

STAFF REPORT ACTION REQUIRED



Acquisition of 592 and 598 Gerrard Street East

Date:	December 15, 2015
To:	Government Management Committee
From:	President, Toronto Parking Authority
Wards:	Ward 30 Toronto – Danforth
Reference Number:	TPA File No.: 1252-00

SUMMARY

The purpose of this report is to obtain Council's authorization to purchase the property municipally known as 592 and 598 Gerrard Street East from Sonnam Investments Inc. to provide future municipal parking within the East Chinatown neighbourhood. The intention is to maintain the commercial building on a fully leased basis which includes an ancillary parking area until such time as it is determined that the site is ready to be redeveloped into a new surface carpark.

RECOMMENDATIONS

The Toronto Parking Authority recommends that:

1. Council authorize the acquisition of the property known municipally as 592 and 598 Gerrard Street East (the "Property") from Sonnam Investments Inc. (the "Vendor") based on the terms and conditions contained in Schedule 'A' attached hereto plus the additional expenditure of approximately \$140,000 for any associated costs such as land transfer tax, title insurance, appraisal fees, survey, environmental studies, and legal fees for a total acquisition cost estimate of \$2,458,000;
2. City Council amend the 2016 Capital Budget and 2017-2025 Capital Plan for the Toronto Parking Authority by adding the capital project "592 and 598 Gerrard Street East Carpark Development" to be funded by reallocation of capital funds from the "Carpark Provisions 2016" project included in the 2016 Approved Capital Budget and 2017-2025 Capital Plan in the amount of \$2,458,000 in order to facilitate the purchase of the Property;

3. Upon acquisition, the Property be designated for municipal parking purposes, to be managed by the TPA; and
4. The City Solicitor be authorized to complete the purchase transaction, deliver any notices, pay any expenses and amend the closing and other dates to such earlier or later date(s), on such terms and conditions, as she may, from time to time, determine.

FINANCIAL IMPACT

The 2016 Approved Capital Budget and 2017-2025 Approved Capital Plan includes an allocation of \$10,000,000 in funding for new carpark provisions in 2016 in order to accommodate unbudgeted property acquisitions or accelerate already planned acquisitions should opportunities arise (Project: Carpark Provisions 2016). The Gerard Street East project which was previously planned for 2025, and included in the 2016-2025 Approved Capital Budget and Plan, is now being accelerated to 2016.

Total estimated capital costs for the acquisition are \$2,458,000, including the purchase price of \$2,318,000 and associated costs of \$140,000. It is recommended that the already approved funding for new carparks be reallocated to fund the cost of the acquisition required for the carpark at 592 and 598 Gerard Street East.

The TPA has retained the services of an independent appraisal firm which has reported that the purchase price to be paid for the Property, being the sum of \$2,318,000, is reasonable and reflective of fair market value.

The operating and maintenance costs associated with this facility will be offset by revenues from the building, which will be confirmed during the due diligence period. Therefore, there will be no incremental costs to TPA in 2016. Once determined, all associated costs and revenues will be reported through quarterly variance reporting and subsequently are included in the TPA's - 2017 Operating Budget.

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

DECISION HISTORY

The TPA has entered into an Agreement of Purchase and Sale for the Property with the owner which is subject to certain conditions, including receiving approvals from both the TPA Board of Directors and City Council.

At its meeting of November 19, 2015, the TPA Board of Directors approved acquisition of the Property on the terms outlined herein (*TPA Board Minute No.: 15-188*).

ISSUE BACKGROUND

The TPA has been looking for suitable sites that would accommodate both the existing and future needs for public parking in the area. The purchase of the Property will assist in satisfying these requirements. The TPA submitted an offer to purchase 592 and 598 Gerrard Street East and it was accepted on October 26, 2015.

COMMENTS

Site Location and Particulars

The Property, located a short distance east of the major intersection of Broadview Avenue and Gerrard Street East, is positioned on the north side of Gerrard Street, a two-way four-lane arterial roadway (see attached *Site Location Map*). Vehicular access to the DVP (Don Valley Parkway) (*northbound only*) is available via Dundas Street a short distance to the south while public transit is available with streetcar service along both Gerrard Street and Broadview Avenue; the latter offering a connection to the TTC's Broadview station (i.e. subway, streetcar and bus service) to the north at Danforth Avenue.

The Property is located within a busy commercial / residential neighbourhood known as the East Chinatown neighbourhood. The immediate neighbourhood is considered to be a regeneration area characterized by service commercial uses within a mature residential community. Adjacent land uses include; three-storey storefront commercial buildings with upper residential units to the west and fronting Gerrard Street to the south; a 3 storey commercial building to the east; and residential uses that predominate further to the north and south of the Property. The Property also benefits from its close proximity to the new Bridgepoint Health Centre located at 430 Broadview Avenue.

