



**STAFF REPORT
ACTION REQUIRED**

**Release of City Interest in 261 Jarvis Street to the
Toronto Community Housing Corporation**

Date:	February 1, 2008
To:	Government Management Committee
From:	Chief Corporate Officer General Manager, Parks, Forestry and Recreation
Wards:	Ward 27 Toronto Centre - Rosedale
Reference Number:	P:\2008\Internal Services\F&re\Gm08016F&re – (AFS 6235)

SUMMARY

This report requests Council Authority to release the Toronto Community Housing Corporation (“TCHC”) from its obligation to re-convey the roller rink facility at 261 Jarvis Street, together with its ancillary parking facilities and appurtenant easements (collectively, the “Recreation Facility”) to the City in exchange for TCHC agreeing to pay the City the sum of \$1,200,000 on the terms and conditions outlined in this report.

RECOMMENDATIONS

The Chief Corporate Officer and the General Manager of Parks, Forestry and Recreation recommend that:

1. Subject to the approval of the TCHC Board of Directors, which is scheduled to meet on February 13th, 2008, the City release TCHC from its obligation to re-convey the Recreation Facility to the City in exchange for TCHC agreeing to pay to the City the sum of \$1,200,000 on the terms and conditions outlined in the body of this report;
2. Staff be authorized to amend the Master Agreement, Shared Facilities Agreement and ancillary documentation relevant to the Recreation Facility and to execute such additional documents as are required in connection with the completion of the transaction authorized by this Report;

3. The City Solicitor be authorized to attend to the closing of the proposed transaction, including completion of necessary registrations, payment of any necessary expenses, and amendment of any relevant transaction dates;
4. Any payments in respect to the consideration received from TCHC be deposited to the Land Acquisition Reserve Fund – Parks, Forestry and Recreation (XR1214); and
5. The appropriate City officials be authorized and directed to take all necessary actions to give effect thereto.

Financial Impact

In consideration of the City releasing TCHC from its obligation to re-convey the Recreation Facility to the City, and conveying to TCHC all of its right, title and interest in the Recreation Facility, TCHC agrees to pay to the City the sum of \$1,200,000.00, less any amounts owed by the City to TCHC in respect of the Recreation Facility as of the date of closing. As of September 30, 2007 the City owed TCHC approximately \$425,141.62 and TCHC and the co-owners group owed the City approximately \$65,211.69, leaving an estimated balance of \$840,070.10 (Schedule “A”). On closing, TCHC will pay 40% of the balance, with the remainder to be paid in three equal instalments on January 1, 2012, January 1, 2013 and January 1, 2014, subject to increase, and amendment of the timing of instalment payments, on the basis of a subsequent sale or lease of the Recreation Facility by TCHC.

The agreed amount is a result of an internal valuation of the City’s interest in the Recreation Facility, based on the income stream from a proposed lease to 11186454 Ontario Inc. (“APAC”). In addition to the consideration to be paid by TCHC to the City on closing, the arrangement with APAC for the use of Recreation Facility will provide additional benefits for the various community groups in the area.

If the lease with APAC is terminated for any reason, payment of any outstanding balance will be deferred and rescheduled according to the terms and conditions outlined in the body of this report.

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 June 1, 1989 the former City of Toronto Council adopted Clause No. 60 of Report No. 19 of The Executive Committee which among other things, resulted in the formation of a Task Force to locate a site for roller-skating in the City of Toronto in response to the demolition of the “Terrace” roller skating facility.

By its adoption of Clause No. 73 of Report No. 1 of The Executive Committee on December 14 and 15, 1989, the former City of Toronto Council authorized, among other items, that 261 Jarvis Street be considered as the permanent site for roller-skating activities.

By adoption of Clause No. 13 of Report No. 2 of The Executive Committee, as amended, at its meeting on January 13 and 17, 1992, City Council approved, among other things, a turnkey agreement between Cityhome and the City of Toronto for the construction of Phase 1 of the roller rink at the cost of the City. The report was amended to authorize that only the shell of the roller rink be built and that a proposal call be made for uses for the space which could include, in whole or in part, the operation of a roller rink on the site. Cityhome and the City of Toronto entered into a Master Agreement dated October 22, 1992 in respect of this arrangement. In order to facilitate co-ordinated construction of the complex, the site, which was owned by the City, was conveyed to Cityhome, as contemplated by the Master Agreement, on the basis that following completion of construction and payment by the City of construction costs, Cityhome would re-convey the Recreation Facility to the City.

The project was constructed in the period between 1991 and 1994 and consists of a residential development (which includes three co-ops and the residential units owned by TCHC (as successor to Cityhome), a parking garage, the Recreation Facility and three units of retail space also owned by TCHC. The reconveyance was never completed and since 1994 jurisdiction over the Recreation Facility has been with Parks, Forestry and Recreation. The City has acted as the owner of the Recreation Facility and has, in the past, paid funds toward its share of costs pursuant to the Shared Facilities Agreement signed in 1994. Starting in May of 2001, the public parking lot connected to the Recreation Facility has been rented out by TCHC and net revenue has accumulated in trust to be shared by the parties to the Shared Facilities Agreement, including the City.

