



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

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

<b>Date:</b>	November 19, 2008
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer
<b>Wards:</b>	Ward 28 – Toronto Center-Rosedale
<b>Reason for Confidential Information:</b>	This report is about a proposed or pending property disposition by the City or one of its agencies, boards, and commissions.
<b>Reference Number:</b>	P:\2008Internal Services\F&re\Gm08052AF&re – (AFS 7716)

**SUMMARY**

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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.

## RECOMMENDATIONS

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### 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; and,
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.

## **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.

## **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, including GO Transit, to pursue development of the Recommended Approach.

The decision advice can be found through the following hyperlinks:

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pof9rpt/cl018.pdf>

<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.

At its meeting held on October 21, 2008, the Government Management Committee deferred consideration of a report (October 3, 2008) from the Chief Corporate Officer, entitled "Union Station West Wing Lease", to its next meeting on November 21, 2008. This report is intended to supersede and replace the October 3, 2008 report.

On November 18, 2008, the intended manner of disposal for the West Wing Strata Property, the Concourse Strata Property and the Leased Premises was amended (DAF No. 2008-203) to be by negotiating a sale of the West Wing Strata Property and the Concourse Strata Property to GO Transit and a long-term lease of the Leased Premises to GO Transit.

## **COMMENTS**

As part of the revitalization strategy, staff of GO Transit and the City have been discussing the potential for GO Transit to relocate its head office to the west wing and the potential to expand the east and west concourses.

Discussions initially took place on the basis of a lease transaction. Once staff of GO Transit and the City reached agreement on the basic lease terms, GO Transit staff submitted a report on the proposed lease transaction to their Board of Directors and the Chief Corporate Officer submitted a report on the proposed lease transaction to the Government Management Committee. However, at its meeting of October 10, 2008, the GO Transit Board of Directors did not approve the lease transaction. Instead they directed GO Transit staff to pursue sale discussions with the City. At its meeting held on October 21, 2008, Government Management Committee deferred consideration of the Chief Corporate Officer's report.

As a result, City staff and GO Transit staff have been negotiating the basic terms of a proposed strata sale, lease, and related real estate transactions as summarized in Appendix "A" and Attachment 1. At its meeting held on November 14, 2008, the GO Transit Board of Directors endorsed the basic terms of the proposed strata sale, lease and related transactions with a view to having the City do the same so the parties can negotiate and enter into the necessary formal agreements.

The sale and occupation of the west wing office tower and revitalized east and west concourses 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 capitalized price payments and the structure for the proposed agreement(s) for the occupation of the various areas outlined in this report and are of the

opinion that the recommended financial elements represent market value, and that the basic terms and conditions set out in Appendix “A” and 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, except that, due to time constraints, notice of the amended intended manner of disposal for the West Wing Strata Property, the Concourse Strata Property and the Leased Premises has not yet been published in the newspaper. Notice will be published prior to City Council’s meeting on December 1 and 2, 2008.

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 GO Transit to fit out and occupy the West Wing Strata Property, the Concourse Strata Property and the Leased Premises.

## **CONTACT**

Ray Kessler  
Manager, Leasing & Site Management  
Tel: (416) 392-8155  
Fax: (416) 392-1880  
rkessle@toronto.ca

Joe Casali  
Director, Real Estate Services  
Tel: (416) 392-7202  
Fax: (416) 392-1880  
jcasali@toronto.ca

## **SIGNATURE**

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Bruce Bowes, P. Eng.  
Chief Corporate Officer

## **ATTACHMENTS**

Appendix “A” Transaction Summary  
Appendix “B” Location Map  
Appendix “C” Lease and Strata Sale Areas  
Confidential Attachment 1

## APPENDIX “A” – TRANSACTION SUMMARY

### 1) WEST WING STRATA PROPERTY SALE

- **Area**

The entire west wing of Union Station above the first floor, including the external walls and the roof, comprising a gross floor area of 89,555 square feet and subject to minor variance in the floor plate area.

- **Ingress/Egress Easement:**

Over those areas of Union Station below the West Wing Strata Property to accommodate ingress and egress to the west wing and centre block, including elevator locations and equipment.

- **Base Building Improvements:**

The City will carry out all base building improvements to the West Wing Strata Property prior to May 1, 2012, subject to force majeure.

- **Maintenance & Repairs:**

GO Transit will be responsible, at its own cost and expense, for all renovations, installations and owner improvements to the West Wing Strata Property, subject to obtaining the prior approval of the City.

