

## Government Management Committee

<b>Meeting No.</b>	19	<b>Contact</b>	Yvonne Davies, Committee Administrator
<b>Meeting Date</b>	Friday, November 21, 2008	<b>Phone</b>	416-392-7443
<b>Start Time</b>	9:30 AM	<b>E-mail</b>	ydavies@toronto.ca
<b>Location</b>	Committee Room 1, City Hall	<b>Chair</b>	Deputy Speaker Gloria Lindsay Luby

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### 11a Proposed Strata Sale of Portions of Union Station and Related Real Estate Transactions

**Confidential Attachment 1 - A proposed or pending acquisition or sale of land for municipal or local board purposes**

#### Origin

(November 19, 2008) Report from Chief Corporate Officer

#### Recommendations

The Chief Corporate Officer recommends that City Council:

1. Authorize the City to enter into an agreement of purchase and sale (the “West Wing Strata Sale Agreement”) with the Greater Toronto Transit Authority (“GO Transit”) for a strata portion of the west wing of Union Station namely, all of the west wing above the first floor, including the external walls and roof, comprising approximately 89,555 square feet, more or less, of gross floor area (the “West Wing Strata Property) as shown in Appendix “C” with an anticipated initial closing date on or around March 31, 2009, as may be adjusted by the parties, substantially on the terms and conditions set out in the Transaction Summary in Appendix “A” and Attachment 1 and such other terms and conditions as may be acceptable to the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
2. Authorize the City to enter into an agreement of purchase and sale (the “Concourse Strata Sale Agreement”) with GO Transit for a strata portion of Union Station representing the future east and west concourses to be constructed by the City as part of the revitalization of Union Station, comprising approximately 122,688 square feet of gross floor area (the “Concourse Strata Property”) as shown in Appendix “C”, with an anticipated initial closing date on or around March 31, 2009, as may be adjusted by the parties, substantially on the terms and conditions set out in the Transaction Summary in Appendix “A” and Attachment 1 and such other terms and conditions as may be acceptable to the Chief Corporate Officer, in a form satisfactory to the City Solicitor.

3. Authorize the City to enter into a Lease (the “Lease”) with GO Transit for the use and occupancy by GO Transit for its general offices of a portion of the first floor of the west wing and the north side of the second, third and fourth floors of the centre block of Union Station, comprising approximately 12,826 square feet, more or less, of rentable area (the “Leased Premises”) as shown in Appendix “C”, with an initial term commencing, on or about May 1, 2012 and ending on April 30, 2062 (the “Term”), together with a 49 year renewal option, and substantially on the terms and conditions set out in the Transaction Summary in Appendix “A” and Attachment 1 and such other terms and conditions as may be acceptable to the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
4. Authorize the City to enter into an amending agreement (“Reciprocal Rights Amending Agreement”) with GO Transit to further amend the Reciprocal Rights Agreement between the parties, dated June 30, 2000, to reflect the parties’ respective rights and responsibilities in relation to the split ownership of the Union Station building, on such terms and conditions as the Chief Corporate Officer deems appropriate, and in a form satisfactory to the City Solicitor.
5. Authorize the City to enter into an appropriate agreement (the “NW Path Agreement”) with GO Transit to secure shared commitments related to capital and operating costs, retain resources and consultants for engineering design and construction of the new NW PATH project, and to provide GO Transit with pedestrian access rights to the NW PATH, on such terms and conditions as the Chief Corporate Officer deems appropriate, and in a form satisfactory to the City Solicitor.
6. Authorize the public release of the confidential information in Attachment 1 once the Sale Agreement and the Lease have been executed and the transaction contemplated in the Sale Agreement has been completed.
7. Authorize the City Solicitor to complete the transactions on behalf of the City, including paying any necessary expenses, amending the closing, due diligence and other dates, and amending and waving terms and conditions, on such terms as she considers reasonable.
8. Authorize the Chief Corporate Officer to administer and manage the Lease including the provision of any consents, approvals, notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

## Summary

At its meeting of December 11, 12 and 13, 2007, Council endorsed the Recommended Approach as the conceptual framework for the revitalization of Union Station. Among other things, recommendations in this report authorized the Chief Corporate Officer to initiate negotiations with third parties, including GO Transit.

This report proposes a series of realty transactions that support the revitalization plans for Union Station and based on the outcome of the discussions with GO Transit:

- sale of a strata portion of all of the west wing of Union Station, above the first floor;
- sale of a strata portion of Union Station representing the future east and west concourses to be constructed by the City as part of the revitalization of Union Station;
- a long-term office lease for the use of a portion of the first floor, west wing and the north-side second, third and fourth floors of centre block of Union Station, consisting of approximately 12,826 square feet.
- an agreement to grant GO Transit access to the future Northwest Path connection.

### **Financial Impact**

GO Transit will pay up-front capitalized purchase payments as set out in Attachment 1 for the West Wing Strata Property, the long term Lease and related real estate transactions, all of which are conditional on Provincial funding.

