



**STAFF REPORT  
ACTION REQUIRED**  
with Confidential Attachment

**Feasibility of Selling or Leasing Metro Hall  
(55 John Street)**

<b>Date:</b>	May 9, 2012
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer
<b>Wards:</b>	Ward 20 - (Trinity-Spadina)
<b>Reason for Confidential Information:</b>	This report is about a proposed or pending land acquisition/disposal by the City.
<b>Reference Number:</b>	P:\2012\Internal Services\RE\Gm12022re – (AFS15306)

**SUMMARY**

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This report responds to the direction from Government Management Committee to report on the feasibility of selling or leasing Metro Hall at 55 John Street. A high-level analysis was undertaken by staff exploring the value of Metro Hall and three (3) alternative accommodation scenarios. Staff concludes there are marginal financial benefits, if any, associated with the sale of Metro Hall when compared to the cost of relocation.

**RECOMMENDATIONS**

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**The Chief Corporate Officer recommends that:**

1. The Government Management Committee receive this report for information.
2. The confidential information in Attachment 1 to this report remain confidential.

## **Financial Impact**

This report is for information purposes only.

## **DECISION HISTORY**

At its meeting on January 30, 2012, Government Management Committee (GMC) requested the Director of Real Estate Services to report to GMC on the feasibility of selling or leasing Metro Hall.

Item GM10.18 - Request for Report - Feasibility of Selling or Leasing of Metro Hall (55 John Street), can be found through the following hyperlink:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM10.18>

## **ISSUE BACKGROUND**

In December 1999, City Council approved the "Accommodation Plan and Long Term Strategy for Service Delivery for the City of Toronto and Master Plan for Office Accommodation" (later known as the Master Accommodation Plan or "MAP"). The overall objectives of MAP, as mandated by City Council, were:

- to accommodate staff to deliver cost-effective, local services to residents;
- to locate staff in cost-effective space; and
- to develop a strategic plan for the use of the City's office building portfolio and the disposal of any surplus buildings.

Metro Hall had been identified as potentially surplus over the long-term for City office needs, provided alternate site(s) for South District administrative offices could be secured to relocate city staff occupying Metro Hall, and sufficient funds could be generated to achieve the other objectives of MAP.

City Council, on October 2, 3 and 4, 2001, by adopting Clause 1 of Report No. 14 of the Administration Committee, declared Metro Hall surplus to municipal requirements and authorized the marketing of Metro Hall for sale. Metro Hall was put on the market for sale without an asking price in October 2001. The marketing period lasted for four weeks and seven Offers to Purchase were received.

City Council, at its meeting on December 4, 5 & 6, 2001, by adopting Clause 1 of Report No. 19 of the Administration Committee, among other things, did not accept any of the Offers to Purchase given that staff had concluded that the highest offered purchase price fell below the minimum amount that was adequate to support a business case for the sale of Metro Hall.

The “City Hall and Four Districts” model approved by City Council continues to be the basis for distributing City staff to their appropriate locations across the City to ensure an effective and efficient delivery of services to the public and to locate staff in the most cost-effective space. The South District operations are inter-changeably located at City Hall, Metro Hall and the City-owned building located immediately north of City Hall at 75-81 Elizabeth Street.

## **COMMENTS**

### **Site Description**

The Metro Hall property has three road frontages, King Street West on the north, John Street on the west and Wellington Street West on the south, and contains a total site area of approximately 2.78 acres. In addition, the adjacent open space area known as David Pecaut Square is secured under a long term lease.

Metro Hall is a municipal administrative 27-storey office tower plus 2 additional floors that house mechanical equipment, and two levels of underground parking garage that provide for 391 parking spaces. Connected to Metro Hall is a 3-storey building that houses the 311 Call Centre (the former Metro Council Chamber). The rentable area (i.e. the aggregate area of all floors above and below grade, excluding the square foot area of vertical penetrations such as elevator shafts, service ducts, and stairways, and excluding the square foot area of all parking areas below grade) comprises about 724,909 square feet.

Metro Hall is linked to the PATH underground pedestrian walkway system and is in close proximity to excellent transit service via Union Station.

### **David Pecaut Square**

In October 1989, as part of the acquisition by The Municipality of Metropolitan Toronto of the Metro Hall property from Marathon Realty Company Limited, Marathon granted to Metro a long-term lease (99 years to 2088, and from year to year thereafter) of the open space between Roy Thomson Hall and Metro Hall, currently known as David Pecaut Square. The leased lands are a strata layer, being the land (including air) commencing 5 feet above the top of the underground parking garage and extending upward. The City of Toronto, as the successor to Metro, became the tenant upon amalgamation in 1998.

