

## **288-320 Bering Ave (Bering Yard) – Alternative Use Evaluation**

<b>Date:</b>	September 27, 2013
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer
<b>Wards:</b>	Ward 5 – Etobicoke-Lakeshore
<b>Reference Number:</b>	P:\2013\Internal Services\RE\Gm13026re (AFS #18278)

### **SUMMARY**

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At its meeting on November 27<sup>th</sup>, 2012, City Council directed Real Estate Services to "report to City Council on the status and completion schedule for the Yards Consolidation Study, including a reconsideration of the Bering Yard". An update on the completion schedule of the Yards Consolidation Study was provided in a report adopted by Council at its November 27<sup>th</sup>, 2012 meeting.

City staff re-evaluated Bering Yard and the potential for alternative uses. This report recommends that Bering Yard be retained for City purposes (Transportation Services) and its use be intensified by adding additional City services. If no City services have a suitable interest, it is recommended that third party leasing be explored as an interim measure. This recommendation is largely based on the limited redevelopment potential of Bering Yard as Employment Lands and the substantial costs to acquire comparable yard space for Transportation Services if the lands are sold.

This report also recommends that Transportation Services vacate a City-owned building adjacent to Bering Yard, known as 330 Bering Avenue, and relocate those office functions onto the Bering Yard premises. The building at 330 Bering Avenue should be retained for City uses, or leased for financial returns.

## RECOMMENDATIONS

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### The Chief Corporate Officer Recommends that:

1. City Council direct staff to retain all of 288-320 Bering Avenue, shown as Part 1 on Appendix "A" (known as "Bering Yard"), for City purposes and/or third party leasing.
2. City Council direct staff to relocate Transportation Services from 330 Bering Avenue, shown as Part 1 on Appendix "B", onto Bering Yard in order to intensify its land use and consolidate Transportation Services operations.
3. City Council direct staff to renovate buildings B, C and D (shown on Appendix "A") at Bering Yard to provide appropriate accommodation for Transportation Services and refer consideration of funding requirements to the 2015 Capital Budget Process.
4. The appropriate City Officials be authorized and directed to take the necessary action to give effect hereto.

### Financial Impact

The estimated cost to repair and renovate the following buildings at Bering Yard is preliminary. Required funding may be revised when capital funding is sought during the 2015 Capital Budget process:

Expense	Approximate Value	Funding Source
Renovation to Building B – 3,360 sf of Office Space	\$715,000 <sup>1</sup>	Partially approved in Transportation Services 2013 Capital Budget. <sup>2</sup>
Renovation to Building C – 3 condemned garage bays	\$200,000 <sup>3</sup>	Future Transportation Services Capital Budget (estimated 2015).
Renovation to Building D – 2,500 sf of Office Space	\$535,000 <sup>4</sup>	Future Transportation Services Capital Budget (estimated 2015).
<b>Total</b>	<b>\$1,450,000</b>	

<sup>1</sup> Preliminary estimate; comprised of 29% SOGR costs, 71% fit up, furniture and equipment costs.

<sup>2</sup> A total of \$600,000 unspent capital funding that was approved for this project in Transportation Services 2013 Capital Budget will be carried forward to 2014; additional funding approval will be required.

<sup>3</sup> Preliminary estimate; majority of repair costs are for structural needs

<sup>4</sup> Preliminary estimate based on the per square foot cost to renovate Building B

The total estimated cost of repairs is \$1.45 million. Funding of \$600,000 is currently available in the 2013 Council Approved Capital Budget for Transportation Services. Should City Council adopt the plan to renovate the buildings at Bering Yard for Transportation Services, additional funding of \$850,000 (\$115,000 for Building B, and \$735,000 for Buildings C and D) will be included for consideration within the 2015 Capital Budget and 2016-2024 Capital Plan for Transportation Services during the budget process.