- **Operating Costs & Maintenance**

Until such time as the general building services and property assessments are separated, GO Transit will also be required to pay its proportionate share of common area costs, shared operating and maintenance costs and the realty taxes related to its occupation of the West Wing Strata Property.

- **First Right of Refusal**

In the event GO Transit decides to sell the West Wing Strata Property, the City will have the first right of refusal to purchase same back from GO Transit based on prevailing market rates for comparable premises and, failing agreement, to be determined by arbitration.

- **Transaction Closing Date**

On or around March 31, 2009.

## 2) CONCOURSE STRATA PROPERTY SALE

- **Area**

The strata portion of the east and west concourses to be constructed in Union Station, as proposed in the Revitalization report that is before City Council on December 1 & 2, 2008 comprising a gross floor area of 122,688 square feet.

- **Ingress/Egress Easement:**

Over those areas of Union Station below the Concourse Strata Property to accommodate ingress and egress to the strata level of the concourses.

The City will retain ownership of the stairways, escalators and elevators between the lower retail concourse and the Concourse Strata Property. GO Transit will have the ownership of the stairways, escalators and elevators between the train platforms and the Concourse Strata Property.

- **Base Building Improvements:**

The City will construct and carry out all base building improvements to the Concourse Strata Property prior to January 1, 2016, subject to force majeure.

- **Operating Costs & Maintenance**

Until such time as the general building services and property assessments are separated, GO Transit will also be required to pay its proportionate share of common area costs, shared operating and maintenance costs and the realty taxes related to its occupation of the Concourse Strata Property.

- **Maintenance & Repairs:**

GO Transit will be responsible, at its own cost and expense, for all renovations, installations and owner improvements to the Concourse Strata Property beyond the City's base building work, subject to obtaining the prior approval of the City.

- **Retail Component**

GO Transit may identify retail areas in the Concourse Strata Property for third party lease opportunities. The administration of these leases would be provided by the City or its head lessee or other representative, with the revenue being shared between the City and GO Transit.

- **First Right of Refusal**

In the event GO Transit decides to sell the Concourse Strata Property, the City will have the first right of refusal to purchase same back from GO Transit based on prevailing market rates for comparable premises and, failing agreement, to be determined by arbitration.

- **Initial Transaction Closing Date**

On or around March 31, 2009.

### **3) RECIPROCAL RIGHTS:**

The current Reciprocal Rights Agreement (RRA) between the City and GO Transit as approved by City Council in October, 2005, as amended, sets out the rights and responsibilities of the City and GO Transit with respect to their respective ownership interests at Union Station (Trainshed/Building).

With the sale of the West Wing Strata Property and the Concourse Strata Property, the RRA will require further amendment to reflect the fractured ownership of the building, including access rights through the building and shared infrastructure costs that are integral to the building as a whole and cannot be separated. Such infrastructure costs need to be identified and shared between the parties, such as structural, HVAC, mechanic, electrical, plumbing, sump pumps, drainage, façade, etc.

### **4) LEASED PREMISES:**

- **Area:**

A portion of the first floor of the west wing and the north-side of the second, third and fourth floors of centre block of Union Station, comprising approximately 12,826 square feet of rentable area subject to minor amendments in the floor plate area;

- **Term:**

Fifty (50) years, commencing on May 1, 2012 and ending on April 30, 2062, subject to force majeure.

- **Option to Extend Term:**

One 49 year additional term with the rent for the Leased Premises or any Additional Leased Space, being equal to the then-prevailing market rental rates for comparable



premises as agreed to by the parties at the time of renewal or lease commencement, as the case may be, and failing such agreement as determined by arbitration.

- **Use:**

General offices and other related and ancillary activities provided such activities are consistent with the character and use of the building.

- **Additional Rent:**

GO Transit will be responsible for all of its own costs of operating and maintaining the Leased Premises, such as janitorial, utilities, repairs and ongoing maintenance. GO Transit will also be required to pay its proportionate share of common area costs, shared operating and maintenance costs and the realty taxes related to its occupation of the Leased Premises.

- **Common Expenses**

GO Transit shall be responsible for \$1.25 per sq. ft. (2008, subject to annual inflation adjustment) of the West Wing Property for any expenses related to the operation and maintenance of any of the common areas in and around the Building.

