



## REPORT FOR ACTION

### Acquisition of 21 Connell Court

**Date:** April 13, 2017  
**To:** Government Management Committee  
**From:** President, Toronto Parking Authority  
**Wards:** Ward 6 Etobicoke - Lakeshore

#### SUMMARY

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The purpose of this report is to obtain Council's authorization to purchase the property municipally known as 21 Connell Court (the "Property") from The Beaton Group Inc. (the "Vendor"). The Property has an existing single free-standing single-storey industrial building, which will serve to address an immediate Toronto Parking Authority ("TPA") need to consolidate several existing maintenance, technical and service departments, to enhance efficiencies and service requirements.

#### RECOMMENDATIONS

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The Toronto Parking Authority recommends that:

1. City Council authorize the acquisition by the City of the property known municipally as 21 Connell Court from The Beaton Group Inc. for the purchase price of \$3,900,000, and substantially on the terms and conditions contained in Appendix 'A' attached hereto, plus the additional expenditure of approximately \$175,000 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 \$4,075,000.
2. Upon acquisition, City Council designate the Property for municipal parking purposes and to support ancillary uses in the delivery of parking services, to be managed by the TPA; and
3. City Council authorize the City Solicitor 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

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The need for this project has been identified in the 2017-2026 Approved Capital Budget and Capital Plan (Maintenance Facility Project CPK324) with funding allocation of \$5,000,000 in 2017. Total estimated acquisition costs are \$4,075,000, including the

purchase price of \$3,900,000 and associated costs of \$175,000. The acquisition is scheduled to close in June 2017.

The TPA has retained the services of Cushman & Wakefield Ltd., an independent accredited appraisal firm which has reported that the purchase price to be paid for the Property, being the sum of \$3,900,000, is reasonable and reflective of fair market value. The remaining funding allocation will be utilized to retrofit the building according to required standards for the centralized maintenance and repair service operations, once the Vendor vacates the building. The Vendor has an option to lease-back the Property for up to six (6) months following closing, on the terms and conditions as set out in Appendix 'A'.

The operating and maintenance costs associated with this facility during the lease-back period will be paid by the Vendor, with no impact on the TPA's 2017 Operating Budget. Any future costs will be included in the TPA's 2018 Operating Budget Submission. The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

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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 March 22, 2017, the TPA Board of Directors approved the proposed acquisition of the Property on the terms as outlined herein (TPA In-Camera Agenda Item No.: 5.2).

## **COMMENTS**

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### Background

The TPA provides a variety of facility maintenance and repair services for over 200 parking locations, two dozen garages, and ancillary operational equipment. For many years, these activities were generally based out of the underground City Hall garage in a series of dispersed, discrete shop areas, ranging in area from as little as about 400 square feet to about 3,600 square feet. The rooms in question are irregular, both vertically and horizontally, arising from the original design of the garage that left a number of these rooms unusable for parking or other purposes. Work conducted within these areas includes electrical, carpentry, mechanical equipment maintenance and some shop space for repairing revenue control equipment. While these rooms have served the needs in the past, there are current challenges with functionality and safety matters including ventilation, access, area layout and environment (i.e. sloped floors, low ceilings, inadequate washroom and sanitary facilities and area for storage and use of equipment, sub-optimal lighting, dampness, and susceptibility to regular flooding). The rooms in the City Hall garage are of a condition, size and physical geometry that cannot be feasibly retrofit to meet current operating standards.

The TPA has been diligently looking for suitable sites that could accommodate the consolidation of a number of existing inefficient and outdated maintenance and technical service areas to address the above noted concerns, enhance efficiencies and service requirements. Before looking for space on the open market, TPA staff engaged the City's Real Estate Services and Portfolio Planning Division to review the City's inventory of properties for suitable candidates which are geographically bounded by Eglinton Avenue to the north, Victoria Park Avenue to the east and Highway 427 to the west. Although a number of properties were identified, they were either too small or were strictly co-occupancy / lease opportunities. The TPA was not able to identify any properties that would support the program of the group and their requirement for a consolidated facility.

Concurrently, TPA staff continued with their search of both active and non-active market listings for industrial properties for purchase and lease. Leasing opportunities within the industrial marketplace were found to be quite limited, particularly within the geographical boundaries as identified. The current state of the industrial investment marketplace within the Greater Toronto Area has been quite active over the past few years and can be best described as follows:

"Although the Toronto industrial market has an inventory of over 780 million square feet, vacancy in the Greater Toronto Area industrial market has dropped to an overall rate of 3.3% at year-end 2016, marking the fourth consecutive year of declining vacancy and the lowest vacancy rate ever recorded by Cushman & Wakefield in this market. Over the past two years (2015 and 2016), absorption has been robust, representing the strongest back-to-back years of absorption since 2000-2001 (Source: Cushman & Wakefield Ltd.)."

