

Development of Bloor/Islington Lands

Date:	April 2, 2008
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	5 – Etobicoke-Lakeshore
Reference Number:	P:\2008\Internal Services\F&re\Gm08037 F&re – (AFS- 7098)

SUMMARY

This report presents a strategic marketing plan for the Bloor/Islington lands to optimize revenue from the sale of the property and advance the objectives of the Etobicoke City Centre Secondary Plan. The Bloor/Islington property is comprised of a western portion occupied by commuter parking and the former Royal Canadian Legion building, the Phase 1 Lands, and an eastern portion occupied by the existing Islington bus terminal and Passenger Pick-up and Drop Off facility (PPUDO), the Phase 2 Lands. One of the objectives of the Kipling/Islington Redevelopment Initiative (K/I Initiative) is to make the Bloor/Islington lands available for redevelopment through the completion of construction and relocation of transit services to the new Islington bus terminal and PPUDO to the north of their present location and the relocation of Mississauga Transit operations to a new inter-regional bus terminal being constructed in the Kipling station area, scheduled for completion in 2011.

The proposed method of disposal of the Bloor/Islington lands is to list the property for sale with a major commercial real estate broker. There are still a number of steps that must be taken to prepare the lands for marketing in advance of the completion of the new Islington terminal, as the Phase 2 Lands could only be released from TTC operational requirements and become available for occupation by a Purchaser when the existing Islington bus terminal is vacated and decommissioned.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. the Chief Corporate Officer be authorized to undertake the required implementing steps and to offer those portions of the Bloor/Islington lands, described as portions of Parts 1, 2, and 3 on Sketch PS 2006-088, that are determined to be surplus to municipal requirements for sale on the open market as soon as reasonably possible, on such terms as are acceptable to the Chief Corporate Officer.
2. the Option 1 marketing strategy be pursued to offer the whole property to the open market subject to provision for a phased closing, with Phase 1 Lands to be conveyed as soon as possible and Phase 2 Lands to be conveyed upon the TTC vacating and decommissioning the property.
3. City Council approves, as the approving authority under the provisions of the *Expropriations Act*, the disposal of the Property without giving the prior owners the first chance to repurchase the Property.
4. the Chief Corporate Office report to Government Management Committee on the preferred offer that is received as a result of the marketing process.

Implementation Points

The implementing steps that are required in order to prepare for the marketing of the Bloor/Islington lands include extraordinary items related to the special circumstances of this property as well as the ordinary tasks that would apply to any major property disposition. The following chart summarizes these two categories of required steps and the expected time frame for their completion.

Extraordinary Items	Time frame
TTC release of operational requirements for the Phase 2 Lands, conditional on the completion of the new bus terminal, the relocation of the TTC operation to the new terminal, the relocation of the Mississauga Transit services to the new inter-regional terminal at Kipling, and the termination of services and decommissioning of the existing terminal by the TTC, including the relocation of retail tenants and other services	Early 2011

Ordinary Tasks	Time frame
Phase 1 Lands - amend the method of disposal previously authorized by Council to that of being offered on the open market	May 2008
Property Management Committee decides on the portions of the Bloor/Islington lands to be declared surplus and made available for sale.	Completion by mid 2008
Chief Corporate Officer declares surplus portions of the Bloor/Islington lands and provides notice in the newspaper.	Completion by mid 2008
Environmental assessment of the existing Islington terminal area	Completion by mid 2008
Prepare a survey of the property, including strata rights to be retained by the City incorporating the new Islington bus terminal and the subway	Completion by mid 2008
Prepare a marketing package containing background information required for a Purchaser's due diligence review of the property	Completion by Fall 2008
List the property with a commercial real estate broker from F&RE's roster of commercial real estate brokers	Completion by Fall 2008

Financial Impact

Revenue would be generated from the completion of the sale transaction which would be used to reimburse funds drawn from the Land Acquisition Reserve Fund (LARF) to fund the Islington portion of the K/I Initiative.

