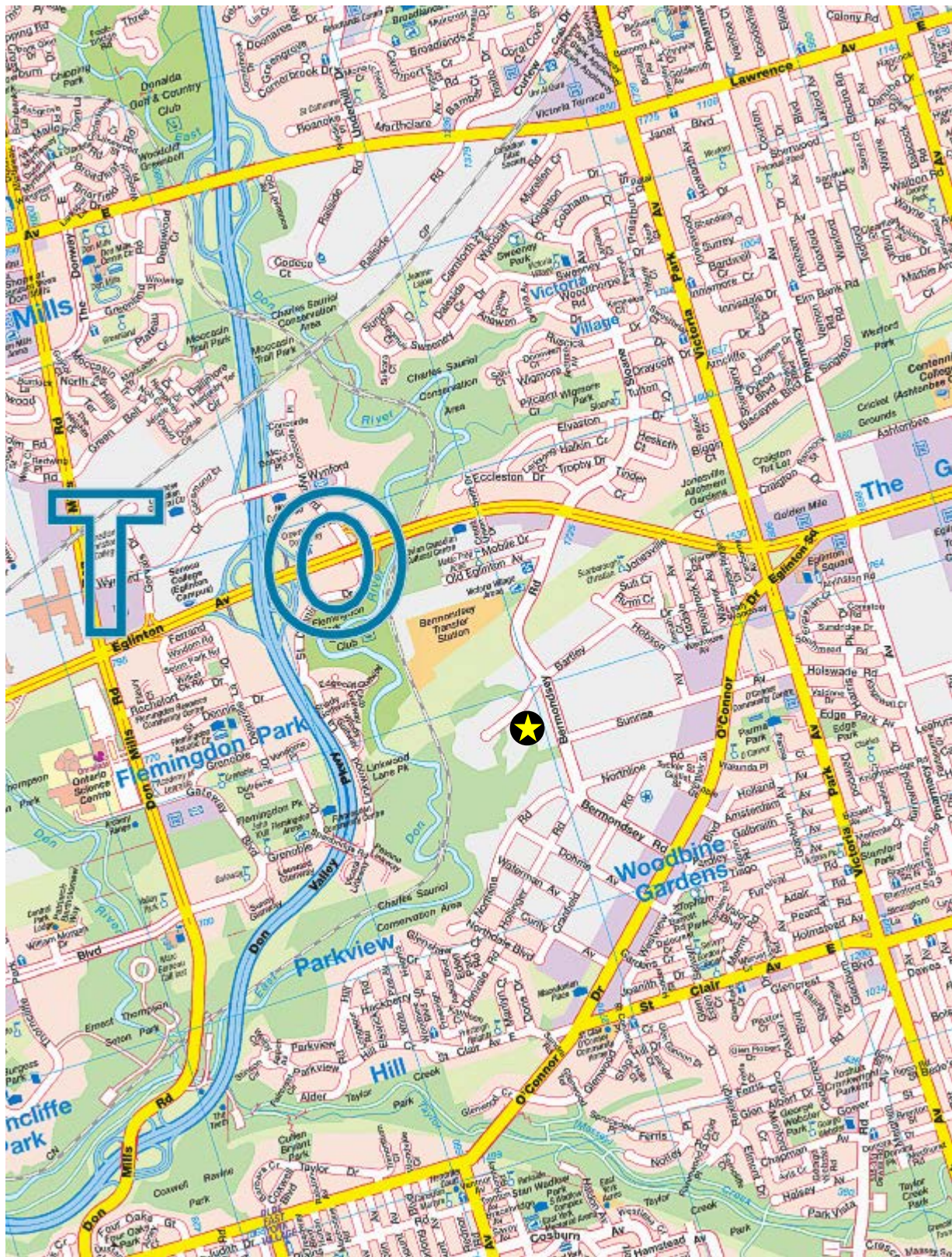
SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

ATTACHMENTS

Appendix A - Location Map of Leased Premises
Appendix B - Major Terms and Conditions of the Lease

Appendix A - Location Map of Leased Premises



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Appendix B - Major Terms and Conditions of the Lease

Landlord:	245 Bartley Inc.
Leased Premises	Approximately 46,000 square feet in the building known as 245 Bartley Drive
Initial Term	10 years, commencing on July 1, 2023 and ending on June 30, 2033
Options to Extend	Three (3) options to extend the Lease for a period of five (5) years each.
Basic Rent	\$18.00 per square foot in the first year with a 2.5 percent annual increase.
Additional Rent	Utilities and Operating Costs for the first year of the Term are estimated at \$3.25 per square foot.
Use of Premises	The Leased Premises will be used for offices and a warehouse, and exclusive outdoor storage area.
Parking	The Landlord shall furnish and maintain paved grade level parking facilities within the property for transient, non-contract parking for at least 80 vehicles. No buildings, structures or structural improvements shall be erected or constructed on the property. Also, the Landlord shall provide the Tenant with secured exclusive access to three of the four truck level doors as well as unrestricted access to the two drive-in doors in the Leased Premises.
Municipal Capital Facility	The Landlord acknowledges that the City has the right to request City Council to exempt the Leased Premises from realty taxation for municipal and school purposes, and if Council passes a by-law for such an exemption, the Landlord agrees to enter into a Municipal Capital Facility Agreement with the City and pass the full benefit of such exemption to the City
Repairs	The Landlord is responsible for completing all repairs of the Leased Premises associated with both the interior and exterior of the Leased Premises, including but not limited to repair and replacement due to normal usage, reasonable wear and tear, and damage by fire or other casualty.
Landlord's Work	By no later than the commencement date, the Landlord shall complete at its expense, the Landlord's Work set out below prior to delivering the Leased Premises to the City for fixturing:

	<p>(a) Install a fully enclosed fenced area (location to be confirmed) of approximately 300 linear feet of 8 foot high chain linked fence. Enclosed area to be accessed by 2 by 12 foot roller fence doors that slide parallel to fence (24 feet opening in total)</p> <p>(b) Provide an indoor hose bib hookup to be located in close proximity to the large drive in door</p> <p>(c) Provide a new opening between the drive-in garage and front storage (12 feet wide and 10 feet high)</p> <p>(d) Provide a new opening and garage door between front storage and lower ceiling area (12 feet wide and 10 feet high)</p> <p>(e) Provide a new opening between drive in garage and back storage area (12 feet wide and 14 feet high)</p> <p>(f) Landlord to provide the Tenant with a new set of keys to the premises</p> <p>(g) Tenant to be provided with access to the existing alarm. Tenant can add on to the system to program the remainder of the premises</p> <p>(h) Demising wall in shipping area providing 2 truck bays for TTC exclusive use</p> <p>(i) Provide an access door to the remainder of bay area</p> <p>(j) Landlord to provide a storage area in the Premises for delivery and storage of TTC setup items commencing upon Lease execution</p>
Irrevocable Date	The Landlord agrees that the offer shall be irrevocable by the Landlord and open for approval by the appropriate authority of the City and acceptance by the City until May 19, 2023.
Assignment / Subletting	The City shall have the right to assign the Lease or to sublet all or any part of the Premises at any time with the consent of the Landlord, which shall be unreasonably withheld or delayed