



STAFF REPORT ACTION REQUIRED

Sony Centre Redevelopment – Public Plaza Option

Date:	September 22, 2008
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer Chief Executive Officer – Sony Centre for the Performing Arts
Wards:	28
Reference Number:	P:\2008\Internal Services\SP\Ec08008SP (AFS#8208)

SUMMARY

The Sony Centre for the Performing Arts (SC) has been unable to secure the necessary funding from other levels of government for the proposed CityCentre cultural project.

The original Umbrella Agreement with Castlepoint Realty Partners Ltd. (Castlepoint) incorporated a fallback scenario in which a commercial development would be constructed in the strata land below the proposed condominium tower in lieu of the City Centre. However, at its meeting in July, 2008, Council approved amendments to the Umbrella Agreement that provided staff and the developer, Castlepoint Realty Partners Ltd., with the opportunity to examine a further alternative for this strata land. Under this alternative, the strata land would be used for additional residential development and a public plaza instead of a commercial development.

Staff have determined that this new alternative will result in significant public benefits and that it will aid in the operations of the existing theatre. In addition, it has been determined that this alternative will result in a financial outcome that is similar to the outcome from a commercial development. Therefore, staff are recommending that Council authorize staff to complete amendments to the Umbrella Agreement that will result in the implementation of this new public plaza alternative.

RECOMMENDATIONS

The Chief Executive Officer of the Sony Centre for the Performing Arts and the Deputy City Manager and Chief Financial Officer recommend that:

1. Council authorize the Deputy City Manager and Chief Financial Officer and the Chief Executive Officer of the Sony Centre for the Performing Arts to implement amendments to the Umbrella Agreement based on the principles outlined in Appendix 'B' that will result in the creation of a public plaza in the strata land originally intended either for the CityCentre cultural project or for a commercial development.
2. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

The public plaza development option would result in a financial outcome that is similar to the one that would have been realized under the commercial component option, which is the fallback option established in the existing Umbrella Agreement. The implementation of the public plaza option will result in a minimum payment of \$3 million from Castlepoint to the City for additional residential density. Furthermore, under this option Castlepoint will provide an additional payment of \$1 million to the City towards the costs of constructing the public plaza. This will result in a total payment of \$4 million.

It is currently estimated that the public plaza will have a construction cost of approximately \$1 million.

Under the existing commercial component option, Castlepoint is required to make a payment of \$3.5 million to the City for the long-term lease of the commercial component.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of September 28, 29 and 30, 2005, Council considered Clause No. 1 of Report No. 8 of the Policy and Finance Committee regarding the updated Business Plan for the SC and the detailed redevelopment proposal from Castlepoint.

Council directed that the City and the Board of Directors of the Sony Centre (the "Board") pursue the Board's preferred Business Plan option, which contemplated construction of the CityCentre and the sale of a portion of the SC site for a proposed condominium tower, in order to help fund the cost of constructing CityCentre. Council further directed that the parties consider a default option wherein Castlepoint would build

the CityCentre space (the “Commercial Component”) and enter into a long-term lease with the City to use it for commercial purposes, if the Board is unable to raise funds necessary to build CityCentre by a predetermined date.

At its meeting of July, 25, 26 & 27, 2006, Council adopted Clause No. 59 of Report No. 6 of the Policy and Finance Committee, which outlined the terms reached on an Umbrella Agreement with Castlepoint. These terms were essentially the same as those originally set out in the Board’s preferred Business Plan option.

In July, 2008, Council adopted the following recommendations in a report from the Deputy City Manager and Chief Financial Officer:

1. Council approve the amendments to the Umbrella Agreement outlined in Appendix ‘A’, to provide for a change in the Board’s Business Plan, so that a public plaza development can be considered, in place of the CityCentre cultural project or a commercial development in the strata area at the base of the proposed residential condominium tower, and other amendments as outlined in Appendix ‘A’
2. Council direct that the Deputy City Manager and Chief Financial Officer in consultation with the Chief Executive Officer of the Sony Centre for the Performing Arts report back to the Executive Committee in the fall of 2008 on their assessment of the proposed public plaza development option for the Sony Centre redevelopment.

ISSUE BACKGROUND

With the closing date for the transaction with Castlepoint approaching, it has become apparent that the necessary contributions cannot be secured for the proposed City Centre cultural facility.

Instead of implementing the fallback scenario outlined in the existing Umbrella Agreement, the SC Board and staff have expressed an interest in seeking an alternative scenario that will result in a greater positive contribution to the overall site.

The alternative scenario favoured by SC staff and the SC Board is to construct a public plaza in the strata area in which the commercial development would have otherwise been constructed. SC staff have suggested that a public plaza built in this space would result in an attractive outdoor area that can be used by the theatre to host various types of events similar to those that have been profitably hosted in the past on the theatre’s west side terrace. Appendix ‘A’ presents drawings of the proposed public plaza.

This option will also create the potential for an enhanced residential development. Through the elimination of the commercial component, Castlepoint can take advantage of additional site density for the residential condominium tower.

COMMENTS

Comparison of Financial Outcomes

Under the existing fallback scenario in the Umbrella Agreement, the strata portion corresponding to the podium structure would be leased on a long-term basis to Castlepoint and developed for commercial use. According to the terms of the Umbrella Agreement, Castlepoint would make a single payment to the City of \$3.5 million for this long-term lease upon the closing of the transaction.

Under the general principles outlined in Table 1 for the public plaza option, Castlepoint has agreed to make a minimum payment of at least \$50/ft² for every square foot of new residential density made available as a result of deleting the commercial podium development. As it is currently estimated that a minimum of 60,000 ft² will be created, the total payment amount will be a minimum of \$3 million.

Castlepoint has also committed to provide \$1 million towards the construction cost for the public plaza. Sony Centre staff do not currently have a projected construction cost for the public plaza. However, they have proposed that it be designed to fit within a budget capped at the sum of the \$1 million contribution from Castlepoint and any contribution made available from the Sony Centre's existing capital budget. Therefore, the plaza would not require any funding from the City.

Finally, the selection of the public plaza option will result in additional 6,000 ft² of space within the existing Sony Centre building. It is estimated that this space will have a value of approximately \$1 million.

Table 1 – Proposed Principles for Amendment of Umbrella Agreement
• Additional Residential Density to be sold to Castlepoint at a price of at least \$50/ft2
• Minimum additional residential density of 60,000 ft2
• Plaza design to be determined on a mutual basis by Castlepoint and the Sony Centre taking into account heritage and planning issues
• Plaza cost set at sum of \$1 million plus amounts the Sony Centre Board may make available from the Sony Centre capital budget
• New PATH entrance on the face of the tower to provide access from the plaza

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SIGNATURE

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ATTACHMENTS

- Appendix ‘A’ – Drawings of Proposed Public Plaza Option
- Appendix ‘B’ – Principles for Amendment of the Umbrella Agreement

Appendix 'A'

DRAWINGS OF PROPOSED PUBLIC PLAZA OPTION

Appendix 'B'

Proposed Principles for Amendment of Umbrella Agreement
• Additional Residential Density to be sold at a price of at least \$50/ft ²
• Minimum additional residential density of 60,000 ft ²
• Plaza design to be determined on a mutual basis by Castlepoint and the Sony Centre taking into account heritage and planning issues
• Plaza cost set at sum of \$1 million plus amounts the Sony Centre Board may make available from the Sony Centre capital budget
• New PATH entrance on the face of the tower to provide access from the plaza