- **Base Building Improvements:**

The City will carry out all base building improvements to the Leased Premises prior to May 1, 2012, subject to force majeure.

- **Maintenance & Repairs:**

GO Transit will be responsible, at its own cost and expense, for all renovations, installations and tenant improvements to the Leased Premises, subject to obtaining the prior approval of the City.

- **Assignment and Subletting:**

GO Transit will not be permitted to assign or sublet to non-related entities without the prior written consent of the City.

- **Option for Additional Space:**

Subject to the prior rights of Bank of Nova Scotia and the head lease tenant to be selected for the commercial areas of the Station, GO Transit will have the option to lease any additional rentable area that may become available in the East Wing or the south side of Centre Block, with the base rent to be negotiated based on prevailing market rates for comparable premises and, failing agreement, to be determined by arbitration.

## 5) NW PATH AGREEMENT

- **Area:**

North/West corner of Union Station and connecting north to the PATH System.

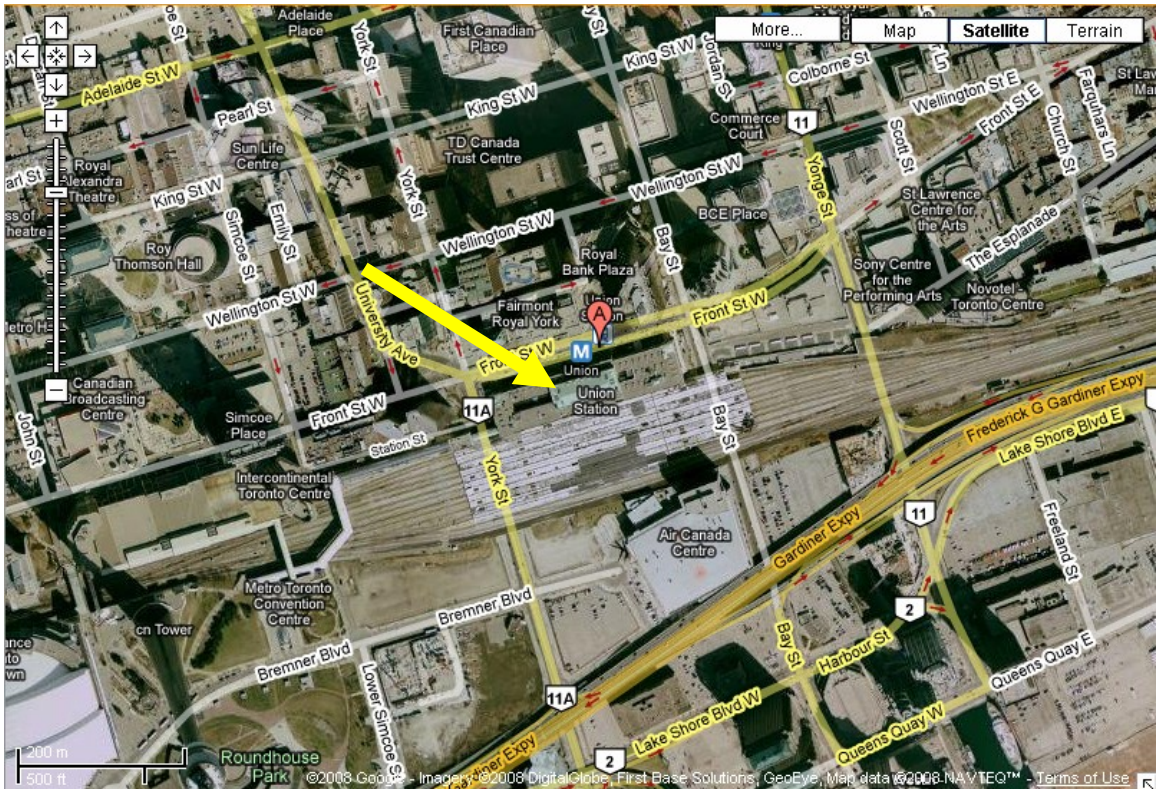
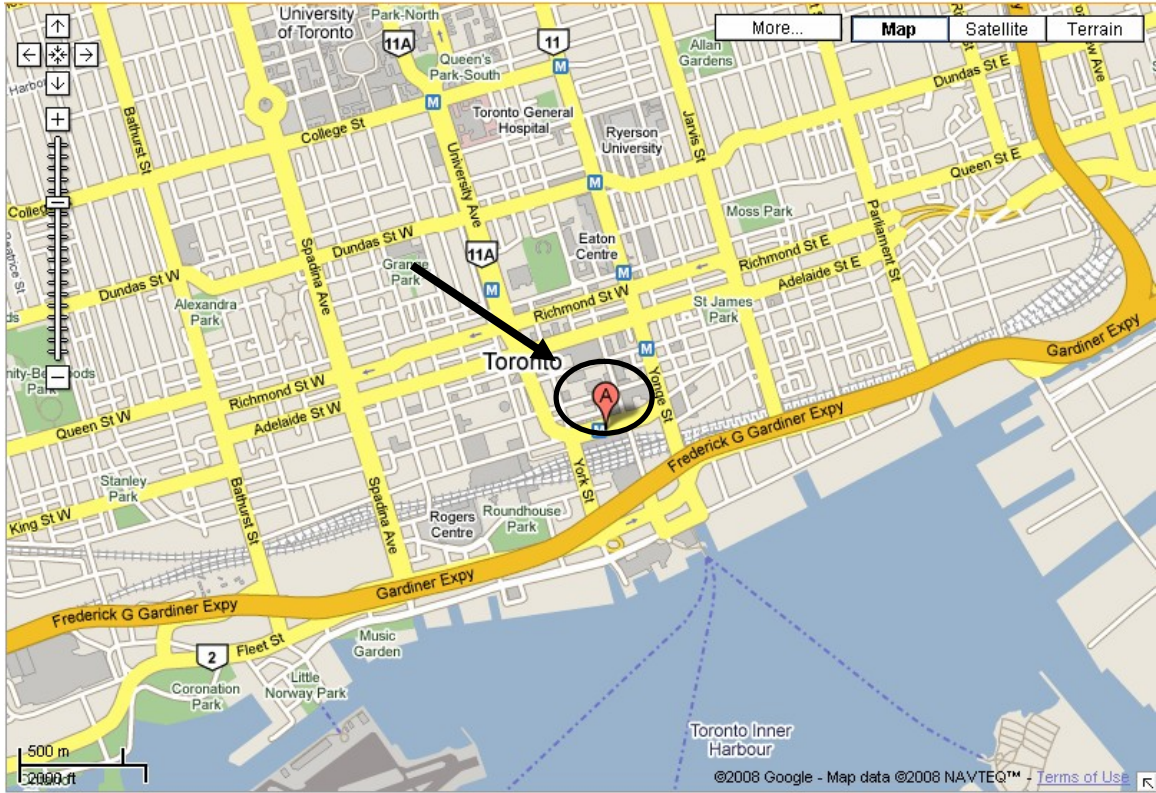
- **Purpose:**