The permitted uses section of the lease requires that the leased lands may only be used for a first class public park and place of assembly, including entertainment and recreation.

## **Current Uses**

Metro Hall currently "houses" approximately 2,800 City staff and includes the following uses:

- Administrative Offices
- Metro Hall Employment Services
- Social Assistance Offices
- Parking Tag Operations and Ticket Counter
- 311 Call Centre
- Public meeting space (Metro Hall Rotunda and David Pecuat Square)
- Childcare Centre
- YMCA Hospitality Training Program and Y Café (tenant)

A more detailed review of these uses and their location needs will be required if the City wishes to pursue the sale/lease of Metro Hall further.

## **Market Value Estimate and Scenario Analyses**

The current estimated value of Metro Hall is included in Confidential Attachment 1. As a prerequisite of either selling or leasing Metro Hall, alternate site(s) need to be secured to relocate City offices currently occupying the building. Assuming that the prerequisites can be met, high level estimates on the projected financial impact are provided for information in Confidential Attachment 1.

Staff explored alternative accommodation under three (3) market scenarios:

1. Sale-and-Leaseback of Metro Hall;
2. Sale of Metro Hall and relocation of 100% of occupants to a non-downtown leased location; and
3. Sale Metro Hall and relocation of 100% of occupants to a non-downtown purchased location.

The preliminary analysis concludes there are marginal financial benefits, if any, associated with the sale of Metro Hall when compared to the cost of relocation. Real Estate Services has had discussions with Build Toronto on the range of valuation discussed in the confidential attachment and Build Toronto agrees that this range is appropriate.

## Phase II Work

The current analysis is considered to be high-level and a number of factors have not yet been considered. To pursue the analysis further, staff would be required to examine the following matters in greater detail:

#	Item	Required Work	Rationale
1	<b>Update Building Information on Metro Hall</b>	Update space measurements (i.e. area certification), peer-reviewed building condition assessment and a review of current operating/building contracts.	Building information will come under close scrutiny by potential purchasers. The results of these updates will affect the expected sale price of Metro Hall.
2	<b>Evaluation of Public Meeting/Assembly Areas</b>	An in-depth review of the lease regarding David Pecaut Square, plus a review of all other public assembly areas within the building, such as the Metro Hall Rotunda and the 3 <sup>rd</sup> floor meeting rooms.	Need to determine the impact on the City's supply and use of public meeting spaces.
3	<b>Current Occupants and Service Delivery at Metro Hall</b>	A study on current occupants and their corresponding functions/services, with a focus on location requirements (i.e, Metro Hall/downtown vs. non-downtown space).	Need to determine location requirements for staff and programs prior to identifying suitable alternative locations.
4	<b>Office Accommodation Standards</b>	Space planning required to determine how alternative space can be designed to achieve densification objectives.	Space planning under revised standards will result in more efficient use of space if City staff is relocated.
5	<b>Security and Building Operations</b>	An evaluation of how selling Metro Hall will impact building operations and security staff.	Need to understand the impact on staff responsible for building operations, maintenance and security.
6	<b>Identification of Alternative Buildings</b>	Brokerage Services will be required to identify alternative locations for purchase and/or lease based on City criteria (i.e. class of building, transit line, etc.).	Broker expertise required to provide greater access to building inventory in the marketplace.
7	<b>Relocation Costs</b>	Based on identified buildings, an evaluation of how much it would cost to move, outfit (i.e. design, construction, and technology), and furnish the location to City standards. If purchasing another facility, determining future capital maintenance costs will also be required.	Understanding total relocation costs is essential to the business case for selling or leasing Metro Hall.

It is estimated that to complete the above noted work will take approximately eight (8) months at a cost up to \$400,000.00.

## **Conclusion**

The preliminary analysis concludes that there are marginal financial benefits, if any, associated with the sale of Metro Hall when compared to the cost of relocation. However, this conclusion is preliminary, high-level and subject to limiting conditions (i.e. a number of factors have not yet been considered). If required to explore the sale or lease of Metro Hall further, City Staff should be directed to undertake a Phase II analysis and report back on a detailed feasibility and financial study.

## **CONTACT**

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## **SIGNATURE**

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Bruce Bowes, P. Eng,  
Chief Corporate Officer

## **ATTACHMENTS**

Attachment 1 – Confidential Attachment 1  
Appendix A – Site Map