



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

Union Station Head Lessee – Supplementary Report

Date:	July 29, 2009
To:	City Council
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	Ward 28, Toronto Centre Rosedale
Reason for Confidential Information:	This report involves a proposed or pending acquisition or disposition of land by the City or one of its agencies, boards, and commissions.
Reference Number:	P:\2009\Internal Services\F&re\Ec09024F&re(b) – (AFS 9467)

SUMMARY

This is a supplementary report to the Union Station Revitalization Implementation report considered by Executive Committee at its meeting of June 2, 2009. This report recommends approval of a Head Lessee and the key terms of the Commercial Premises Head Lease Agreement (“Head Lease Agreement”) for the commercial space and uses within Union Station. The recommended Head Lessee was selected through a Council directed process, and the negotiated terms of the Head Lease Agreement meet the City’s financial objectives for this component of the Union Station revitalization.

RECOMMENDATIONS

The City Manager and Deputy City Manager and Chief Financial Officer recommend that City Council:

1. Approve the Head Lessee named in Confidential Attachment 1 as the Head Lessee for the commercial spaces and uses within Union Station.
2. Authorize the City to enter into a Head Lease Agreement with the Head Lessee on terms and conditions substantially as set out in Confidential Attachment 1, and any other terms and conditions deemed appropriate by the Chief Corporate

Officer and in a form acceptable to the City Solicitor.

3. Authorize the Chief Corporate Officer to negotiate and execute a Head Lease Phase-In Management Agreement with the Head Lessee to cover the Revitalization Period prior to the Commencement Date of the Initial Term of the Head Lease Agreement, on terms and conditions deemed appropriate by the Chief Corporate Officer, subject to consistency with the Head Lease Agreement, and in a form acceptable to the City Solicitor.
4. Delegate to the Chief Corporate Officer or his designate approving authority for any leases, licences and permits at Union Station during the Revitalization Period, if rent is at market value, on terms and conditions deemed appropriate by the Chief Corporate Officer and in a form acceptable to the City Solicitor.
5. Authorize the Chief Corporate Officer to administer and manage the Head Lease Agreement and Head Lease Phase-In Management Agreement, 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.
6. Authorize the public release of the confidential information in Attachments 1 and 2 after the Head Lease Agreement has been executed by the Head Lessee and the City.

Financial Impact

The revenues derived from new retail space created through the Revitalization consist of a one time up-front payment, and two on-going revenue streams being (1) base rent, and (2) percentage of revenue. Base rent revenue will be a fixed contractual obligation of the Head Lessee while percentage of revenue will fluctuate based on income. The risk associated with the collection of lease revenues is considered low. The fundamental structuring of revenue into the two categories further mitigates against major fluctuations in sources of revenue. The ability of the planned commercial space to stimulate consumer interest hinges on location and retail mix, which will be outlined in a commercial strategy to be prepared and implemented by the Head Lessee. Details of the forecasted impact on project funding are set out in Confidential Attachment 2.

The Head Lease will commence on the completion of the City's revitalization, which is planned to be completed in 2016. In the interim, the Head Lease contemplates the Head Lessee entering into a management agreement with the City on commercial terms to manage the existing retail components of Union Station.

DECISION HISTORY

At its December 11, 12, and 13, 2007 meeting, Council endorsed the Recommended Approach for the revitalization of Union Station, including the selection of a head lessee to lease and operate all commercial space in Union Station (including the newly created lower retail concourse). Council further directed the Chief Corporate Officer, with the assistance of Deloitte & Touche LLP, to qualify private sector firms to head lease the commercial areas of Union Station based on a set of established criteria. Council also authorized the Chief Corporate Officer, with the assistance of Deloitte & Touche LLP, to invite offers to lease the commercial space at Union Station from qualified potential lessees in accordance with a prescribed process, evaluate the offers, and report back to Council with a recommended head lessee and commercially reasonable terms of agreement. The decision document from the Council meeting on December 11, 12, and 13, 2007 Council (<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-12-11-cc15-dd.pdf>) can be found on pages 41-44.

ISSUE BACKGROUND

Head Lessee Selection Process

In December 2007, Council adopted a vision for Union Station's revitalization. This included the selection of a head lessee to manage retail space within Union Station under a long-term Head Lease Agreement. A call for Expressions of Interest was undertaken resulting in a selection of the Qualified Potential Lessees (QPL).

Deloitte & Touche LLP continued detailed discussions with the QPLs in accordance with the overall process parameters set by Council, received formal bids and continued discussions on a long term lease agreement. This report requests approval of the recommended Head Lessee for the lease of commercial space within the Station on the terms and conditions outlined in Confidential Attachment 1.

In accordance with Council direction, the head lessee selection process has been reviewed by a Process Monitor. This process has ensured that all of the candidates have been dealt with in a consistent manner. The Process Monitor concluded that City Staff and its third party agents conducted the consultation and evaluation process in a manner that was in keeping with the published instructions.

COMMENTS

Discussions with the recommended Head Lessee have been concluded and City staff are now prepared to recommend both a Head Lessee and suitable commercial terms for a Head Lease Agreement.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Confidential Attachment
Attachment 2: Confidential Attachment