



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**Amendments to Terms of Sale by Toronto Port Lands  
Company/TEDCO of Corus Quay**

<b>Date:</b>	November 22, 2011
<b>To:</b>	City Council
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	Ward 28
<b>Reason for Confidential Information:</b>	This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.
<b>Reference Number:</b>	P:\2011\Internal Services\SP\CC11007SP (AFS #14896)

**SUMMARY**

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The primary purpose of this report is to seek Council's approval for amendments to the terms established by Council in April, 2011 for the sale by City of Toronto Economic Development Corporation (now operating as Toronto Port Lands Company and referred to herein as "TPLC") of the Corus Quay lands and building (the "Project" – municipally known as 25 Dockside Drive).

**RECOMMENDATIONS**

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**The Deputy City Manager and Chief Financial Officer recommends that:**

1. City Council adopt the proposed amendments, which are set out in the confidential attachment to this report, to the terms originally established by Council for its consent to TPLC's proposal to offer the Project (being the lands and premises municipally known as 25 Dockside Drive) for sale.
2. City Council consent to the extension of the maturity date for the construction loan provided for this project by the City from December 31, 2011 to June 30, 2012.

- Confidential Attachments 1 and 2 remain confidential under the provisions of the City of Toronto Act 2006, as they relate to the security of property of municipality or local board, until the closing of the sale transaction.

## **DECISION HISTORY**

At its meeting of May 23, 24, and 25, 2007, City Council considered a report from staff which provided an assessment of the proposed Corus Quay building development at 25 Dockside Drive (then known as "First Waterfront Place").

City Council consented to an agreement proposed by the Board of Directors of TEDCO (as it was then known) to lease the majority of the space in the proposed development to Corus Entertainment Inc. ("Corus") for a minimum period of twenty years.

Council also authorized the provision by the City of financing to TEDCO for the Project based on the following terms:

- the City's construction loan not exceed \$132 million;
- the construction loan be advanced with an interest rate of 5%;
- in the event that long-term financing of the Project by a third-party is not available or permitted, the City would provide first mortgage financing to a maximum of \$132 million; and
- the long-term financing be provided for a twenty-year term at an interest rate equal to the greater of the City's cost of capital and 5.5%.

The City financing was necessary because the special 1985 legislation which authorized the creation of what is now TPLC as a business corporation prohibited borrowing from any lender other than the City.

At its meeting of April 12, 2011, City Council authorized the sale of the Project based on terms set out in the confidential appendix of that report and also under the condition that the sale proceeds be used to repay in full the City's construction loan.

## **ISSUE BACKGROUND**

Following the Council decision in April, Build Toronto ("BT"), together with TPLC's real estate agent, RBC Capital Markets Real Estate Group ("RBC"), carried out a marketing program for the Corus Quay building. A prospective purchaser was found and negotiations proceeded towards a transaction that would have satisfied the terms established by Council. However, the purchaser was not able to complete the transaction.

Build Toronto has, on TPLC's behalf, negotiated an Agreement of Purchase and Sale with another prospective purchaser on terms that would still result in TPLC gaining sufficient sale proceeds to repay the City's construction loan and provide the City with a financial dividend. However, the sales terms would not fully conform with the terms originally

established by Council. Consequently, staff are recommending that Council authorize amendments to its original terms.

## **COMMENTS**

As TPLC has still agreed to use the proceeds from the sale to immediately repay the construction loan in full, there does not appear to be any reason for the City to withhold its approval of the amended terms. A successful sale of the Project followed by immediate repayment of the construction loan will allow the City to avoid the long-term risk exposure that would result from the provision of permanent financing for the Project.

The original City objectives for the Project have been achieved and the capital employed in the Project by TPLC and the City can now be recovered. As discussed above, it is anticipated that TPLC will still realize a significant profit after repayment of the City loan and the recovery by TPLC of its equity investment and its expenses related to the Project.

## **CONTACT**

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## **SIGNATURE**

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Cam Weldon  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

Attachment 1: Confidential Attachment 1  
Attachment 2: Confidential Attachment 2 – November 18, 2011 Resolution of Toronto Port Lands Company Board with respect to sale of Corus Quay