



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

Leases, Licences and Land Transfers for West Don Lands and 2015 Pan/Parapan American Games Athletes' Village

Date:	June 6, 2011
To:	Executive Committee
From:	Deputy City Manager, Cluster B
Wards:	28 – Toronto Centre – Rosedale
Reason for Confidential Information:	This report is about a proposed or pending disposition of land by the City or one of its agencies, boards, and commissions.
Reference Number:	P:\2011\ClusterB\wf\ec11001

SUMMARY

The purpose of this report is to obtain Council approval for the conveyance of certain closed streets and lanes to Ontario Infrastructure and Lands Corporation for redevelopment of the West Don Lands Precinct and the construction of the Pan/Parapan American Games Athletes' Village, to authorize an amendment and extension of the existing lease agreement with Ontario Realty Corporation (now merged with Infrastructure Ontario and renamed Ontario Infrastructure and Lands Corporation) for site preparation activities, and to obtain approval to enter into agreements with Toronto Waterfront Revitalization Corporation, for a construction work area for the Cherry Street Road Reconstruction in the West Don Lands, and for construction of part of the storm water management system for the West Don Lands and Athletes' Village.

RECOMMENDATIONS

The Deputy City Manager Cluster B recommends that:

1. City Council authorize the City to enter into an agreement of purchase and sale with Ontario Infrastructure and Lands Corporation ("Infrastructure Ontario") as agent for Her Majesty the Queen in Right of Ontario as represented by the Minister of Infrastructure for the conveyance of the City-owned parcels of land described in Appendix "A" and shown on the Sketches attached as Appendices "B-1" and "B-2", for the nominal sum of Two Dollars (\$2.00), substantially on the terms outlined in Appendix "A" and such other terms as may be satisfactory to the Chief Corporate Officer, in consultation with the Acting Director Waterfront Secretariat, and in a form satisfactory to the City Solicitor.
2. City Council authorize the City to enter into a lease amending and extension agreement, in a form satisfactory to the City Solicitor, to extend the term of the lease between the City and Ontario Realty Corporation (now Infrastructure Ontario), dated June 30, 2006, in respect of the closed streets and lanes and City-owned parcels within the West Don Lands for an additional 5 year term, on the same terms and conditions as the existing lease and to add an additional parcel of City-owned land on the west side of Cherry Street, designated as Parts 3, 6 and 7 on Plan 66R-25445, shown crosshatched in Appendix "F", to the lease, on terms satisfactory to the Chief Corporate Officer.
3. City Council authorize the City to enter into a lease agreement with Toronto Waterfront Revitalization Corporation ("Waterfront Toronto"), for nominal consideration, for a construction work area on the property municipally known as 513 King Street East, shown on the sketch attached as Appendix "D", in connection with the Cherry Street Reconstruction in the West Don Lands, substantially on the terms outlined in Appendix "C" and such other terms as may be satisfactory to the Chief Corporate Officer, in consultation with the Acting Director Waterfront Secretariat, and in a form satisfactory to the City Solicitor.
4. City Council authorize the City to enter into a licence agreement with Waterfront Toronto for a term of 5 years, for nominal consideration, for access to a portion of 480 Lake Shore Boulevard East, shown on the sketch attached as Appendix "E", to construct part of the storm water management system for Phases 1 and 2 of the West Don Lands, including a shaft, tunnel and storm water quality facility and certain other above and below grade structures and improvements, on terms satisfactory to the Chief Corporate Officer, in consultation with the Acting Director, Waterfront Secretariat, and in a form satisfactory to the City Solicitor.

5. City Council authorize severally each of the Chief Corporate Officer, the Acting Director, Waterfront Secretariat and the Director of Real Estate Services to execute the agreement of purchase and sale, the lease agreement, the licence agreement and the lease amending and extension agreement on behalf of the City.
6. City Council authorize the City Solicitor to complete the transactions on behalf of the City, including paying any necessary expenses, amending the closing, due diligence and other dates, and amending and waiving terms and conditions, on such terms as she considers reasonable.
7. City Council authorize the Chief Corporate Officer to administer and manage the lease agreement and licence agreement with Waterfront Toronto including the provision of any consents, approvals, waivers, notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters to City Council for its determination and direction.
8. City Council direct that the confidential information in Appendix G only be made public at the discretion of the Acting Director, Waterfront Secretariat, in consultation with the City Solicitor.

Financial Impact

The proposed lease amendment and extension and conveyances to Infrastructure Ontario for the future development blocks in the West Don Lands and the Athletes' Village and the proposed lease and licence to Waterfront Toronto will not result in a direct financial impact on the City. The Athletes' Village construction is entirely funded by the Province. All of the funds required for the approval and implementation of this development are to be borne by Infrastructure Ontario through the development consortium that is to be selected for the Athletes' Village or Waterfront Toronto consistent with the Waterfront Long Term Funding Plan. The current City contribution to the West Don Lands project is \$3.5 million in 2011 and \$7.3 million for 2012/13.