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

DECISION HISTORY

On July 25, 26, and 27, 2006, City Council adopted recommendations in Clause 25 of Report No. 5 of the Administration Committee, declaring surplus Part 3 on Sketch PS-2006-088, the western portion of the Bloor/Islington lands, for sale or long term lease to SNC-Lavalin Inc. (SNC). In addition, City Council exempted this property from the Housing First Policy.

On September 25, 26, 27 and 28, 2006, City Council adopted recommendations in a September 26, 2006 confidential report from the Deputy City Manager and Chief Financial Officer regarding the K/I Initiative and the status of negotiations with SNC.

On February 5, 6, and 7, 2007, City Council adopted the recommendations in Item EX2.10 of the Executive Committee that the K/I Initiative be approved and that a capital funding allocation of \$17,500,000 from the Land Acquisition Reserve Fund (LARF) be made as the City's contribution to the total \$58,400,000 budget, subject to the confirmation of cost-sharing commitments from other government and transportation stakeholders in the K/I Initiative. City Council directed that proceeds from the sale of the Bloor/Islington lands (proposed sale of the Phase 1 Lands to SNC and any future sale of the Phase 2 Lands) and of the Westwood lands be used to reimburse LARF.

On April 23 and 24, 2007, City Council adopted the recommendations in Item GM3.29 of the Government Management Committee and authorized the Chief Corporate Office to execute an Offer to Purchase from SNC in accordance with the recommendations set out in a confidential attachment. Recommendation 3 of the report rescinded the surplus declaration of two portions of the property, Part 9 on Sketch PS-2007-048 for TTC use and 4.3 m in width along the Bloor Street West frontage for a future road widening. The Offer to Purchase was executed by all parties on May 10, 2007. On January 28, 2008, SNC exercised its right to terminate the transaction on the basis that the property was not suitable for its purposes.

On September 26 and 27, 2007, City Council approved Executive Committee Item Ex11.4 and directed that capital funding of \$5,400,000 be allocated for the K/I Initiative from the Golden Horseshoe Transit Initiatives Program (GTIP) funds, which were received in 2007 to augment LARF funding for the Islington improvements and that the City continue to seek funds from the Building Canada Fund or any other appropriate Federal infrastructure programs.

On November 14, 2007, the TTC adopted a staff report and recommendations to transfer the design and construction responsibilities for the inter-regional terminal and related facilities at Kipling to GO Transit as of November 15, 2007, to release the portion of the City-owned property on which the inter-regional terminal will be constructed from TTC operational requirements for transfer to GO, and to authorize staff to execute a Memorandum of Understanding (MOU) relating to the Kipling Improvements with GO, the City and Mississauga Transit. On December 11, 12, and 13, 2007, City Council adopted Item GM10.10 of the Government Management Committee authorizing the Chief Corporate Officer to execute the MOU for the Kipling Improvements on terms acceptable to him.

On December 11, 12, and 13, 2007, City Council adopted Item GM11.3 of the Government Management Committee approving the urban design visions for three properties studied in the West District Design Initiative, including those for the Bloor/Islington lands. With respect to the Bloor/Islington lands a further report was requested on a framework for environmentally sustainable development of the property.

In a letter to City Council dated February 5, 2008, the Chief Corporate Officer advised that the transaction with SNC for the western portion of the Bloor/Islington lands had been terminated and that a report would be submitted to the Government Management Committee on April 17, 2008 presenting a strategic marketing plan for the redevelopment of the entire property. This report is intended to deliver the proposed marketing plan.

COMMENTS

The Bloor/Islington lands are a major City real estate asset and major focus of the K/I Initiative, which has been approved by City Council and is in the initial stages of being implemented. The construction of a new accessible bus terminal at the Islington station and the development of a new inter-regional bus terminal to service GO Transit and Mississauga Transit at the Kipling Station create a development opportunity on the Bloor/Islington lands which can not be fully utilized until these construction projects are completed, which is currently scheduled to occur in 2011. The redevelopment of the Bloor/Islington lands will provide a significant impetus to the Etobicoke City Centre and to the implementation of the Etobicoke City Centre Secondary Plan and the Province's Growth Plan for the Greater Golden Horseshoe.

