



REPORT ACTION REQUIRED with Confidential Attachment

TEDCO's Disposal of Property at Midland and St. Clair

Date:	November 19, 2007
To:	Economic Development Committee
From:	Jeffrey D. Steiner, President and CEO, TEDCO
Wards:	Ward 36, Scarborough Southwest
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.
Reference Number:	

SUMMARY

TEDCO is in the process of completing the transfer of ownership of four City-owned properties approved by Council, including a 16 acre parcel located at the north east corner of Midland and St. Clair Avenue. Along with securing draft plan approval over the lands and increasing the land value, TEDCO is now seeking to develop a LEED for Homes (LEED-H) green standard. This would be a Toronto first for lands which are zoned for low rise single family and townhouses.

At its May 7, 2007 meeting, the TEDCO Board approved a Joint Servicing and Green "Initiative" whereby TEDCO would sell the serviced land to our immediate neighbour Monarch, at Market Value whereby Monarch agrees to develop all the combined lands to LEED-H standard, the largest such development in Canada.

Achieving LEED-H is more efficient and more likely if there is a larger subdivision to absorb the increased initial cost of developing the new standard and implementing the green building innovations. There are no Canadian standards yet for LEED low-rise residential. The City would become leader in Canada by TEDCO adopting this standard now and demonstrate to industry and the public at-large what can be achieved in pursuit of sustainable development.

Since the initial capital cost of developing to this standard is higher, and to adjust for development charges, TEDCO has the opportunity to redefine the agreed property value to reflect that actual costs of development charges, parkland charges and other eligible costs, and clarify the structure and cash-flows associated with this transaction which will be done as part of the closing and reporting functions as previously approved by Council.

Pursuant to the TEDCO Shareholder Direction, City Council approval, through the Economic Development Committee is required whenever TEDCO disposes of land to a third party. This report is to comply with that Shareholder Direction.

RECOMMENDATIONS

The TEDCO Board of Directors recommends that:

- 1. Pursuant to the City of Toronto Shareholder Direction, TEDCO be authorized to dispose of the subject lands or enter into a third party partnership with a developer(s) to develop these lands and transfer title as appropriate subject only to the final approval of the TEDCO Board of Directors.**
- 2. Following the completion of the transaction, the President and CEO of TEDCO and the City Solicitor determine which confidential information related to this transaction can be made public.**

Financial Impact

There are no new financial implications to this transaction.

DECISION HISTORY

Council at its meeting of January 31, February 1 and 2, 2006, declared certain parcels of land surplus and approved the transfer of four such parcels of City owned property to TEDCO, including Midland/St. Clair.

Subsequently, at its meeting of May 24, 25 and 26, 2006, Council adopted a further report from the Chief Corporate Officer which established a requirement that TEDCO compensate the City for those lands using the ultimate development proceeds. TEDCO's payment to the City would be based on the lands' "Agreed Property Values" which in turn are based on their highest and best use. The Agreed Property Values have been reported to Council at its meeting of June 26, 2006. For the subject property at Midland/St. Clair, the agreed property value has been set at \$ 13,000,000, based on highest and best use.

ISSUE BACKGROUND

The City of Toronto owns approximately 10.5 hectares (25.9 acres) of land between Midland Avenue and Brimley Road, north of St. Clair Avenue East, including the Property. These lands were originally intended to be used in connection with the Scarborough Transportation Corridor project (the “STC Project”). In 1985, the STC Project was abandoned, and these lands, including the Property, are no longer required for purposes of the STC Project.

A circulation to the City’s Agencies, Boards, Commissions and Divisions was undertaken to ascertain whether or not there is any municipal interest in retaining the Property. Parks, Forestry and Recreation staff advised that Parts 6 and 8 on the Sketch should be retained for park and walkway purposes, and these parts have not been transferred to TEDCO.

By its adoption of Consolidated Clause No. 1 of Report No. 1 of the joint Policy and Finance Committee and Administration Committee, as amended, at its meeting on May 23, 24, and 25, 2006 (the “Status Report”), Council approved the general principals of the financial terms of the transactions as set out in Appendix 1 and 2 of the Status Report, which are to be applied in the transfer of the Property to TEDCO.

The City will receive payments on account of the Agreed Property Value as TEDCO develops and disposes of portions of the Property. In accordance with the Status Report, it is proposed that TEDCO would pay to the City 50% of the future net revenues realized on the disposition of portions of the Property from time to time, on account of the Agreed Property Value, until the outstanding amount of the Agreed Property Value is zero.