The Property is comprised of two parcels each measuring approximately 30.0 feet (9.11 meters) by 100.0 feet (30.49 meters); 592 Gerrard Street East is a vacant land parcel used for parking and 598 Gerrard Street East is improved with a two-storey detached commercial building (see attached *Appendix 'A' – Survey of Property*).

598 Gerrard Street has been modified and is improved with a single 2,400 sq. ft. commercial unit on the main floor and a 1,200 sq. ft. 3-bedroom apartment on the second floor. The vacant land parcel at 592 Gerrard Street East is operated by the main floor commercial tenant at 598 Gerrard Street East for use as a surface parking lot for their customers. The site dimensions of the vacant land parcel do not permit operating the site as a municipal parking facility (see attached *Appendix 'B' - Photos of Property*).

Parking Supply and Demand

Given the Property's close proximity to the major transportation arterial node of Broadview Avenue and Gerrard Street, adjacent commercial uses along Gerrard Street and convenient access to Bridgepoint Health Centre, it is expected that the area will undergo a major transformation in the near future. A redevelopment of the combined site will result in a surface parking facility capable of accommodating approximately 20 surface spaces (see attached *Appendix 'C' – Proposed Carpark Development Plan*).

Potential for Re-Development

The Property lies within an area for future mixed-use residential and commercial development. Under the current City of Toronto Official Plan, the site is identified as being located within the Designated Avenues Area for urban structures and within a mixed-use area under the Land Use Plan designation. There are no special policies under the secondary plan that are applicable to the Property. Under the new City of Toronto zoning by-law (*By-law 569-2013*), the site is zoned for commercial residential uses (CR) while under the

former City of Toronto zoning by-law (*By-law 438-86*), the site is zoned as a mixed commercial residential zone (MCR). The existing zoning supports the existing uses at the Property and any future redevelopment of the site in terms of a standalone municipal surface parking facility.

Financial Analysis and Conclusion

The total cost of acquisition of the Property to the TPA is estimated at \$2.458 million. Based on the rent roll provided by the Vendor and the future development of a carpark, the resulting internal rate of return (IRR) based on a projected 20-year cash flow meets TPA's usual minimum required IRR of 5.0%. This carpark will provide additional parking for this growth neighbourhood to better service the parking needs of the community at an appropriate cost and IRR to the TPA. Any additional costs associated with construction of the new carpark will be included in the Toronto Parking Authority's future year capital budget and plan submission.

CONTACT

Lorne Persiko
President, Toronto Parking Authority
Phone (416) 393-7294 / Fax (416) 393-7352
lpersiko@toronto.ca