It is City Council's intention that the revenue generated from the sale of the Bloor/Islington lands would reimburse the funds drawn from the LARF for the capital costs of the new Islington bus terminal and PPUDO. Although it is F&RE's objective to generate revenues from the sale of the Bloor/Islington property as soon as possible, there are a number of steps that must be completed before it will be possible to market the property in such a way as to maximize revenue. The majority of these steps are ordinary tasks that would be required in any major property disposition.

The TTC has only released the Phase 1 Lands from its operational requirements and the release of the Phase 2 Lands will be conditional on the completion of the new bus terminal and PPUDO at Islington Station, the relocation of the TTC operation to the new Islington bus terminal, the relocation of Mississauga Transit services to the new inter-regional terminal at Kipling and the termination of services and decommissioning of the existing terminal including the relocation of retail tenants and other services.

Marketing Options

In these circumstances, there are two marketing options available for marketing the property:

Option 1 - marketing the whole property with provision for a phased closing on the two portions of the property to one purchaser.

Option 2 – marketing the Phase 1 Lands independently and in advance of the Phase 2 Lands so that the Phase 2 lands may ultimately be developed by a different entity.

There are many benefits to Option 1 in integrating the redevelopment of the entire block north of Bloor Street West and west of Islington Avenue. With a master developer of the Bloor/Islington lands it will be possible to establish an efficient public road and pedestrian connections to service the development, the subway station and PPUDO while at the same time integrating and maximizing the underground parking provision across the property and under the public road. Provision would be made for integrated vehicular and pedestrian access points, based on the overall development concept and its phasing. The potential to consolidate and take advantage of the density related to the new bus terminal area and to deploy it across the property is proposed in this option.

Although the Bloor/Islington lands would be marketed comprehensively in Option 1 with one marketing package, the terms and conditions on the transaction for the Phase 1 Lands and Phase 2 Lands would be different. The transaction for the Phase 2 lands would not close until the TTC had relocated and decommissioned the property. The purchaser could plan the development on a comprehensive basis, and proceed with construction on the Phase 1 Lands while awaiting the closing on the Phase 2 Lands.

Much of the preliminary review and conceptual design of the Bloor/Islington lands has advanced as part of the West District Design Initiative and in the establishment of the municipal requirements for the previously proposed development of the Phase 1 lands. The terms of the previous real estate transaction with SNC for the Phase 1 lands were structured to protect for the future development of the Phase 2 lands: that is, for the sharing of parking and service access; for the sharing of a pedestrian connection to the subway as well as to the PPUDO; for the development of a public road; the sharing of a common square or open space on the property; and the integration of pedestrian movement across the property. If Option 2 were pursued, similar terms and conditions would be applied to protect for the ultimate development of Phase 2 by another entity.

As a portion of the Bloor/Islington lands were expropriated in the late 1960's for the development of the Islington subway, a recommendation has been included that City Council, as the approving authority under the *Expropriation Act*, exempts itself from the obligation to offer the property to the prior owners.