Access rights for commuters to utilize the connection to the PATH System.

- **Compensation:**

As set out in Attachment 1.

## APPENDIX "B" LOCATION MAP



## APPENDIX “C” LEASE AND STRATA SALE AREAS

**Notes:**

1. All Lease areas shown below are USABLE areas as defined by BOMA
2. All Strata Sale areas shown below are GROSS BUILDING AREAS (GFA) as defined by BOMA
3. All areas are as per attached area plans
4. All area calculations are taken from preliminary as-built drawings provided by the City of Toronto and are subject to the accuracy contained within those drawings.

<b>Lease Areas</b>	<b>(S.M.)</b>	<b>(S.F)</b>
Great Hall Level - West Wing	171	1,841
Second Level - North Centre Block	170	1,830
Third Level - North Centre Block	170	1,830
4th Level - Centre Block	644	6,925
<b>Total Lease Area</b>	<b>1,155</b>	<b>12,425</b>

<b>Strata Sale Areas - West Wing (GFA)</b>	<b>(S.M.)</b>	<b>(S.F)</b>
2nd Level - West Wing	2,769	29,797
3rd Level - West Wing	2,769	29,794
4th Level - West Wing	2,785	29,963
<b>Total Strata Sale Areas - West Wing (GFA)</b>	<b>8,323</b>	<b>89,555</b>

<b>Strata Sale - Concourse Areas GFA)</b>	<b>(S.M.)</b>	<b>(S.F)</b>
York St. Concourse	5,696	61,286
Bay St. Concourse	5,706	61,401
<b>Total Strata Sale Areas - Concourse (GFA)</b>	<b>11,402</b>	<b>122,688</b>

