



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

Union Station West Wing Lease

Date:	October 3, 2008
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 28 – Toronto Center-Rosedale
Reason for Confidential Information:	This report is about a proposed or pending property disposition by the City or one of its agencies, boards, and commissions.
Reference Number:	P:\2008Internal Services\F&re\Gm08052F&re – (AFS 7716)

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 to pursue development of the Recommended Approach.

A third party has expressed an interest in entering into a long-term office lease for the use of a portion of the first floor, the entire second, third and fourth floors of the west wing and the north side of the second, third and fourth floors of centre block of Union Station, consisting of approximately 87,330 square feet.

This report also seeks authority to extend the retainer for NORR Architects to enable the City to secure heritage approvals from Parks Canada and to complete certain base building improvements to the west wing of Union Station on or before January 1, 2012, as required pursuant to the proposed lease terms.

RECOMMENDATIONS

The Chief Corporate Officer recommends that City Council:

1. authorize the Chief Corporate Officer to negotiate and enter into a Lease (the “**Lease**”) with the proposed third party identified in confidential Attachment 1 to this report (the “**Tenant**”) for the use and occupancy by the Tenant of a portion of the first floor, the entire second, third and fourth floors of the west wing and the north side of the second, third and fourth floors of centre block of Union Station, comprising approximately 87,330 square feet of rentable area (the “**Premises**”), 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 public release of the confidential information in Attachment 1 once the Lease has been executed;
3. 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;
4. authorize the Chief Corporate Officer to extend the retainer for NORR Architects (“**NORR**”), with such sub-consultants as may be necessary, at a cost not to exceed \$1,935,000. plus GST, to enable NORR to secure the necessary heritage approvals from Parks Canada for the restoration of the west wing, complete the design and tender documents and provide all site supervision requirements to ensure completion of the City’s base building work for the Premises on or before January 1, 2012; and,
5. amend the 2009 Recommended Capital Budget and 2010-2013 Capital Plan for Union Station to provide for increased base building improvements of \$16,600,000 (including Architect fees) with the costs associated with same to be recovered from Base Rent payments to be received from the Tenant, as set out in the Attachment 1.

FINANCIAL IMPACT

During the term of the Lease, the City will receive long term market net rental payments from the Tenant as set out in Attachment 1.

The City will complete, at its own cost and expense, all base building improvements to the Premises on or before January 1, 2012. In order to fulfill this requirement, NORR will need to commence the appropriate design work as soon as possible allowing for the construction tendering in the later part of 2009. The cost to complete the base building improvements of \$16,600,000 (including Architect fees) will be recovered from the rent payments to be received from the Tenant, as set out in Attachment 1. The remainder of the rent payment will be allocated to the Union Station project as part of the 2009 Budget process.

The Tenant will complete, at its own cost and expense, all renovations, installations and tenant improvements to the Premises, on or before December 31, 2013, subject to obtaining the prior approval of the City and Parks Canada.

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 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 to pursue development of the Recommended Approach.

The foregoing report also recommended that NORR's retainer be extended so it could complete a schematic design of the overall revitalization. Staff was directed to report back to Council following negotiations with the other stakeholders, such as GO Transit, VIA Rail, TTC and Parks Canada (heritage approval). This work is currently ongoing and as such NORR's valuable existing knowledge of the Station will allow it to efficiently complete the work required for the west wing within a tight time frame.

The decision advice can be found through the following hyperlinks:

<http://www.toronto.ca/legdocs/mmis/2007/cc/bgrd/ex15.2.pdf>

as amended by:

<http://www.toronto.ca/legdocs/mmis/2007/cc/bgrd/ex15.2a.pdf>

<http://www.toronto.ca/legdocs/mmis/2007/cc/bgrd/ex15.2b.pdf>

In accordance with the City's Real Estate Disposal By-law No. 814-2007, various portions of Union Station were declared surplus on December 28, 2007 (DAF No. 2007-190), with the intended manner of disposal to be by negotiating amendments to the existing leases with GO Transit and VIA Rail and by inviting offers to lease the commercial areas of Union Station from potential lessees who meet the qualification criteria set by City Council.

COMMENTS

As part of the revitalization strategy, staff of the City and potential tenants has been discussing the potential for the occupation and use of the west wing of Union Station, which is currently vacant.

The Chief Corporate Officer and the proposed Tenant have signed a Letter of Intent, that sets out the basic terms of the proposed Lease, as summarized in Attachment 1. The Letter of Intent is subject to the approval of City Council and the approval of the Tenant's Board of Directors, which will meet to consider the Letter of Intent just prior to Council meeting.

The lease of the west wing office tower represents a significant financial commitment that will support the successful implementation of the City's vision and the Recommended Approach for Union Station.

Real Estate Services together with Union Station's Real Estate advisor, Deloitte Real Estate Inc., have valued the overall rental rate and structure for the proposed agreement for the occupation of the Premises and are of the opinion that the recommended lease represents market value, and that the basic terms and conditions set out in Attachment 1 are fair and reasonable.

All steps necessary to comply with the City's real estate disposal process, as set out in Chapter 213 of the City of Toronto Municipal Code, have been taken.

The extension of the retainer of NORR will enable the City to complete certain base building improvements to the west wing on or before January 1, 2012. It is critical that the design and base building construction be completed in a timely matter so that the City may meet the requirements of the Tenant to fit out and occupy the Premises.

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SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix "A" Location Map
Confidential Attachment 1

APPENDIX "A" LOCATION MAP