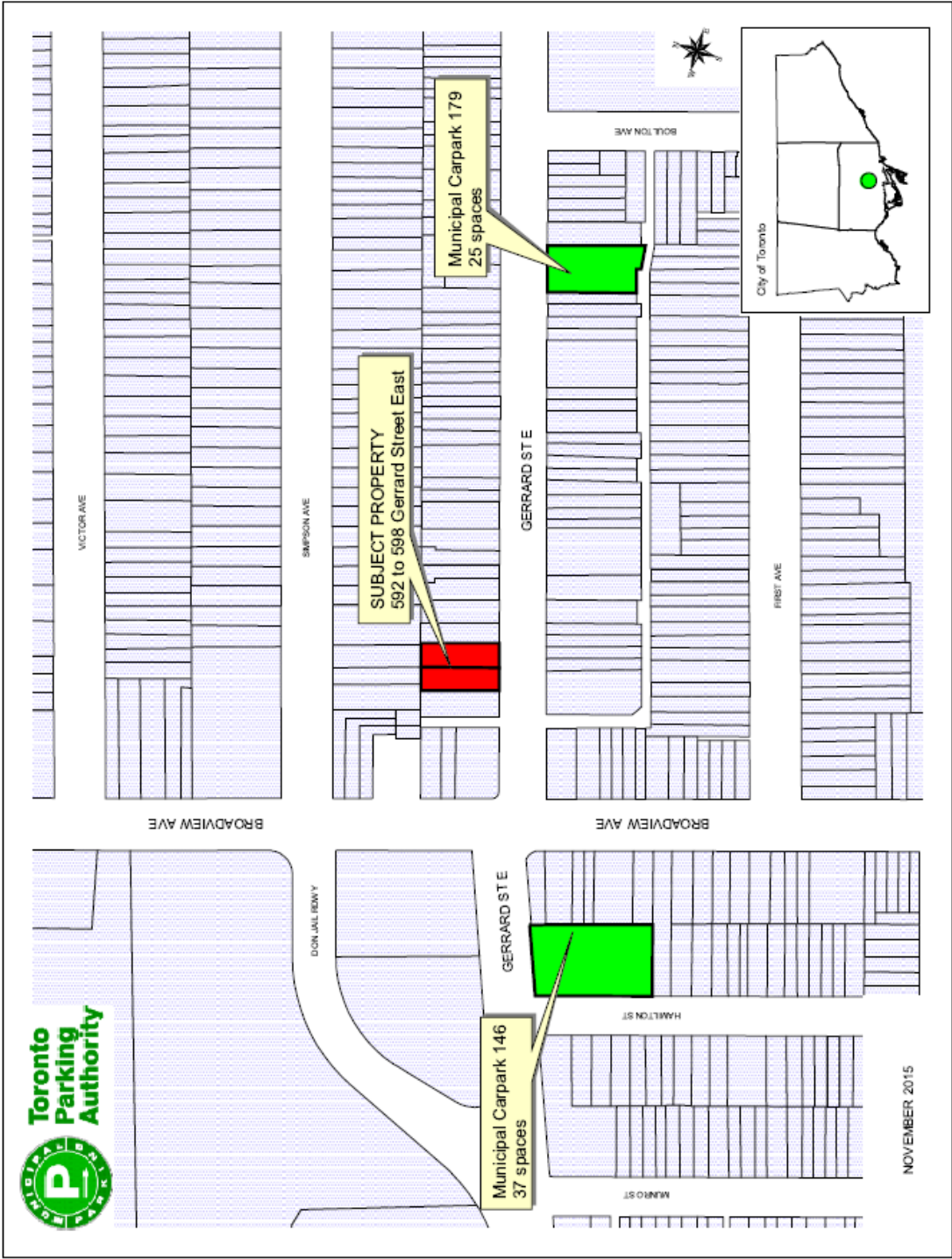
SIGNATURE

Lorne Persiko, President

ATTACHMENTS

Site Location Map
Schedule 'A' Summary of Agreement of Purchase and Sale
Appendix 'A' Survey of Property
Appendix 'B' Photos of Property
Appendix 'C' Proposed Carpark Development Plan

Site Location Map



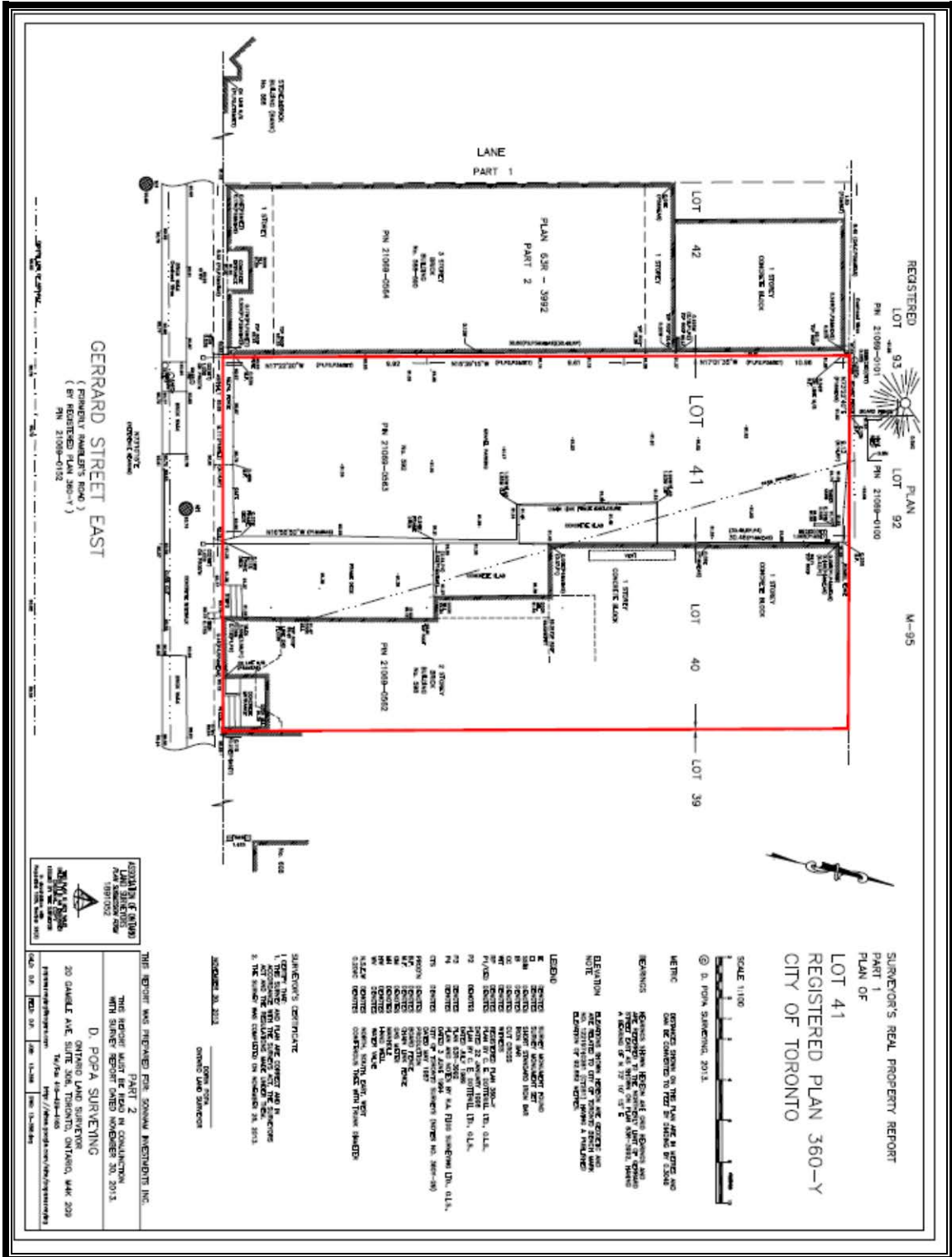
Schedule 'A'