<https://netstorage.toronto.ca/oneNet/NetStorage/DriveQ%40QRY/2003/Standing/Administ/clauses/200302-011.adc.doc>

ISSUE BACKGROUND

Parks, Forestry and Recreation has issued several RFP's for completion and operation of the Recreation Facility, but none produced a satisfactory result. The most recent proposal was in 2003, when by adoption of Clause 11 of Report No. 2 the Administration Committee authorized the City to release TCHC from its obligation to re-convey the Recreation Facility in exchange for financial consideration and to enter into a lease agreement with 1433838 Ontario Limited. However, this lease was not finalized and the re-conveyance did not occur.

COMMENTS

TCHC has recently received a proposal from 1186454 Ontario Inc. ("APAC") and an offer for a long term lease of the Recreation Facility in favour of APAC has been negotiated by TCHC. The lease appears to be a viable option for this unused space.

APAC proposes to use the Recreation Facility for arts education and programs, and related uses. An internal valuation of the City's interest in the Recreation Facility, based on the income stream from the proposed lease with APAC, was determined to be \$1,200,000. In addition to the consideration to be paid by TCHC to the City on closing of the proposed transaction, the arrangement with APAC for the use of the Recreation Facility is intended to provide for the following:

- Develop a partnership with the John Innes Community Centre to recruit children for March Break and Summer Camps. Such camps shall include music, drama and art opportunities for up to 20 children per camp, ages 8 to 12 years;
- Provide up to 5% of spaces for children and youth, two to four hours per week of art programming during the fall/winter sessions;
- Provide tickets to special events and concerts (2%) for children and youth in the community;
- Invite the community to open house/demonstrations with refreshments;
- Employ local youth when reasonably possible for special events, concerts and programs;
- Develop an ongoing relationship with City Divisions of Parks, Forestry and Recreation and Economic Development, Culture and Tourism to facilitate and implement future programs and initiatives for children and youth living in challenge communities;
- Grant community groups permitted space at available times and dates, at cost, up to five times annually provided three months notice is given.

To facilitate the leasing of the Recreation Facility to APAC by TCHC in accordance with the terms negotiated by TCHC, the City needs to release TCHC from its obligation to re-convey the Recreation Facility to the City, on the basis of an agreement by TCHC to pay consideration in the amount of \$1,200,000 to the City, subject to adjustment as set below.

- (a) The consideration will be reduced by the amount that the City owes to TCHC in respect of the Recreation Facility as of the date of closing. An estimate of those amounts as of September 30, 2007 is attached as Schedule "A" to this report;
- (b) 40% of the balance then owed to the City will be paid by TCHC on closing;
- (c) The balance of the consideration will be paid in three equal instalments on January 1, 2012, January 1, 2013 and January 1, 2014, unless the lease entered into by TCHC for the Recreation Facility is terminated for any reason, in which case payment of the outstanding balance will be deferred and the outstanding balance will be due and payable on the earlier of:
 - (i) those dates which are the 3rd, 4th and 5th anniversaries of the commencement of the term of any new lease entered into with any third party other than the initial tenant of the Recreation Facility, on which dates the then outstanding balance will be paid in three equal instalments;

- (ii) the amount due on such dates shall be determined by applying the proportion of the Consideration Amount then outstanding to a revised Consideration Amount based on the present value of the rental stream contained in such lease, to be calculated using the same method used to calculate the original Consideration Amount; and
- (iii) in no circumstance shall the adjusted Consideration Amount be less than the original Consideration Amount;
- (d) If, while any portion of the money owed by TCHC to the City in respect of the Recreation Facility remains unpaid, TCHC enters into an arrangement providing for the sale of the Recreation Facility, then the outstanding balance, adjusted as set out in (ii) immediately preceding, will be due and payable to the City on closing of the conveyance of the Recreational Facility.

The proposed rationalization of the ownership, leasing and development of the Recreation Facility will put this vacant space to use in the community and will advance the goals of Parks, Forestry and Recreation along with Culture and consolidate ownership of the Recreation Facility with the balance of the residential complex of which it forms part.

CONTACT

Joe Casali
Director of Real Estate Services
(416) 392-7202
E-Mail: jcasali@toronto.ca

Doug McDonald
Manager of Business Services
Strategic Services, PF&R
(416) 392-8578
E-Mail: dmcдона0@toronto.ca

SIGNATURE

Bruce Bowes, P.Eng.
Chief Corporate Officer

Brenda Librecz
General Manager
Parks, Forestry & Recreation

ATTACHMENTS

Schedule A - Copy of Estimated Statement of Account as of September 30, 2007

Schedule "A"

Copy of Estimated Statement of Account as of September 30, 2007

Present Value of APAC Lease	\$1,200,000.00
Less: Due on Closing to T.C.H.C	
Capital costs - Settlement letter Feb.22,2000	\$ 180,000.00
Outstanding Hydro bill attributable to the Roller Rink - 1994-2000	\$91,687.91
Outstanding Hydro bill attributable to the Roller Rink - Jan. 2000 - <u>June 20, 2007</u>	<u>153,453.71</u>
Total owing to T.C.H.C	<u>\$ 425,141.62</u>
 Plus: Due on Closing to the City of Toronto from Terrace Residential and Recreational Shared Facilities Group as at Sept 30, 2007	
Parking funds held in trust (City's Share)	360,913.73
City of Toronto Payable Shared costs	<u>295,702.04</u>
	<u>65,211.69</u>
Total owing to the City of Toronto	<u>\$840,070.07</u>