



# TENANT EXPANSION IN TORONTO

<b>TO:</b>	Infrastructure Committee
<b>MEETING:</b>	November 22, 2016
<b>FROM:</b>	Steven Guiton Executive Vice-President Media Technology and Infrastructure Services
<b>DECISION SOUGHT:</b>	Authorize the signature of a lease amendment for the lease of additional space by John & Front Pizza Ltd (formerly Boston Pizza)
<b>NEXT STEPS:</b>	Treasury Board approval
<b>DATE:</b>	October 17, 2016



## A1. CONTEXT

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

- The Corporate strategy *A space for us all* calls for a 50% reduction in the total real estate footprint of 4 million square feet by 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. Approximately 309,000 rentable square feet (RSF) of the building are already leased to third parties (excluding current transaction).
- The Corporation's real estate strategy for the TBC involves maximising leasing opportunities for surplus space.
- A lease agreement with John & Front Pizza Ltd (formerly Boston Pizza) was executed in 2010. As of today, Tenant is leasing 9,292 RSF. John & Front Pizza is now looking to lease an additional area of approximately 1,946 RSF adjacent to its current location on the ground level of the TBC.
- Modification to the original lease requires Treasury Board approval.



# A1. CONTEXT

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

- The proposed transaction
  - Will generate additional revenue from mostly unused space:
    - Additional net rent of approximately
    - Cost reduction (OPEX and taxes) of                      and
    - Total incremental benefit of                      over remaining term
  - Supports our strategy on several levels:
    - The plan to revitalize the TBC;
    - The Real Estate strategic plan to reduce costs and maximize proceeds; and
    - The Corporation's strategic plan *A space for us all*, which calls for cost-effectiveness and real estate footprint reduction.



## A2. KEY DECISION ELEMENTS

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

### ■ Key Financial Terms relating to space:

- Premises: Approximately 1,946 RSF of additional area
- Use: Retail
- Term:
- Expected possession date: April 15, 2017
- Rent commencement date:
- Special clauses:
  
- Tenant improvements:
- Landlord work:
- Additional branding:
- Broker's commission:

(1) Increased annually based on CPI



# A2. KEY DECISION ELEMENTS

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

- Key Financial Terms relating to rent:
  - Base rent:<sup>(1)</sup>
  
  - Additional rent:
    - Real Estate Taxes (2015 estimation)
    - Operating Expenses<sup>(3)</sup> (2015 estimation)

(1) As per Head Lease  
(2)  
(3) Increased annually based on CPI



## A3. KEY BENEFITS, IMPACTS & RISKS

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

### ■ Key benefits

#### ■ Financial:

- Will generate revenue from mostly unused space;
- 
- Market base rent (between \$28/RSF and \$39/RSF).

#### ■ Operational:

- Expansion of space occupied by Tenant for next      years;
- Refurbishment of highly visible space; and
- Lease of additional unused space.

#### ■ Strategic

- Alignment with Real Estate Solutions' space reduction plan; and
- Alignment with Corporation's strategic plan *A space for us all* (cost-effectiveness and footprint reduction).



## A3. KEY BENEFITS, IMPACTS & RISKS

- Key impact
  - Use of vacant, unused space.
  
- Key risk
  - Failure to secure Treasury Board approval.



## A4. OTHER OPTIONS CONSIDERED

- None: the space is available and the transaction will generate additional revenue for the Corporation.





## A5. SUCCESS MEASURES

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

- Execution of project within scope, budget and schedule:
  - Demising of 1,946 RSF;
  - 
  - Work scheduled to be completed on or before March 9, 2017.
  
- 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

- That the Infrastructure Committee recommend to the Board of Directors that the proposed leasing and expansion of premises at the Toronto Broadcast Centre to John & Front Pizza Ltd be approved.



## B. APPENDICES

1. Financial summary (1 page)
2. Floor plan (1 page)
3. Renderings (1 page)



# B1. FINANCIAL SUMMARY

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

(in thousands of dollars)

October 18th, 2016

	APPROVED BUSINESS CASE	APPROVED BUSINESS CASE (Addendum A)	Benefit tracking Actuals + Forecast (RES + Media adv. Rev.)	Adjustment with potential area increase (addition of 1,946 RSF)
Rentable Area (RSF)	9 089 RSF	9 089 RSF	9 292 RSF	11 238 RSF
<b>Upfront costs (details below)</b>				
Project costs				
Legal, lease commissions, brokerage				
<b>Net cash flow derived from lease</b>				
Net rent - above-ground				
Additional rent - OPEX (note 1)				
Property tax savings (note 2)				
BP - HNIC advertising revenues				
Increase in CBC's OPEX costs (note 3)				
<b>Net overall cash flow</b>				
Variance with Approved Business Case's (add A) Cash flow				
Variance (%) with Approved Business Case's (Add. A) Cash flow				
<b>Net present value (NPV) of cash flow (base 2010-2011)</b>				
Variance with Approved Business Case's (Add A) NPV				
<b>Non cumulative impact (based on benefit tracking column)</b>				
Cash flow impact on amended Business Case				
Cash flow impact on amended Business Case (%)				
<b>NPV Impact on amended Business Case</b>				
NPV Impact on amended Business Case (%)				



# B2. FLOOR PLAN – LEASED SPACE

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

John Street

## LEGEND

 John & Front Pizza  
Current area

 Additional area

Front Street W.



# B3. RENDERINGS

