

**Attachment 1 – Confidential Information made public on
November 26, 2012**

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

Date:	November 22, 2011
To:	City Council
From:	Deputy City Manager and Chief Financial Officer

CONFIDENTIAL RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council consent to amending its terms for the sale by TPLC of the Project as follows:
 - a. By reducing the minimum sale price, net of the net present value of the Imagination, Manufacturing, Innovation and Technology ("IMIT") Tax Increment Equivalent Grants, from \$180 million to \$175 million.
 - b. By extending the outside closing date from December 31, 2011 to June 30, 2012.
2. The City Manager shall continue to have delegated authority to require such other terms as the City Manager, in consultation with the Deputy City Manager responsible for Waterfront Revitalization, may deem necessary.

CONFIDENTIAL INFORMATION

Financial Impact

According to BT, the best purchase offer currently available for the project is based on a gross purchase price of \$186 million. However, it is a condition of this offer that the Imagination, Manufacturing, Innovation and Technology ("IMIT") Tax Increment Equivalent Grants associated with the Project following 2011, which currently flow to TPLC, be assigned to the purchaser. BT has estimated that the total present value of the grants is approximately \$8.5 million.

The offer also requires TPLC to provide for additional permanent parking for Corus Quay tenants at the neighbouring building to the east, which is being constructed for George Brown College. Waterfront Toronto has indicated that it will provide this parking in return for an upfront payment from TPLC of \$500,000. Therefore, the value of the

offer, net of the value of the grants and the additional parking costs, is \$177.0 million, which is below the minimum sale price of \$180 million originally set by Council at its meeting in April, 2011.

Table 1 illustrates the expected distribution of sale proceeds.

Table 1 – Forecast Distribution of Sales Proceeds Based on Gross Sale Price of \$186 million (\$ millions)	
Gross Sale Proceeds	186.0
Less: Repayment of City Construction Loan	128.5
Less: Repayment of TPLC Land, Remediation and Development Costs	17.0
Less: Transaction Costs	2.0
Less: Payment to Waterfront Toronto for additional permanent parking	0.5
Remainder to Be Distributed as Dividend to City:	38.0

The proceeds from the sale will retire the outstanding City loan and thereby eliminate any City financial risk exposure related to financing of the Project.

As discussed in the previous staff report, the dividend amount will be deposited in the City's Capital Financing Reserve. The expected dividend from TPLC forms part of the \$600 million target for the asset monetization strategy that is currently before Council.

COMMENTS

Reduction in Net Sale Price

Following the failure to consummate a transaction with the first potential purchaser, BT and RBC continued negotiations with other parties that expressed interest in purchasing the Project.

However, according to BT and RBC, market conditions began deteriorating at the end of the summer of 2011 for the following reasons:

- A greater number of similar office properties became available for purchase
- The outlook for the Canadian economy became somewhat less positive
- The European debt crisis made potential real estate investors such as Real Estate Investment Trusts more cautious in their investment decisions

According to BT, Bentall Kennedy (Canada) Limited Partnership ("Bentall") has offered the best available terms out of the remaining interested parties. Bentall's proposed gross purchase price for the Project is \$186 million. However, one of Bentall's purchase conditions is that it receive an assignment of the Imagination, Manufacturing, Innovation and Technology ("IMIT") Tax Increment Equivalent Grants that currently flow to TPLC,

following 2011, as owner of the project. These grants were provided through the local Community Improvement Plan that was approved by Council. BT has estimated that the total present value of the grants is approximately \$8.5 million.

Other Bentall conditions of closing are that: (i) TPLC provide for additional permanent parking for Corus Quay tenants at the neighbouring building to the east, which is being constructed for George Brown College. Waterfront Toronto has indicated that it will provide this parking in return for an upfront payment from TPLC of \$500,000; (ii) the City to provide direct confirmation to the purchaser that the amounts payable under the IMIT agreement will be paid; (iii) TPLC to provide confirmation from Corus that its lease is in good standing and that it has consented to the permanent heating and cooling arrangements related to the building; and (iv) that the energy supply agreements for the property be approved by the Purchaser. The City will also be requested to provide certain non-disturbance agreements in its capacity as owner and landlord of neighbouring lands.

As a result, the value of Bentall's proposed purchase price, net of the grants and the additional parking costs, is \$177 million, which is below the minimum purchase price of \$180 million established by Council at its meeting in April, 2011.

The Real Estate and Investment Committee and the Chief Executive Officer of BT have recommended that the Board of TPLC approve the proposed transaction terms with Bentall and TPLC's Board has adopted a resolution (which is attached as Attachment 2) approving these terms and seeking City Council's consent for the proposed transaction.

After fully repaying the construction loan and all of TPLC and BT's costs related to the Project, it is forecast that TPLC will be able to provide a financial dividend of \$38 million to the City. Consequently, this report recommends that Council reduce its minimum net purchase price to allow the transaction to proceed on the new terms.

Sale Process

As discussed in the earlier staff report, Corus' lease agreement with TEDCO/TPLC includes a clause that provides Corus with a "Right of First Offer for Acquisition". The purpose of this clause was to provide Corus with an assured ability to purchase the building on the best possible terms if the building was made available for sale.