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

### **Background Information**

Report - Proposed Strata Sale of Portions of Union Station and Related Real Estate Transactions

(<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-17571.pdf>)

Confidential Attachment 1 - GM19-11a

## **13a Arbitration Settlement - 2 Bloor Street West**

### **Confidential Attachment - 1 - The security of the property of the municipality or local board**

#### **Origin**

(November 14, 2008) Report from Chief Corporate Officer

#### **Recommendations**

The Chief Corporate Officer recommends that City Council:

1. Authorize the City to enter into a Purchase and Sale Agreement with OREC Cumberland Development GP Inc., an ORMC-related entity, for that portion of the City-owned land located at 2 Bloor Street West generally described as the air space above the second storey level of the City-owned lands comprising Cumberland Terrace, currently shown as parts Parts 19, 29, 30 and 31 on the draft reference plan attached as Appendix A (the “Air Space Lands”), substantially on the terms set out in Attachment 1, and such other terms and conditions as may be acceptable to the Chief Corporate Officer, in a form satisfactory to the City Solicitor.

2. Authorize the City to enter into an Exchange and Settlement Agreement with ORMC related to a land exchange of Parts 28 (of which the boundaries are subject to adjustment to accommodate TTC subway right of way set back requirements) and 4 on the draft reference plan attached as Appendix A, and other terms related to settlement of the arbitration proceedings, substantially on the terms and conditions outlined in Attachment 1, and such other terms and conditions as may be acceptable to the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
3. Authorize the City to enter into Lease Amending Agreements to remove the Air Space Lands from the ground lease, add the Part 4 lands to the ground lease, provide for a new rent during the renewal term, grant an additional renewal term, and other related amendments to the ground lease and associated reserves lease, substantially on the terms and conditions outlined in Attachment 1, and such other terms and conditions as may be acceptable to the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
4. City Council approve, as the approving authority under the provisions of the Expropriations Act, the sale of the Airspace Lands and Adjustment Lands without giving the original owners from whom the Property were expropriated the first chance to repurchase these lands.
5. Authorize the public release of the confidential information in Attachment 1 once the agreements have been executed and the sale and land exchange transactions have been completed.
6. Authorize the Chief Corporate Officer to administer and manage the lease including the provision of any consents, approvals, notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.
7. Authorize the City Solicitor to complete the transactions on behalf of the City, including making payment of any necessary expenses and amending the closing and other dates to such earlier or later date(s) and on such terms and conditions as she may from time to time consider reasonable.
8. Authorize the Chief Corporate Officer to direct a portion of the proceeds of closing to fund the outstanding expenses related to the property and arbitration proceedings and the completion of the purchase and sale transactions.

## Summary

The City and OMERS Realty Management Corporation (“ORMC”) each own a portion of the lands comprising the complex known as 2 Bloor Street West and Cumberland Terrace. The City leased its lands within the complex to ORMC by a ground lease dated August 25, 1971. Through protracted rent arbitration proceedings under the long term ground lease pertaining to the rent for a renewal term, the City and ORMC have negotiated a settlement involving a series of realty transactions: firstly, a sale to an ORMC-related entity of the air space above the amended leased premises; secondly, a land exchange to improve the configuration of each party’s real estate holdings within the complex, whereby a strip of the City-owned lands on

which a portion of the commercial office tower at 2 Bloor Street West was incorrectly built (part 28 on J.D. Barnes Limited draft reference plan 97-22-016-11, Appendix A) will be conveyed to ORMC, and in exchange the City will acquire from ORMC a strata interest in a parcel of land at the corner of Cumberland and Yonge (part 4 on Appendix A) which improves the configuration of the City's land holdings within the complex; and thirdly, amendments to the ground lease and a related reserves lease to reflect the new terms and conditions including new rent, revised boundaries of the leased premises to reflect the revised land holdings and to add the Cumberland/Yonge strata interest, and a further renewal right of 37 years to the end of the term. For further reference and graphic explanation of the transactions refer to Appendix "B" – Site Sketch.

This report seeks authority to enter into the purchase and sale agreement, land exchange and settlement agreement, lease amending agreements, and all related documentation to give effect to the settlement.

The terms for completing these transactions, as set out herein, are considered to be fair, reasonable and reflective of market value.

### **Financial Impact**

Significant revenue is anticipated from the proposed sale.

The proposed annual rent in the ground lease will increase to a level considered to be the 2004 fair market value for the leased premises, with further increases every five years by the percentage change in CPI over the immediately preceding five years. Settlement of this matter would eliminate further costs of continued arbitration proceedings to set the rent for further renewal terms.

In the longer term, the City will also enjoy increased realty tax revenue arising from the intensification of the use of the site.

The Acting Deputy City Manager and Chief Financial Officer is on the OMERS Board of Directors and has a conflict of interest. Therefore, the Director of Financial Planning has reviewed this report and agrees with the financial impact information.

### **Background Information**

Report - Arbitration Settlement - 2 Bloor Street West

(<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-17562.pdf>)

Appendix A - Draft Reference Plan (GM19-13a)

(<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-17563.pdf>)

Appendix B - Site Sketch (GM19-13a)

(<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-17564.pdf>)

Appendix C - Site Map (GM19-13a)

(<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-17565.pdf>)

Confidential Attachment 1 (GM19-13a)