TPA staff have met with the local area Councillor, Mark Grimes who has confirmed that he is supportive of the proposed property acquisition. The TPA submitted an offer to purchase 21 Connell Court which was accepted on February 21, 2017.

#### Site Location and Particulars

The Property, situated within a primarily designated industrial area which forms part of a neighbourhood known as New Toronto in south Etobicoke, is surrounded by light industrial buildings and benefits from good vehicular and public transportation accessibility (see attached Site Location Map and Appendix 'B' – Aerial Image of Property and Surrounding Neighbourhood). Located a short distance south-east of the major intersection of Kipling Avenue and Evans Avenue, the Property is positioned on the south side of Connell Court, a secondary arterial roadway. Convenient access to the westbound Gardiner Expressway is available a short distance to the north via Horner Avenue while the interchange of Highway 427 and the Gardiner Expressway / Queen Elizabeth Way (QEW) is located further to the west and accessible via Kipling Avenue. Both Kipling Avenue and Horner Avenue are two-way, undivided collector roads. TTC transit bus service is available along both Evans Avenue and Kipling Avenue with the latter connecting to the TTC's Kipling Subway Station further to the north at Dundas Street West.

The Property is improved with a single freestanding single-storey industrial building circa 1955 / 1964 / 1990 with steel frame / masonry construction, composite flat roof and a reinforced concrete slab floor (see attached Appendix 'C' – Property Photos). The building offers a 16 foot clear height and a total of 19,270 square feet of interior space including 1,500 square feet of office area. Shipping areas include two (2) truck level doors and one (1) drive-in door with service access available along the south and west elevations of the building respectively. Ancillary parking areas are available along the west and south perimeter of the site and capable of accommodating approximately 50 vehicles. The site offers a frontage of 175.2 feet (53.4 meters) with a depth of 249.8 feet (76.1 meters) and measures 43,769.0 square feet (4,066.3 square meters) (see attached Appendix 'D' - Property Survey).

### TPA Consolidated Maintenance Area / Service Facility Requirements

The pending Property acquisition will serve to address an immediate need to consolidate several existing TPA maintenance areas in order to enhance efficiencies and meet improved service requirements. A number of the requirements that will be achieved include a centralized location to accommodate a number of functional areas (i.e. electrical / mechanical shops, offices, staffing facilities, meeting rooms, parking, storage, etc.). A centralized operation will provide savings in terms of both time and operating expense (i.e. fuel, maintenance, storage, parking, etc.) but will be key to addressing on going and future health and safety legislative requirements. Also, centralization will improve service delivery deemed crucial to TPA's operations group.

Following the acquisition of the Property, consideration will be given towards the consolidation of additional TPA peripheral service locations as part of a continuing consolidation strategy to include locations at Municipal Carparks 43 (2 Church Street - St. Lawrence Garage), 49 (30 Roehampton Avenue) and Rockcliffe Yard. The operations group anticipates that they will require approximately six (6) months to plan, execute and complete the fit-out and occupancy of the Property. This anticipated time-line aligns with the terms of the lease-back provision, allowing the Vendor to secure alternate space.

### Business Case

The total cost of acquisition of the property to the TPA is estimated at \$4,075,000 (\$3,900,000 purchase price and \$175,000 in closing and associated costs). The centralization and consolidation strategy will result in approximately 25 to 30 personnel being relocated to the Property resulting in approximately 40 parking spaces released for transient parking purposes at both the underground City Hall and the St. Lawrence garages (Municipal Carpark 36 and 43 respectively). It is expected that the consolidation initiative will generate savings in excess of \$200,000 per year from the release of designated staff parking spaces within these garages, in addition to savings generated from consolidation of operations. The resulting internal rate of return (IRR) based on a projected 20-year cash flow exceeds TPA's usual minimum required IRR of 5.0%. The financial analysis supports the acquisition price of \$4,075,000 in order to centralize and consolidate several existing TPA maintenance areas in order to enhance efficiencies and meet improved service requirements at an appropriate cost and IRR to the TPA.