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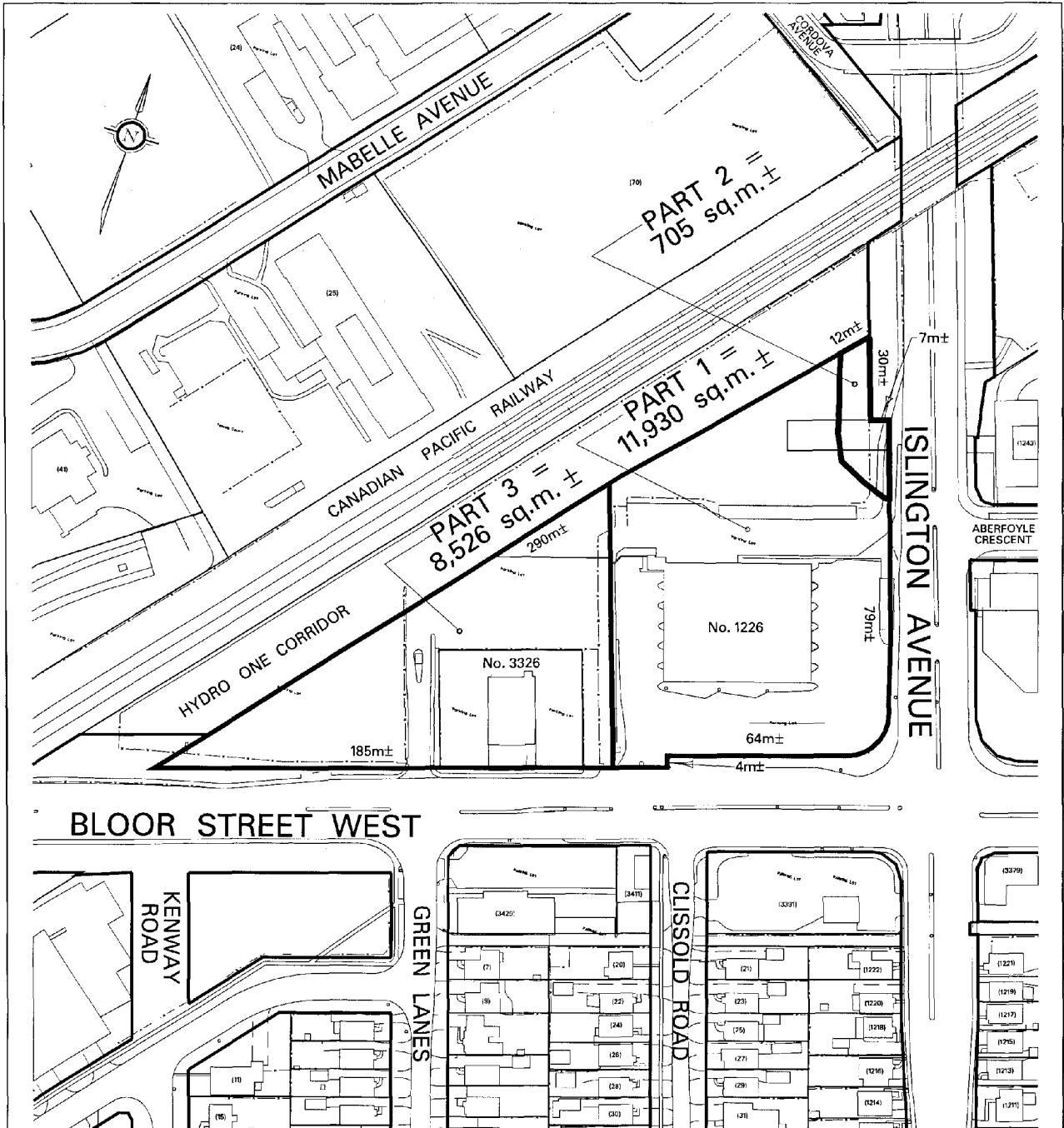
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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Attachment A – Sketch PS 2006-088



TORONTO

TECHNICAL SERVICES DIVISION
SURVEY & MAPPING SERVICES

NOTE:

THIS SKETCH HAS
BEEN COMPILED FROM
OFFICE RECORDS.

NOT TO SCALE

PROPERTY INFORMATION SHEET

CITY OWNED LAND

No. 3326 BLOOR STREET WEST

AND

No. 1226 ISLINGTON AVENUE

WARD 5 - ETOBICOKE-LAKESHORE

DATE: JUNE 27, 2006

SKETCH No. PS-2006-088