After the Agreed Property Value has been paid in full, all income from the development of the then remaining portions of the Property will be for TEDCO’s account, in pursuing its Council approved mandate. TEDCO’s net development revenues would be calculated by deducting the normal development expenses from TEDCO’s gross revenue realized on the development and disposition of the Property or portions of the Property. TEDCO’s net proceeds of development, if any, will be calculated annually and if there are net proceeds, a payment on account of the Agreed Property Value will be made to the City annually.

TEDCO will submit to the Chief Corporate Officer on or before each anniversary of the date of the transfer of the Property to TEDCO an annual report setting out in reasonable detail a description of development activities in respect of the Property in the preceding year, a calculation of the net income realized by TEDCO on the development and disposition of the Property, or any part thereof, during the preceding year, a calculation of the amounts payable to the City on account of the Agreed Property Value, if any, and a cheque or cheques in those amounts. If, at the end of the five (5) year period following the transfer of the Property to TEDCO, the Agreed Property Value has not been paid in full, TEDCO will make available for review by City staff its books and records relating to

the development of the Property and staff will report to the Government Management Committee and Council for further direction.

COMMENTS

TEDCO's Development Approach:

TEDCO has moved rapidly since receiving Council direction to develop this property in accordance with the Council approved Land Use Plan for the Phase 3 Scarborough Transportation Corridor Land Use Study.

TEDCO has engaged in a public consultation process, retained expert planning and development expertise, developed a servicing plan, and submitted a draft plan of subdivision which was approved by City of Toronto Council on May 29, 2007.

In addition, TEDCO has entered into extensive discussions with Monarch Homes, the owner and developer of the adjacent development parcel which is intertwined with the TEDCO lands. These discussions had the objective of achieving economies of scale on the servicing, marketing and construction of the larger parcel of land, while achieving the strategic objective of developing a LEED-H standard for the entire combined parcel of developable land. Monarch Homes, is a well respected developer with a long track record of environmental leadership, has been very receptive to enhancing the environmental sustainability of this development while achieving the enhanced LEED-H designation and realizing the Toronto Green Development Standard.

The summary of the valuation and financial arrangements with Monarch Homes has been approved by the TEDCO Board of Directors and is described in more detail on the Confidential Attachment.

TEDCO Environmental Approach:

TEDCO is committed to environmental sustainability in all of its development activities. TEDCO was the developer of the award-winning CANPAR Logistics facility in South Etobicoke which was developed on a former brownfield, It achieved the LEED Certified designation, the first such building owned by the City of Toronto or one of its Corporations. TEDCO is also pursuing major developments with significant environmental elements including FILMPORT and TEDCO's Corus Project on the Queen Elizabeth Docks which will be built to the LEED Gold Standard.

While developing to a higher environmental standard is clearly the prudent way to proceed, due to increased development and construction costs, it does not always provide the most profitable returns for the development community, and does have a bearing on the land value assessment of a given property. In this case the agreed land value for the parcels of property at Midland and St. Clair is \$ 13,000,000 which yields a park land dedication of approximately \$800,000.

Greenest Low-Rise Development in Canada:

In non-financial terms, there are a number of benefits to TEDCO taking this approach to the combined development of this site in conjunction with Monarch Developments. While TEDCO could develop the former City of Toronto sites independently, there are significant economies of scale and improved urban design and streetscape amenities possible with a larger and more comprehensive site. By using this approach, TEDCO and Monarch also have the opportunity to achieve the LEED-H designation for an entire residential community, in advance of any other Canadian initiatives and achieve the largest green low-rise community in Canada. This is aligned with the City of Toronto's initiatives to reduce Greenhouse gas emissions.

CONCLUSION

This report outlines the proposed development track for TEDCO in conjunction with Monarch Homes to develop the first LEED-H designated green development in Canada which will result in the largest Green low-rise development in Canada. This will bring significant environmental benefits while applying and reporting back on the Toronto Green Development Standards.

Finally, in keeping with our shareholder direction, TEDCO is seeking approval for the TEDCO Board to enter into binding agreements for the sale or joint development of these properties in order to achieve these broad strategic objectives.

CONTACT

Michael Kraljevic
Vice-President
Real Estate
TEDCO
(416) 981-2879
mkraljevic@tedco.ca

John A. Macintyre
Vice-President
Stakeholder and Community Affairs
TEDCO
(416) 981-3875
jmacintyre@tedco.ca

SIGNATURE

Jeffrey D. Steiner
President & C.E.O.
TEDCO

ATTACHMENTS

Appendix "A" – Sketch
Attachment 1 – Confidential Information

APPENDIX "A"

Sketch