## **CONTACT**

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## **SIGNATURE**

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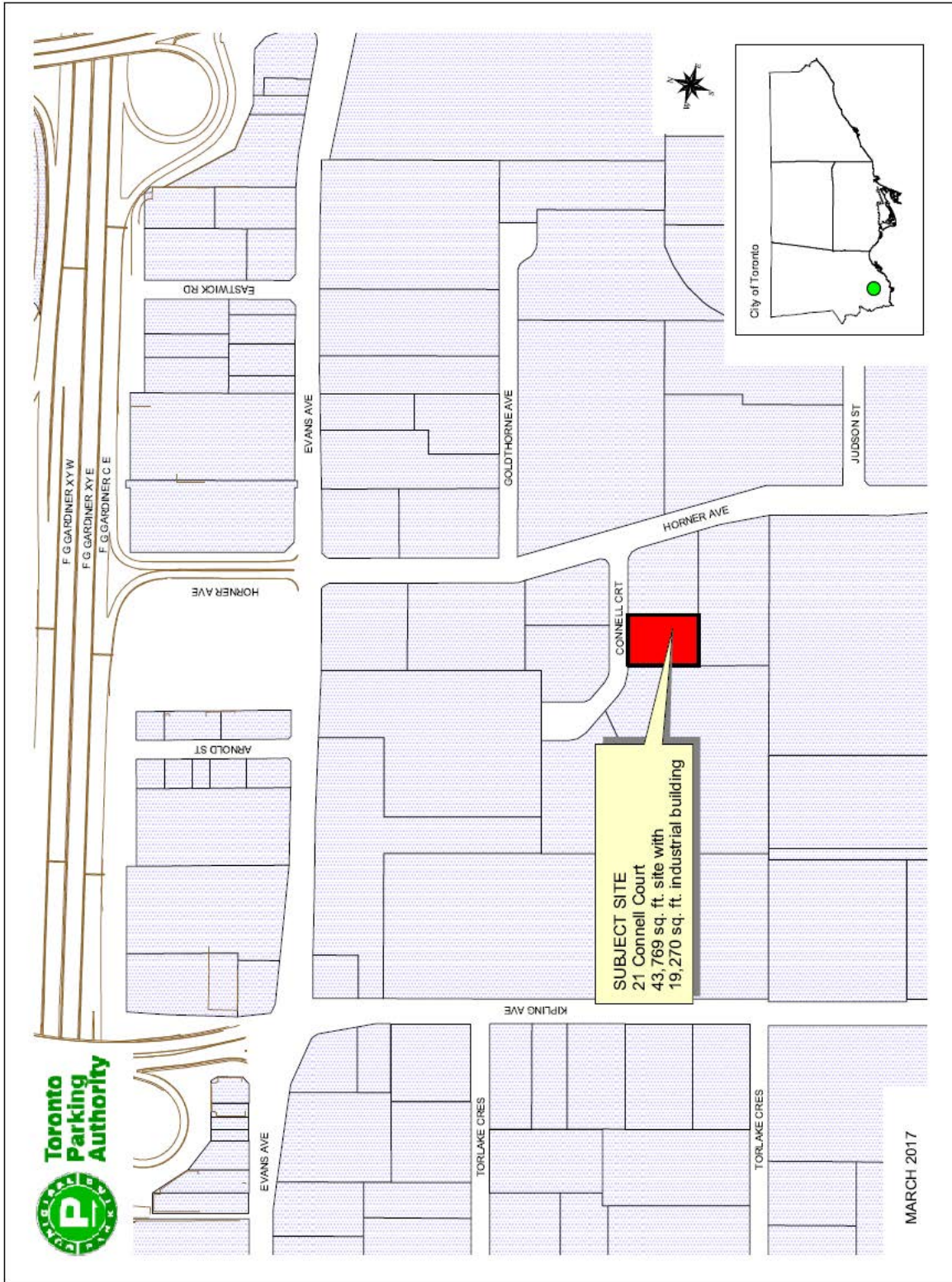
Lorne Persiko  
President, Toronto Parking Authority

## **ATTACHMENTS**

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Site Location Map  
Appendix 'A' Agreement of Purchase and Sale - Major Terms and Conditions  
Appendix 'B' Aerial Image of Property and Surrounding Neighbourhood  
Appendix 'C' Property Photos (21 Connell Court)  
Appendix 'D' Property Survey

# SITE LOCATION MAP



APPENDIX 'A'  
AGREEMENT OF PURCHASE AND SALE - MAJOR TERMS AND CONDITIONS

Purchaser – Toronto Parking Authority / registered owner to be City of Toronto

Vendor – The Beaton Group Inc.