As a result of this clause, TPLC cannot sell the building to another party on terms that are more favourable to that party than the terms offered to Corus. Earlier this year, Corus was offered the opportunity to purchase the building. Corus exercised its right to review this offer for 45 business days but eventually declined to purchase the building.

As the proposed terms with Bentall are more favourable for Bentall than the terms originally offered to Corus, TPLC is required to offer these new terms to Corus before proceeding with a sale to Bentall. TPLC has, therefore, submitted a new offer to Corus on November 3, 2011 based on the new terms. If Corus accepts the offer, a sales transaction will proceed with Corus.

If Corus is still not interested in purchasing the building, TPLC has asked Corus to provide a response to the offer as soon as possible so a transaction can quickly proceed to closing with Bentall. Under this scenario, BT has forecast that a closing can be achieved with Bentall by late January, 2012.

However, Corus may exercise its right to consider the offer for a full 45 business days before rejecting the offer, in which case the closing with Bentall could extend over a lengthier period of time. In order to provide a safe cushion of time for completing a transaction, this report recommends that Council extend the maturity date for the construction loan and the outside transaction closing date to June 30, 2012.

At its meeting in April, 2011, Council delegated to the City Manager the authority to approve the purchaser, pursuant to Section 9.3 (a) of the existing construction loan agreement between the City and TEDCO.

**Confidential Attachment 2 made public on
November 26, 2012
November 18, 2011 Resolution of Toronto Port
Lands Company Board with respect to sale of Corus
Quay**

**RESOLUTION OF THE BOARD OF DIRECTORS
OF
CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION
(the "Corporation")**

WHEREAS the Board having received reports from the Corporation's management dated October 24, 2011 and November 18, 2011 (the "Reports") regarding authority to seek the City of Toronto's (the "City") consent to the sale of Corus Property being the lands and premises municipally known as 25 Dockside Drive (formerly 125 Queens Quay) (the "Corus Property") all pursuant to the consultant agreement dated April 13, 2011 with Build Toronto Inc. ("BT") for the marketing for sale of the Corus Property;

AND WHEREAS at the meeting on October 31, 2011, the Board approved the recommendations in the BT REID Committee report and resolution of October 31, 2011 attached hereto as Schedule "A" which recommended that the Corporation authorize and approve:

(a) the terms of a proposed Letter of Intent ("LOI") dated October 31, 2011 with Bentall Kennedy (Canada) Limited Partnership as purchaser of the Corus Property;

(b) the CEO of BT to negotiate the terms of an agreement of purchase and sale (the "Sale Agreement") based on the LOI; and

(c) the CEO of BT in consultation with the Chair seek the City's consent for the transaction contemplated by the Sale Agreement;

AND WHEREAS at the meeting of October 31, 2011, the Board authorized the execution of the LOI by the Chair and the President of the Corporation;

AND WHEREAS the CEO of BT has recommended to the Corporation that the Sale Agreement be entered into by the Corporation and that the Corporation seek the consent of the City for the transaction contemplated by the Sale Agreement;

AND WHEREAS the Board has determined that the recommendations of the management of the Corporation as set out in the Reports are acceptable;

AND WHEREAS the Board has determined that the recommendations of the CEO of BT are acceptable.

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby authorizes, approves and ratifies the following:


1. The issuance of such notices as may be required to comply with the right of first offer in favour of Corus Entertainment Inc. pursuant to the Corus Lease for the transaction contemplated by the Sale Agreement;

2. The Sale Agreement attached hereto as Schedule "B" as executed on behalf of the Corporation by the President & CEO and the Corporate Secretary & General Counsel is hereby confirmed, approved and ratified;
3. Any two officers of the Corporation are hereby authorized to submit to the City such documentation as may be required to obtain consent to the transaction contemplated by the Sale Agreement;
4. Any two officers of the Corporation are hereby authorized to amend the terms of the Sale Agreement to accommodate the requirements of the City's consent or to change any time period within the terms of the City's consent as any two officers deem necessary with such amendment to be conclusively evidenced and proved by their execution of an amending agreement to the Sale Agreement;
5. Any two officers of the Corporation are hereby authorized to execute such directions, notices, agreements, certificates and any other documentation that may be required to complete the transaction contemplated by the Sale Agreement as described in the Reports and Sale Agreement, immediately after the City has consented to the transaction;
6. The Corporation is hereby authorized on successful completion of the sale of the Corus Property pursuant to the Sale Agreement to repay to the City all amounts then owing under the construction loan for the Corus Property.

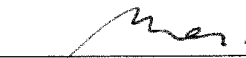
This resolution may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, and all such counterparts shall together constitute one and the same instrument.

The foregoing resolution is, by the signatures below of the directors of the Corporation, passed by the Board of Directors of the Corporation pursuant to the provisions of the *Business Corporations Act* (Ontario).

DATED this 18th day of November, 2011.




Michael Williams



Bruce Bowes



John Livey



Joe Farag