



LEASING TRANSACTION IN TORONTO

TO:	Infrastructure Committee	
MEETING:	February 23, 2016	
FROM:	Steven Guiton, Executive Vice-President, Media Technology and Infrastructure Services	Marc Y. Lapierre Executive Director Real Estate Services
DECISION SOUGHT:	Approve signing of a long-term lease with [REDACTED] and authorize project costs of [REDACTED]	
NEXT STEPS:	Seek approval from Treasury Board	
DATE:	February 10, 2016	



BACKGROUND

- Strategy 2020 calls for a 50% reduction in the Corporation's total real estate footprint of 4 million square feet by the year 2020;
- The Toronto Broadcast Centre (TBC) is a CBC/Radio-Canada owned facility comprising 1.5 million square feet, or nearly 40% of the overall real estate footprint;
- As is the case for many of the Corporation's facilities, reduced staff numbers and modern production methods have dramatically reduced CBC/Radio-Canada's space needs in the TBC building;
- As a result, the Corporation's real estate strategy for the TBC involves a two-pronged approach: (1) maximising leasing opportunities for surplus space, and (2) exploring possible re-financing or sale opportunities for the building itself;
- To date, management has been successful in leasing 300,000 rentable square feet (RSF) of the surplus space available in the TBC;
- With Board approval, the current proposal will enable the leasing of an additional 195,000 RSF within the TBC, bringing the total area occupied by third parties to 500,000 RSF, representing approximately 30% of the building.



A1. CONTEXT

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

- Leveraging excess space at the TBC:
 - Our latest Functional and Technical Program (FTP) pegs excess space at the TBC at approximately 900,000 rentable square feet (RSF), of which approximately 304,000 RSF are already leased to third parties (excluding current transaction).
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- The proposed transaction supports our strategy on several levels:
 - The Real Estate strategic plan to reduce costs and maximize proceeds;
 - The overall plan to revitalize the TBC;
 - The Corporation's strategic plan *A space for us all* (cost-effectiveness and real estate footprint reduction); and
 - Financial sustainability – leasing excess space will generate long-term revenue and reduce operating costs, as well as increase the value of the building to potential buyers.



A2. KEY DECISION ELEMENTS

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

- Key lease terms relating to space:
 - Premises: Approx. 195,000 RSF, distributed as follows:
 - 61,290 RSF on
 - 45,370 RSF on
 - 63,300 RSF on
 - 25,040 RSF on
 - Term:
 - Expected possession dates: 154,350 RSF on February 1, 2017
22,000 RSF on April 4, 2017
18,650 RSF on May 30, 2017
 - Use: General office use



A2. KEY DECISION ELEMENTS

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

- Key lease terms relating to rent:

- Base rent:

- Additional rent:

Real estate taxes (estimate for 2017)

Operating expenses (estimate for 2017)



A2. KEY DECISION ELEMENTS

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

- Key lease terms relating to additional conditions:
 - Tenant fixturing period₍₁₎:
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 -
 - Special clauses:



A2. KEY DECISION ELEMENTS

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

- Key lease terms relating to the work:
 - Landlord work⁽¹⁾:
 - Scope includes:
 - a) Renovation of CBC/Radio-Canada administrative space (approx. 93,000 RSF) and relocation of CBC/Radio-Canada staff
 - b) Demising premises and base building systems alterations

(approx. 14,000 RSF)
 - Commission and legal fees:
 - Tenant improvements: At tenant's expense

(1)



A2. KEY DECISION ELEMENTS

s.18(a)
s.18(b)
s.21(1)(b)

- Key terms relating to the projected spending:

(1) Refer to Appendix B2 for details.



A3. KEY BENEFITS, IMPACTS & RISKS

s.18(a)

s.18(b)

s.21(1)(b)

■ Key benefits include:

■ Financial

- Average gross revenue of [redacted] of operating expenses savings at 195,000 RSF),
- Attractive internal rate of return [redacted]; and
- Base rent in line with market benchmarks

■ Operational

- Further consolidation of CBC/Radio-Canada operations; and
- Space optimization aligned with latest Functional and Technical Program (FTP).

■ Strategic

- Alignment with Real Estate Services' space reduction plan;
- Increase of the TBC potential overall value; and
- Alignment with Corporation's strategic plan *A space for us all* (cost-effectiveness and footprint reduction).



A3. KEY BENEFITS, IMPACTS & RISKS

s.18(b)

s.21(1)(b)

■ Key impacts include:

- Relocation of approximately employees on and
- Increase in TBC valuation (in the context of an anticipated sale as part of *A Space for us all* strategy); and
- Real Estate Services to adapt its real property management contract (outsourced to SNC-Lavalin O&M) as the TBC becomes more of a multi-tenant building.



