



Proposal to Lease Space at 777 Bay Street and Renovate 931 Yonge Street

Item 11
October 24, 2013

BOARD OF DIRECTORS

To: Board of Directors **Report:** TCHC:2013-62

From: Building and Investment Committee

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Reason for Confidential Information: This report includes confidential attachments which deal with matters that are not required to be disclosed under the Municipal Freedom of Information and Protection of Privacy Act, including but not limited to personal matters about identifiable individuals, a proposed or pending transaction with a third party, and recommendations of proposed policy or processes.

Strategic Plan Priority:

Vibrant Communities:

- Strengthening Communities and Resident Leadership

Service Excellence:

- Provide Excellent Customer Service
- Demonstrate Value for Money and Public Accountability

PURPOSE:

To seek approval from the Board of Directors to address an urgent space shortage through:

1. entering into a 10-Year lease agreement with the Canderel Group of Companies for approximately 24,400 square feet of office space plus 1,100 square feet of ground floor space at 777 Bay Street for the purpose of accommodating a number of functions as directed by the CEO; and
2. proceeding with strategic renovation of the 931 Yonge Street building as well as the purchase of furniture for both locations at a one-time cost not exceeding \$2 million.

RECOMMENDATIONS:

It is recommended that the Board of Directors:

1. approve the lease transaction as described in this report at terms as outlined in the confidential Appendix I to this report;

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2. approve a one-time previously budgeted expense not exceeding \$2 million for the redesign and renovation of 931 Yonge Street plus the purchase of more efficient furniture for both locations in order to address the current space shortage issue that the organization is facing; and
3. authorize the President and CEO (or his designate) to negotiate and settle additional and customary terms, execute all documents and to do all things necessary to implement and complete the transactions.

BUILDING AND INVESTMENT COMMITTEE COMMENTS:

At its September 26, 2013 closed meeting, the Building and Investment Committee adopted the recommendations in this report and recommended it be forwarded to the Board of Directors for approval.

REASONS FOR RECOMMENDATIONS:

Background:

Toronto Community Housing's head office is currently located at 931 Yonge Street. The building is roughly 44,000 square feet in size and houses about 230 employees. Due to limitations on available space, various business units have had to separate their staff compliment and work out of multiple offices. Additionally, there is insufficient room to properly serve residents, host public meetings and deliver training for both staff and residents.

Primarily due to the above factors, on June 5, 2013, Toronto Community Housing issued RFP 58/13 "Office Space for Lease or Sale" to satisfy itself that it has canvassed the market as broadly as possible. At that time it was assumed that the organization would dispose of the 931 Yonge Street asset and then purchase a larger facility to consolidate staff working out of the 931 Yonge Street, Carl Hall, Petrolia, Elm Street (Housing Connections) and Overlea Blvd. locations.

As management was unable to find suitable space after an extensive search, the requests to lease additional space and renovate the 931 Yonge Street building are being made in response to the present space shortage and fragmentation issues that are negatively impacting operations.

Addressing the Space Shortage Issue:

The proposed approach is two-pronged:

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1. Leasing Additional Space at 777 Bay Street:

777 Bay Street is a 30-storey office tower primarily occupied by government bodies and related public entities. The building is strategically located at the corner of Bay & College Streets, midway between Toronto's financial core and the Bloor Street corridor. Additionally, it is in close proximity of 931 Yonge Street and City Hall which are pivotal factors for continued smooth operations of the company (as compared to a suburban isolated location). Functions such as Development, Finance, Legal and Human Resources are intended to occupy this space. Close proximity to City Hall is advantageous to staff that liaise with the City shareholder on a regular basis.

2. Redesigning and Renovating 931 Yonge Street:

The Asset Management and Resident Services Divisions' central offices are currently located at 931 Yonge Street. There is an immediate need for additional space to adequately accommodate staff and further centralize operations. For clarity, the Asset Management Division is looking to centralize some administrative functions that are currently being performed at various site offices throughout the portfolio, while the Resident Services Division is looking to consolidate staff presently working out of multiple, inadequate satellite offices. Consolidating these two Divisions in a redesigned and more accessible space would provide the opportunity to better align resources to increase efficiencies, as well as to improve the overall level of customer service provided to residents. Moreover, by relocating other divisions from 931 Yonge Street, more space would become available allowing for the reconfiguration of various areas of the building including the build-out of a storefront space for the emerging charitable foundation, large training rooms, a well-equipped boardroom, multiple break-out rooms for programming purposes, etc. Various floors would also be reconfigured and refurnished with more appropriately-sized furniture in line with the City of Toronto's Strategy and Standards for Office Space and Ergonomics in an effort to maximize space, reduce future facility costs, and provide a healthy and ergonomically sound working environment for staff. Lastly, the 931 Yonge Street asset has had minimal upgrades done since it was purchased in 2004 so the carpets, paint, toilets, light fixtures, etc. would be replaced. These proposed improvements would increase the overall value of the asset and provide a greater return on investment should Toronto Community Housing decide to dispose of the property in the future.

Lease of Additional Space at 777 Bay Street:

As mentioned above, RFP 58/13 was issued in June, 2013, and called upon the market to produce an inventory of space listed for sale or lease. The RFP was posted on Merx, Biddingo and Toronto Community Housing's external website. In addition to the responses received from this RFP, staff have also explored multiple options advertised on the Multiple Listing Service ('MLS') and by various non-responding brokerages and commercial

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landlords. Primarily based on size, location and price, it is recommended that the company lease this space at 777 Bay Street.