The arrangements outlined in this report are necessary to facilitate the timely development of the Athletes' Village, which will be converted to residential units after the Pan Am Games. A preliminary estimate based on the expected residential and related non-residential uses includes approximately \$13 million in development charges and estimated annual tax revenues of \$8 million from 2016 onwards. The construction of the Village accelerates development in the West Don Lands by approximately five years.

In accordance with the principles for waterfront renewal outlined in Clause 1 of Policy and Finance Committee Report 9, entitled "Governance Structure for Toronto Waterfront

Revitalization”, as adopted by City Council at its meeting on November 30, December 1 and 2, 2004, and the Accounting Protocol set out in Clause 2 of Policy and Finance Committee Report 8, entitled "Implementation of a New Governance Structure for Toronto Waterfront Renewal", as adopted by City Council at its meeting on September 28, 29 and 30, 2005 (the "Accounting Protocol"), the City shall receive credit for its in-kind contribution of land to the waterfront revitalization project. For the land transfers identified in this report, the City shall receive an in kind credit for the land contribution which is estimated to be approximately \$13,200,000.00. This is in accordance with the principles adopted by City Council in December, 2004, that all in kind land contributions are being tracked and the value of the lands contributed by the City is being accounted for and recognized as a component of its contribution in addition to the \$500 million of 'seed money' the City has committed to the waterfront revitalization.

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

DECISION HISTORY

At its meeting on May 17, 18 and 19, 2005, City Council adopted, as amended, Clause 1 of Policy and Finance Committee Report 5, thereby endorsing the April 2005 West Don Lands Precinct Plan and the March 2005 West Don Lands Class Environmental Assessment Master Plan, subject to certain conditions.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050517/pof5rpt/cl001.pdf>

With the approval of Toronto Water, the Master Plan was amended through an EA Addendum conducted in 2009 and 2010 that resulted in relocating the storm water quality facility from the West Don lands north of the railway corridor to the City-owned property at 480 Lake Shore Boulevard East, just south of the rail corridor.

At its meeting of January 31, February 1 and 2, 2006, City Council adopted without amendment, Motion J(27), thereby authorizing, among other things, the closing and leasing to Ontario Realty Corporation (now Infrastructure Ontario), as agent for the Province, for nominal consideration, of three public highways and portions of four public highways and five parcels of City-owned property within the West Don Lands Precinct, to facilitate the construction of the West Don Lands Flood Protection Land Form and the redevelopment of the West Don Lands Precinct. City Council also declared the highways to be surplus to the City's requirements and authorized the Chief Corporate Officer to negotiate with Waterfront Toronto, Infrastructure Ontario, the Province, and/or Toronto and Region Conservation Authority ("TRCA") for the ultimate disposal of parts of the

highways, on the understanding that title to some parts of the highways may be conveyed directly to one or more private developers, to be selected in the future.

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060131/cofa.pdf>

(Motion J27 pg. 122)

The highways were closed by City of Toronto By-law No. 382-2006 enacted on May 25, 2006 and the closed highways and the parcels of City-owned property were leased to Infrastructure Ontario for nominal rent for a five year term by a lease agreement dated June 30, 2006.

At its meeting on June 27, 28 and 29, 2006, City Council adopted Clause 87 of Toronto and East York Community Council Report 5, thereby authorizing the closing and leasing to Infrastructure Ontario, as agent for the Province, for nominal consideration, of four untravelled public lanes. City Council also declared these lanes surplus to municipal requirements and authorized the Chief Corporate Officer to negotiate with Waterfront Toronto, Infrastructure Ontario, the Province, and/or TRCA for the disposal of the closed lanes, on the understanding that there is a possibility that title may be conveyed directly to one or more private developers, to be selected in the future, to facilitate the redevelopment of the West Don Lands Precinct.

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060627/te5rpt/cl087.pdf>

The lanes were closed by City of Toronto By-law No. 821-2006 enacted on September 27, 2006 and were leased to Infrastructure Ontario for nominal rent for a five year term by a lease agreement dated June 30, 2006.

The road reconstruction for Cherry Street is included in the approved Waterfront Revitalization 2011 Capital Budget and includes an extension of the King Street streetcar line south from King Street along the eastern edge of Cherry Street, as approved by Council at its meeting of January 29 and 30 2008.

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-01-29-cc16-dd.pdf>

ISSUE BACKGROUND

The land transfers to Infrastructure Ontario, the lease and lease extension, and the licence are required to facilitate progress on the construction of the Pan/Parapan American Games Athletes' Village.

In accordance with the principles adopted by City Council in December, 2004, all land contributions are being tracked and the value of the lands contributed by the City is being accounted for and recognized as a component of its contribution in addition to the \$500 million of 'seed money' each government has committed to the waterfront revitalization.