Summary of Agreement of Purchase and Sale

1. Purchaser – Toronto Parking Authority / registered owner to be City of Toronto
2. Vendor – Sonnam Investments Ltd.
3. Purchase Price – \$2.318 million
4. Deposit - \$100,000
5. Site Dimensions – Two adjacent parcels each measuring 30.0 feet (9.11 meters) by 100.0 feet (30.49 meters) / 3,000.0 square feet (278.7 square meters)
6. Purchaser's Conditions – obtaining TPA Board and City Council approval of the proposed transaction, and acceptable results of due diligence investigations, including environmental assessment
7. Purchaser to assume all commercial leases applicable to the Property
8. Due Diligence Waive Date – January 26, 2016 and as further amended and / or extended
9. Closing Date – February 24, 2016

Appendix 'A' Survey of Property

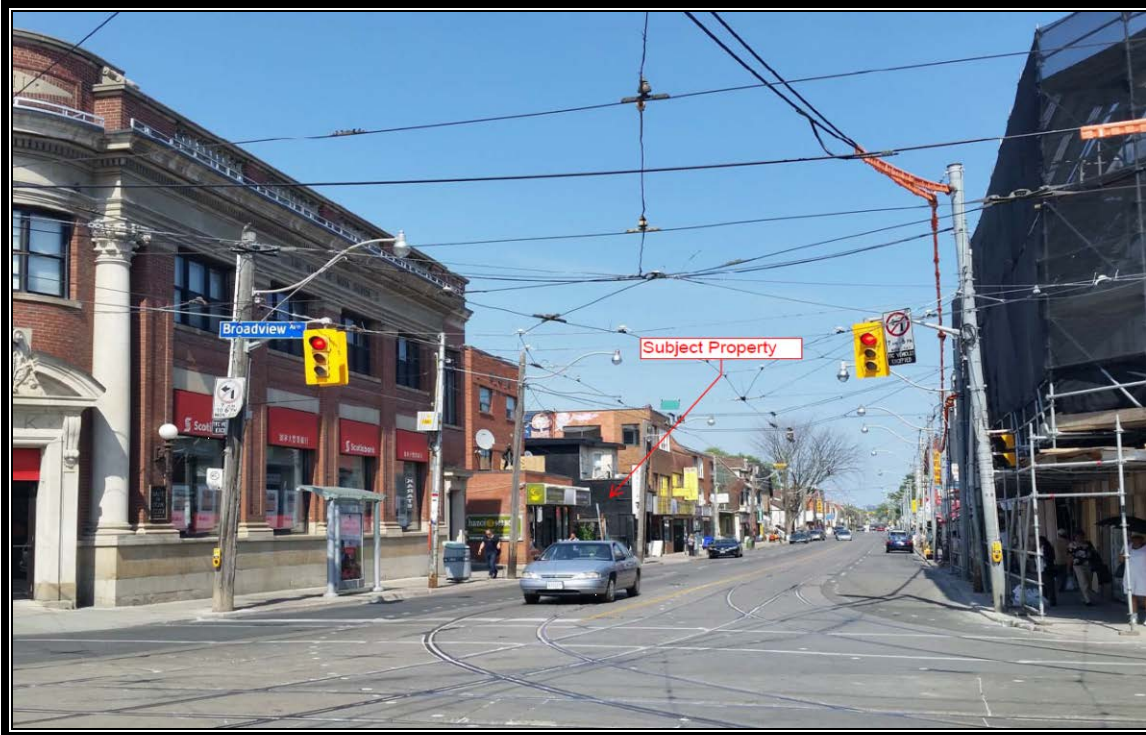
(592 and 598 Gerrard Street East)



Appendix 'B'
Photos of Property



592 and 598 Gerrard Street East



Intersection of Broadview Avenue and Gerrard Street East – View East

Appendix 'C' Proposed Carpark Development Plan