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

## **DECISION HISTORY**

The Yards Utilization Study was established in 2005 to evaluate consolidation opportunities and explore the potential for unlocking real estate assets for higher order use. At its meeting of December 5, 6, and 7, Council adopted as amended, the recommendations of Administration Committee Report 9, authorizing Facilities and Real Estate to conduct a yard consolidation study of all municipal yards located in the Etobicoke York District of the City. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/2005/agendas/committees/adm/adm051107/it003.pdf>

At its meeting on November 27, 28 and 29, 2012 City Council adopted the Yard Property Utilization Initiative – Toronto-East York, Scarborough, and North Districts, which provided a status update on the Yard Consolidation Study. The report can be found through the following hyperlink:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM18.7>

At its meeting on November 27, 28 and 29, 2012 City Council also adopted the Auditor General's recommendation to have Real Estate Services reconsider the future of Bering Yard. The report is available through the following hyperlink:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.10>

## **ISSUE BACKGROUND**

In 2009, the *Toronto Yard Consolidation Study: Etobicoke York District* evaluated 23 significant yards in the City of Toronto's West District to explore opportunities for consolidation, redevelopment, and surplus "while maintaining or improving service delivery related to the current yard functions." Bering Yard was part of the study. The 2009 Study recommended that Bering Yard be retained for municipal purposes, as it was a key operational yard for Transportation Services.

At the time, Bering Yard was occupied primarily by Transportation Services, while Toronto Water, Fleet Services, and the Purchasing and Materials Management Division ("PMMD") also had operations on the site. After the study ended, Toronto Water and Fleet Services relocated away from Bering. In 2014, PMMD will relocate to 799 Islington Avenue, leaving Transportation Services as the only division remaining at the yard.

In 2012, the Auditor General conducted a review of City Stores, *City Stores: Maximizing Operating Capacity to Be More Efficient*, and through this investigation, noted that Bering Yard was not being used to its full potential. The Auditor General recommended a review of Bering Yard that takes the following factors into account:

- Appraised value of the land
- Ongoing tax revenues if land were sold
- Any resulting impact on service delivery from any redevelopment of the land
- Benefits of maintaining the site as a city yard
- Ongoing costs to maintain the property as a city yard

Council adopted the Auditor General's recommendation of a review of Bering Yard as part of its adoption of the City Stores review. This report is in response to Council direction to review Bering Yard and determine if the lands and buildings should be declared surplus or intensified.

## **COMMENTS**

### **Property description**

Bering Yard at 288-320 Bering Avenue is a 10.4 acre site located in central Etobicoke, near the intersection of Kipling Avenue and Bloor Street West (see Appendix "C" for Location map). The yard is located in an Employment Area as identified by the Official Plan, and is bounded by employment uses to the south and west and residential townhouse developments to the north and east. The yard is currently occupied by Transportation Services and Purchasing and Materials Management Division. Transportation Services has a Field Investigation Office located nearby in a smaller building at 330 Bering Avenue, separated from Bering Yard by rail tracks and Shawbridge Road.

Bering Yard has nine (9) buildings with a total gross floor area of 59,223ft<sup>2</sup> containing the following functions (See Appendix "A" for Site Map and Buildings):

<b>Table 1 – Current Occupants at Bering Yard</b>				
<b>Building</b>	<b>Area (ft<sup>2</sup>)</b>	<b>Current Use</b>	<b>Current Occupant</b>	<b>Recommended Action</b>
A	4,973	Office and storage	PMMD	Find other City division or third party tenant to occupy building when PMMD vacates in 2014.
B	7,922	Office and garage. Office portion is currently vacant.	Transportation Services	Renovate office portion (3,360 sf) for approximately 18 Transportation Services staff moving from 330 Bering Ave.
C	10,312	Garage containing 6 garage bays. Used by Transportation for equipment storage. Three bays are occupied and three are condemned.	Transportation Services	Renovate three condemned garage bays to store Transportation Services street sweepers.
D	14,273	Contains 12 garage bays. Bays contain Transportation Services' sign shop and storage. An office area in the back of the building (previously occupied by Fleet) is vacant.	Transportation Services	Renovate office portion (2,500 sf) for approximately 17 Transportation Services staff who require formal touchdown space (not currently available onsite)
E	11,539	Office space	Transportation Services	Status quo
F	8,869	Covered outdoor vehicle storage for 7 vehicles.	Transportation Services	Status quo
G	1,012	Lumber Storage	Transportation Services	Status quo
H	108	Guard house.	Transportation Services	Status quo
I	215	Drying Pad	Transportation Services	Status quo

PMMD has a fenced outdoor storage compound located behind Building A. Once PMMD vacates the building, the outdoor storage compound will also be available for another Municipal use or third party tenant.