A3. KEY BENEFITS, IMPACTS & RISKS

■ Key risks include:

Failure to secure Treasury Board approval		Mitigation factors
<ul style="list-style-type: none"> Non-approval would result in loss of potential revenues and loss of value for the TBC in the context of a sale 	<ul style="list-style-type: none"> 	
Project delivery (Landlord’s work)		Mitigation factors
<ul style="list-style-type: none"> Ability for project management to deliver project on time and on budget 	<ul style="list-style-type: none"> Challenge all scope changes at design stage Project charter sign-off by all stakeholders for all stages Procurement through fixed-price contracts Contingency closely managed 	



A3. KEY BENEFITS, IMPACTS & RISKS

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

■ Key risks include:

Disruption of operations	Mitigation factors
<ul style="list-style-type: none"> ▪ Disruption of building and media operations during construction ▪ Additional population increase 	<ul style="list-style-type: none"> ▪ Conduct regular project meetings with contractors (review and comment on schedules) ▪ Ensure building rules and regulations are strictly enforced ▪ Leverage previous experience with major deal
<ul style="list-style-type: none"> ▪ Alignment of Tenant’s occupancy of the space with CBC/Radio-Canada operations 	<ul style="list-style-type: none"> ▪ Office use does not interfere with CBC/Radio-Canada’s activities (e.g. noise) ▪ Discuss expectations as soon as possible in the project process ▪ Identify and evaluate conflicts, negotiate solutions
<ul style="list-style-type: none"> ▪ Tenant operations interfering with CBC/Radio-Canada operations 	<ul style="list-style-type: none"> ▪ Ensure separate access to the premises ▪ Document within lease appropriate rules and regulations (access, work schedule protocols, acoustics)



A3. KEY BENEFITS, IMPACTS & RISKS

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

■ Key risks include:

Tenant risk	Mitigation factors
■ Insolvency/bankruptcy	■ ■ ■ ■



A4. OTHER OPTIONS CONSIDERED

- Status quo is not an option: leasing is part of CBC/Radio-Canada's strategy for the Toronto Broadcast Centre



A5. SUCCESS MEASURES

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)

- Approval of transactions by both the Tenant

CBC/Radio-Canada as the Landlord (approval from its Board of Directors and the Treasury Board of Canada).
- Execution within scope, budget and schedule of Landlord's work:
 - Renovation of approximately 302,000 RSF
 - Total project costs not to exceed (fit-outs + commission & legal fees)
 - Delivery of space to Tenant on time
- A project progress report will be presented to the Infrastructure Committee as part of the annual update on the real estate master plan.



A6. RESOLUTION

s.18(b)
s.20(1)(b)
s.21(1)(b)

That the Infrastructure Committee recommend to the Board of Directors that the proposed leasing of premises at the Toronto Broadcast Centre to _____ as well as the associated project costs, be approved.



B. APPENDICES

s.21(1)(b)

1. Financial summary (1 page)
2. (1 page)
3. Floor plans (8 pages)



B1. FINANCIAL SUMMARY

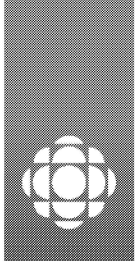
(in thousands of dollars)
January 26, 2016

	Notes	Scenario A (Initial Term)	Scenario A (Renewal Option)	Scenario A (TOTAL)
Description				
Base rent				
Leased premises (rentable area)				
Project costs				
Project costs - real estate				
Commissions, legal and other transaction costs				
Project costs				
Cash flows (project period + lease term)				
Project costs (see above)				
Base rent				
Additional rent				
Tax savings				
Cash flows to end of initial lease term				
Internal rate of return				
Project payback period				
Net present values				
Net cash flow				
Average annual cashflow				



B2.

s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)



B3. FLOOR PLANS – LEASED SPACE ON



s.16(2)
s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)
s.17

LEGEND

PROPOSED TENANT AREA
81, 290 RENTABLE S.F.





B3. FLOOR PLANS – LEASED SPACE ON

s.16(2)
s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)
s.17

LEGEND

PROPOSED TENANT AREA
45,370 RSF








B3. FLOOR PLANS – LEASED SPACE ON


s.16(2)
s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)
s.17

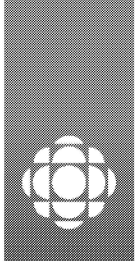
LEGEND

PROPOSED TENANT AREA
63,327 RENTABLE S.F. 









B3. FLOOR PLANS – LEASED SPACE ON

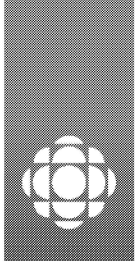


s.16(2)
s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)
s.17

LEGEND

PROPOSED TENANT AREA
25,040 RENTABLE S.F.





B3. FLOOR PLANS – [REDACTED]

s.16(2)
s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)
s.17

LEGEND





B3. FLOOR PLANS – [REDACTED]

s.16(2)
s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)
s.17

LEGEND





B3. FLOOR PLANS – [REDACTED]

s.16(2)
s.18(a)
s.18(b)
s.20(1)(b)
s.21(1)(b)
s.17

LEGEND






B3. FLOOR PLANS – STACKING PLAN

s.18(b)
s.20(1)(b)



 Already-Leased Space

 CBC Space

John Street

Simcoe Park

Existing PATH connection to WSIB building

Building Cross Section (looking north from Front Street)