Purchase Price – \$3,900,000

Deposit - \$200,000 upon acceptance of Purchase and Sale Agreement (paid)

Site Dimensions / Site Area – Frontage of 175.2 feet (53.4 meters) with a depth of 249.8 feet (76.1 meters) / 43,769.0 square feet (4,066.3 square meters)

Purchaser's Conditions – conditional upon TPA Board and City Council approval of the proposed transaction, and acceptable results of due diligence investigations, including environmental reports

Lease-Back to the Vendor – under the following terms and conditions:

Term: Up to six (6) months immediately following the Closing Date

Basic Rent: \$1.00 / month plus HST

Additional Rent: The Vendor will be responsible for all costs of operation associated with the Property during the Term, including snow and ice removal

Termination: Vendor can terminate on Thirty (30) days prior written notice

Commission – paid by Vendor

Due Diligence Date – May 30, 2017

Closing Date – June 21, 2017

APPENDIX 'B'  
AERIAL IMAGE OF PROPERTY AND SURROUNDING NEIGHBOURHOOD



Acquisition of 21 Connell Court



APPENDIX 'C'  
PROPERTY PHOTOS - 21 CONNELL COURT, TORONTO



Acquisition of 21 Connell Court

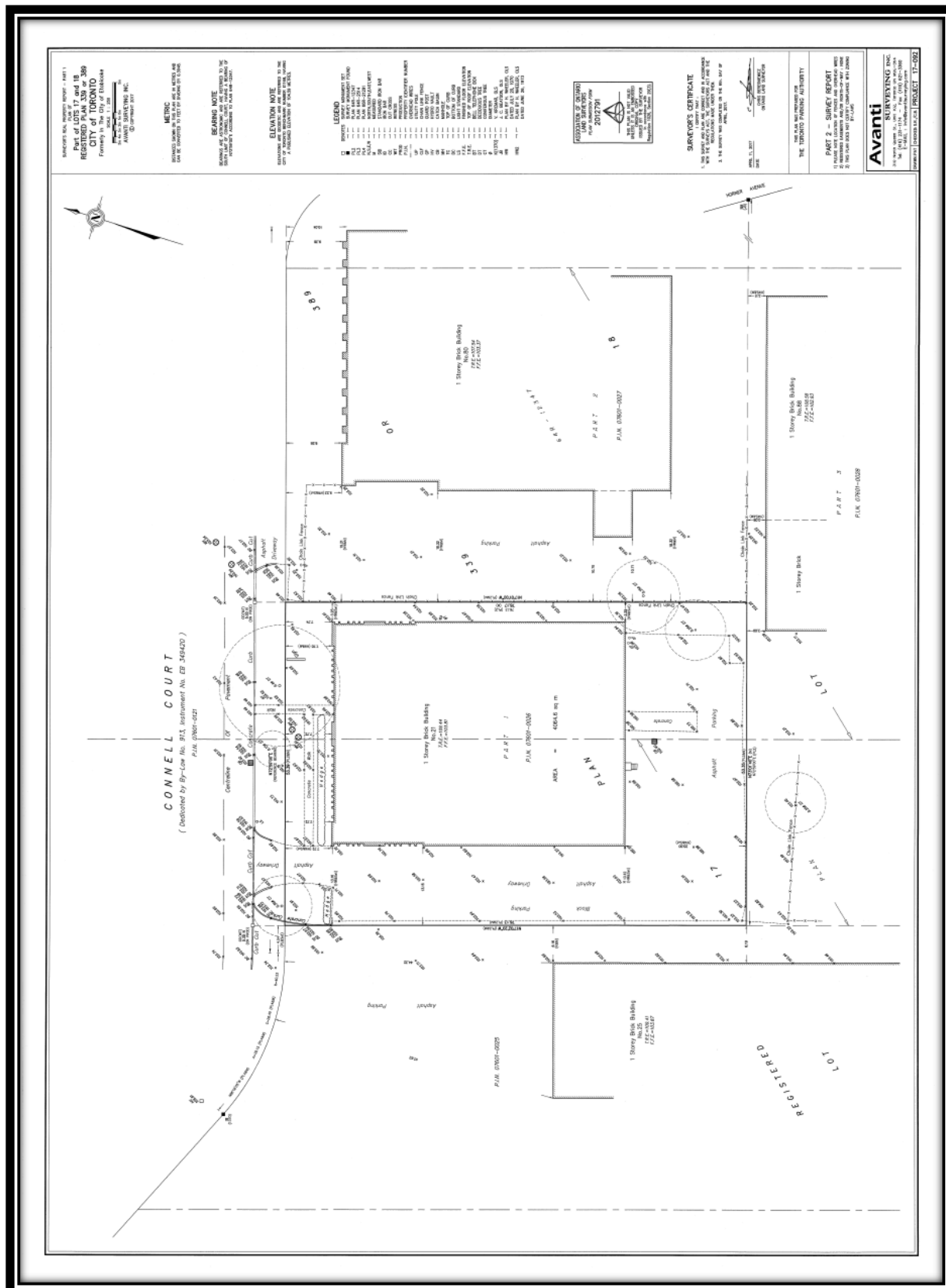


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APPENDIX 'D'  
PROPERTY SURVEY



Acquisition of 21 Connell Court