## **Estimated Renovation Costs**

The estimated cost of repairs at Bering Yard is provided for business case purposes only. Required funding may be revised when capital funding is sought during the 2015 Capital Budget process. The recommended renovations are as follows:

1. Building B (currently vacant): Renovate approximately 3,360 square feet of dilapidated office space, formally occupied by Toronto Water, to accommodate staff moving out of 330 Bering Avenue.
2. Building C: Repair three condemned garage bays to provide additional garage bays for Transportation Services for parking street sweepers.
3. Building D (currently vacant): Renovate approximately 2,500 square feet of dilapidated office space, formally occupied by Fleet Services, to address the shortage of office space for existing Transportation Services staff and accommodate expected growth in staffing levels.

The preliminary estimate to complete these renovations is \$1.45 million. Of this \$1.45 million, \$715,000 is to fund the consolidation of yard operations from 330 Bering Avenue to Bering Yard. The remaining \$735,000 is for SOGR and fit up costs in order to make buildings C and D usable.

## **Operations at Bering Yard**

### PMMD Services at Bering Yard

PMMD currently operates out of Building A, including a fenced compound at the rear of the building, which is used for outdoor storage. The PMMD facility provides corporate warehousing for various City departments.

PMMD operations are to relocate to 799 Islington Avenue in June 2014, as part of the consolidation of City Stores. PMMD will relocate to 799 Islington Avenue after the Toronto Police Services Evidence Warehouse moves to 330 Progress Avenue.

## Transportation Services Operations at Bering Yard

Transportation Services operates out of two yards in Etobicoke York: (1) Bering Yard at 288-320 Bering Avenue and (2) Emery Yard at 27-61 Toryork Drive (see Appendix "D" for their respective Service Areas). Major operations at Bering Yard include:

- Centre for road operations (salting, snow plowing, road sweeping, sidewalk plowing, leaf collection and other right-of-way maintenance)
- Road Sign production shop serving all of West District
- 24/7 Winter snow removal contract crews (November – April)
- Storage of heavy equipment and trucks
- Fuelling station for City vehicles

Transportation Services has partial capital budget approval to relocate their nearby traffic field investigations office at 330 Bering Avenue to Building B at Bering Yard. The effect of this staff relocation is to make 330 Bering Avenue vacant and potentially surplus to the City's needs. However, at this time, the renovation of Building B is on hold pending Council's decision with respect to Bering Yard.

## **Appraised Value and Alternative Uses**

Altus Group Ltd. conducted an appraisal of Bering Yard in March 2013. The appraised value of the property, based on its current use as Employment Lands, is \$6,760,000. The appraised value of the property for residential townhomes is more substantial, but residential development on this property is not permitted under the existing zoning by-law and Employment Areas designation in the Official Plan. Further, as the City is working to strengthen polices related to retaining employment lands, the conversion of Employment Areas to residential uses is not generally supported by City Planning.

When Bering Yard is compared to potential relocation sites in the area, the cost to acquire replacement lands and construct the necessary buildings is substantially more than the potential sale price for Bering Yard. When compared to the option of buying a smaller land parcel in the area and constructing the required buildings, the estimated total cost of relocating Bering Yard is \$19 million (\$4 million land purchase price, \$15 million to build, service and fit-up the site for yard uses). As a result, the cost of moving from Bering Yard results in a negative financial impact when compared to the cost of retaining and renovating the existing land and buildings.

The possibility of selling portions of Bering Yard was also explored. However, due to the lack of available yard space in the City and the interest expressed by other divisions in using portions of the site, it was deemed more cost effective to retain the entire site for yards related uses.