Below is a summary of Toronto Community Housing's requirements and how the space at 777 Bay Street compares:

Requirement	Comments
Size (23,000 - 25, 000 sq. ft.)	25,500 square feet (including storage)
Location Close to Accessible Public Transit	- Direct indoor access to/from College Subway Station; -Bay Bus (accessible) stops in front of building.
Central Location	-Yes - downtown core; -Provides for easy travel to site offices and 931 Yonge Street.
Adequate Parking	-spots for staff and visitors; -abundance of paid public parking available.
Mix of large open areas and offices	Yes - floor to be further redesigned and built-out as needed
Large area for meeting and training	Yes - floor to be further redesigned and built-out as needed
Dedicated storage space close to loading area	Yes
Large, secure storage area for files and equipment	Yes
Kitchenette	Yes
Data outlets existing or provided in offices, meeting rooms, boardrooms, etc.	Yes
Space Compliant with Ontario Building Code & other applicable governing legislation	Yes
Space barrier-free; compliant with Accessibility for Ontarians with Disabilities Act - all main entrances, exits, elevators, and washrooms must be wheel-chair accessible	Yes

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IMPLICATIONS AND RISKS:

Financial Implications

Lease for 777 Bay Street:

Leasing additional space to address the organization's space needs will cost Toronto Community Housing an average annual amount outlined in the confidential Appendix I to this report. This incremental cost is over and above what the organization currently spends on annual operating expenses. However, the additional expense is necessary to address current operational issues and would result in greater efficiencies in the longer-term e.g. less travel time and mileage claims, ability to leverage shared intra-departmental resources, improved communication, cost-savings as a result of proactive facility planning, etc.

A lease arrangement is also preferential at this time as less capital would be tied up and more funds could be redeployed to the state of good repair in line with the organization's strategic plan. Nevertheless, Toronto Community Housing would secure an early termination right under the lease to provide for flexibility should the organization change its strategic direction in the future.

In terms of value-for-money, staff are of the opinion that the space is competitively priced when compared to other similar sized properties on the market that are located downtown Toronto and within walking distance to a subway station. The confidential Appendix II attached to this report shows recent deals completed in the City and how the lease terms of this proposed transactions compares. Additionally, government and affiliated organizations currently operate out of 777 Bay Street including ServiceOntario, E-Health Ontario, Ministry of Community and Social Services, Landlord and Tenant Board, Ontario Housing Corporation and Infrastructure Ontario. Toronto Hydro also recently considered renting additional space at this building due to location and competitive price.

931 Yonge Street Renovations:

The proposed redesign and renovation of 931 Yonge Street plus the purchase of furniture for 777 Bay Street and 931 Yonge Street are estimated to cost about \$2 million. However, provided that the Board approves the recommendations in this report, staff will move forward with solidifying the scope of work and obtaining competitive bids in accordance with the procurement process. Once a firm budget figure is on hand, the Board will be updated accordingly and provided with a breakdown of costs.

Operational Implications:

There are various benefits associated with relocating a number of corporate divisions to 777 Bay Street and renovating 931 Yonge Street for the Resident Services and Asset

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Management Divisions as outlined below. The office of the CEO, related support groups and Board functions would remain at 931 Yonge Street.

1) Benefits for Staff and Toronto Community Housing:

- Renovating 931 Yonge Street for the Asset Management and Resident Services Divisions would provide an opportunity to consolidate staff in one resident-focused facility adding tremendous synergistic value, both from an effectiveness and efficiency perspective;
- These proposed changes would allow for reconfiguration of the existing layout to deal with other organizational requirements necessary to help the organization achieve the mandates outlined in the 2013 – 2016 Strategic Plan.
- 777 Bay Street is centrally located allowing staff to travel throughout the City as required. There is also ample free parking for staff and the building is directly connected to College Subway Station;
- 777 Bay Street has onsite storage close to the loading area which would assist staff in loading and offloading supplies as required; and
- The 777 Bay Street complex has various amenities for staff including grocery stores, a food court, banks, onsite 24/7 security, etc.

2) Benefits for Residents & the Public:

- 931 Yonge Street is centrally located to Toronto Community Housing's communities, is in close proximity of a subway station, and is well-suited for resident-focused services in terms of physical attributes .e.g. smaller lobby, single-use building occupied only by Toronto Community Housing, signage with street exposure, etc.;
- The proposed moves would house all resident-focused divisions into one central location, helping to enhance operational performance resulting in reduced cost for the organization and higher service levels for residents and the public;
- Our residents are familiar with 931 Yonge Street, thus avoiding issues associated with relocating these services to another space; and
- 931 Yonge Street is owned and wholly occupied by Toronto Community Housing so there is greater flexibility in terms of tailoring the space for resident-focused programming and training as well as public meetings.

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Legal Implications

There are no identified legal risks associated with this transaction. The Legal Unit will be consulted throughout the negotiation process and will review all documentation prior to final execution.

“Eugene E. Jones Jr.”

Eugene E. Jones Jr.
President and Chief Executive Officer

Attachments: 1: Confidential Attachment
2: Confidential Attachment

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