Since 2004, all land contributions from the government partners have been transferred to Waterfront Toronto at nominal value and have been considered as 'in-kind' contributions. Realized and projected revenues from these land leases and sales are captured in the tri-government Long Term Funding plan and reinvested on a priority basis in the waterfront renewal project.

Additional confidential background information on recent discussions between the government partners is included in the Confidential Attachment, Appendix G.

COMMENTS

Land Transfers:

At its meeting of August 25, 26 and 27, 2010, City Council adopted Toronto and East York Community Council Item TE36.20, entitled "West Don Lands Phase 2 – Draft Plan of Subdivision, Official Plan Amendment, Zoning By-law Amendment and the Lifting of the 'h' Holding Symbol". The Province is the majority land owner in the West Don Lands and is completing the Subdivision Agreement and proceeding to Registration of the Plan of Subdivision.

<http://www.toronto.ca/legdocs/mmis/2010/te/reports/2010-08-17-te36-cr.htm#TE36.20>

The closed streets and lanes that lie within the area where the Athletes' Village will be constructed need to be conveyed to Infrastructure Ontario at this time for inclusion in the Plan of Subdivision. This will result in a new network of streets that will be created and conveyed to the City for nominal consideration. The proposed transactions implement the provisions of the West Don Lands Precinct plan and also allow the development of the Athletes' Village to proceed consistent with City approvals. The City shall receive an in kind credit for the land contribution which is estimated to be approximately \$13,200,000.00.

Currently each of the three government partners has its own internal land valuation process. The figure above has been arrived at through the separate valuation processes at the City and at Infrastructure Ontario, and subsequent negotiation. If at some point the governments develop a common process, this value could be adjusted.

Lease Amendment and Extension:

The lease agreement between the City and Infrastructure Ontario, dated June 30, 2006, has a five year term. It expires on June 29, 2011 for some of the land, on August 1, 2011 for some of the land and on November 1, 2011 for the remainder of the land. The purpose of the lease is to enable Infrastructure Ontario to carry out site preparation activities, including soil remediation, and to construct the Flood Protection Landform and new roads and services within the West Don Lands.

Infrastructure Ontario recently identified an additional parcel of City-owned land on the west side of Cherry Street shown in Appendix F , designated as Parts 3, 6 and 7 on Plan 66R-25445, that is required for site preparation activities related to the Pan/ParaPan American Games and for temporary use during the Games. As Infrastructure Ontario's site preparation activities are still underway, it is necessary to amend and extend the existing lease with Infrastructure Ontario for a further 5 year term, on the same terms and conditions, to enable Infrastructure Ontario to complete its site preparation activities and, with respect to the additional lands to be added to the lease, to permit the temporary use of these lands for bus turnaround and various other purposes during the Games.

Staging Area Lease:

The Cherry Street road reconstruction and transit line extension will be constructed in conjunction with the Athletes' Village project by Infrastructure Ontario through a consortium to be selected in the summer of 2011. Waterfront Toronto and Infrastructure Ontario require a construction staging area for the Cherry Street construction and have identified the City-owned parcel of land at 513 King Street East, shown in Appendix D, as a suitable location. This site was recently vacated by the tenant and because of its location, is a logical choice to be leased to Waterfront Toronto.

Storm Water Quality Facility Licence/Access Agreement:

Waterfront Toronto and the Province are constructing the storm water management system for Phases 1 and 2 of the West Don Lands, as required under the Subdivision Agreement which is being completed by the City and Infrastructure Ontario for the Phase 2 lands. Part of the storm water management system, including a shaft, tunnel and storm water quality facility and certain other above and below grade structures and improvements (the "Storm Water Works"), are to be constructed at 480 Lake Shore Boulevard East. The property is currently under the operational management of Real Estate Services. Once the Storm Water Works are completed to the satisfaction of

Toronto Water in accordance with the requirements of the Subdivision Agreement, it is intended that operational management of that portion of the property will be transferred to Toronto Water.

This report has been prepared in consultation with Real Estate Services and Legal staff.

CONTACT

Gwen McIntosh
Acting Director, Waterfront Secretariat
mcintosh@toronto.ca
416-392-8113

SIGNATURE

Gary Welsh
Acting Deputy City Manager Cluster B

ATTACHMENTS

Appendix "A" – Major Terms of Agreement of Purchase and Sale with Infrastructure Ontario
Appendices "B-1" and "B-2" – Sketches of Lands to be Conveyed to Infrastructure Ontario
Appendix "C" – Major Terms of Lease Agreement with Waterfront Toronto (513 King Street East)
Appendix "D" – Sketch of Land to be Leased to Waterfront Toronto (513 King Street East)
Appendix "E" – Sketch of Land to be Licenced to Waterfront Toronto (480 Lake Shore Blvd.)
Appendix "F" – Sketch of Land to be Added to Existing Lease Agreement with Infrastructure Ontario
Appendix "G" – Confidential Attachment