The potential of leasing Building A (once vacated by PMMD in 2014) and 330 Bering Avenue (once vacated by Transportation Services) remains an option if an appropriate municipal use cannot be found. Estimated rent for Building A is approximately \$8.00 per square foot for indoor space and \$3.00 per square foot for outdoor space, which results in annual rental income of \$129,784 (\$39,784 per annum for indoor space and approximately \$90,000 per annum for outdoor space). The outdoor space can be used for outdoor storage or a vehicle depot. Estimated rent for 330 Bering Avenue is approximately \$6.00 per square foot, resulting in \$13,254 per annum. Total rent of \$143,038 may be experienced annually if both buildings are leased, resulting in a net present value of \$1.68 million over 15 years. The NPV amount offsets the \$1.4 million in renovation costs.

### **Ongoing Tax Revenues if Land were Sold**

If Bering Yard were sold, the ongoing tax revenues from the property are estimated to be \$178,919 per year. The municipal portion of this amount is \$97,584 per year if the property remained an employment use similar to the existing functions. It should be noted that tax revenues do not necessarily represent a net gain to the City as Transportation Services operations would need to relocate from Bering Yard to other lands, displacing taxes from the new location.

### **Impact on Service Delivery from Redevelopment of the Land**

No suitable municipal land exists in the service delivery area that could accommodate Transportation Services if Bering Yard was sold. As new lands would need to be purchased, the impacts on service delivery cannot be properly addressed unless the alternative site location is known. Depending on the location selected, potential risks include:

- Increase in travel and response time for Transportation Services if a less central location is selected
- Potential community opposition from the new location posing challenges to service delivery
- Reduced flexibility to respond to changing operational requirements (i.e. need for more outdoor storage).



## Benefits of Maintaining the Site as a City Yard

The following benefits would be expected from maintaining Bering Yard as a City Yard:

<b>Operations Impact</b>	<ul style="list-style-type: none"> <li>• Yard offers excellent access to major transportation routes and a crossing over the Humber River, allowing for operational efficiencies due to reduced travel times</li> <li>• Central location in Transportation Services' service delivery area</li> <li>• Provides flexibility for Transportation Services programs and accommodates the need for additional office space</li> <li>• Opportunity to consolidate Transportation Services operations by relocating staff from 330 Bering Avenue to Bering Yard</li> <li>• Other divisions have expressed preliminary interest in relocating operations to Bering Yard after PMMD vacates in 2014, which indicates continued need for yard space in the area</li> </ul>
<b>Community Impact</b>	<ul style="list-style-type: none"> <li>• Yard fits with surrounding neighbourhood and to date has received minimal complaints</li> </ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"> <li>• Relocating Transportation Services would be more expensive than retaining the Yard</li> <li>• Yard allows an opportunity for future flexibility for City uses as it is often difficult and very expensive to acquire employment lands when a need arises.</li> <li>• 330 Bering Avenue can be considered for lease once vacated, which could generate revenue for the City</li> </ul>

## Ongoing Costs to Maintain the Property as a City Yard

The annual average State of Good Repair costs (SOGR) for maintaining Bering Yard estimated to be \$444,000 per year (estimate based on 3% SOGR for replacement value on the buildings). The annual average operating cost for Bering Yard is \$283,000 (based on 2012 actual for utilities, security, custodial and maintenance). The total carrying cost (SOGR plus operating costs) of the property is approximately \$727,000 per year.

## Conclusion

City staff recommends that Bering Yard be retained and intensified. Business cases from interested City Divisions will be reviewed by City Staff and if suitable occupants cannot be found, vacant buildings will be leased at market rates to third party tenants. In current market conditions, the potential revenues from selling Bering Yard (or portions of the property) do not cover the expected cost of relocating Transportation Services to a new location. Further, municipal yard space is in limited supply and would be very costly and challenging to find in the service delivery area.

It is recommended that Bering Yard be intensified through (1) the renovation of buildings to improve operational utility, (2) vacating 330 Bering Ave and relocating Transportation Services staff into Bering Yard, and (3) identifying additional City Divisions (or tenants) to occupy Building A once PMMD vacates in 2014.

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**SIGNATURE**

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Josie Scioli,  
Chief Corporate Officer

**ATTACHMENTS**

- Appendix "A" – Site Map and Buildings 288-320 Bering Ave. (Bering Yard)
- Appendix "B" – Site Map and Buildings 330 Bering Ave.
- Appendix "C" – Location Map
- Appendix "D" – Service Areas