Redevelopment of TTC Lands at Yonge-Eglinton

<table>
<thead>
<tr>
<th>Date</th>
<th>April 27, 2016</th>
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<tbody>
<tr>
<td>To</td>
<td>TTC Board</td>
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<tr>
<td>From</td>
<td>Chief Executive Officer</td>
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<tr>
<td>Reason for Confidential Information:</td>
<td>This report is about a proposed or pending acquisition or disposition of land for municipal or local board purposes.</td>
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**Summary**

The purpose of this report is to provide the Board with an overview of the history and current status of TTC land holdings at Yonge-Eglinton and TTC’s role in the proposed redevelopment of the lands as part of a joint initiative between TTC, City and Build Toronto.

**Recommendations**

It is recommended that the Board:

1. Receive the confidential information as set out in the confidential attachment;

2. Authorize staff to participate in the Yonge-Eglinton Steering Committee with roles noted in this report.

3. Endorse the guiding principles with respect to the redevelopment of the lands as listed in Attachment 2.

4. Request staff to report back in Q4 2016 on recommended arrangements for redevelopment including commercial terms.

5. Forward this report, along with the Board’s decision, to the City of Toronto’s Executive Committee for its consideration with its report on the same subject.
6. Authorize that the information provided in the confidential attachment is to remain confidential until completion of any transactions relating to the sale or redevelopment of the lands.

**Implementation Points**

Under Corporate Policy 8.2.0 Disposal of Surplus Property, Acquisition of Real Property, Office and Short Term Leases, the authority to declare property surplus to TTC’s present and future needs rests with the TTC Board.

**Financial Summary**

There is no financial impact resulting from the recommendations in this report.

**Accessibility Matters**

One of the guiding principles stated in Attachment 2, is to ensure that “any new development will meet transit infrastructure needs for customers, operations (existing and future) and facilities and provide direct, seamless, fully accessible transit access.”

**Decision History**

At its meeting of November 28, 2005, the Board declared surplus a portion of the Eglinton bus garage lands.


At its meeting of April 27, 2009, the Board approved the transfer of transit properties to Build Toronto including a portion of the TTC Lands at Yonge-Eglinton, specifically the old bus garage lands.


At its meeting of December 19, 2012, the Board deferred consideration of the report (initially submitted to the October 24, 2012 Board meeting) “Proposal to Declare Surplus Yonge-Eglinton Lands and Transfer to Build Toronto”

[https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2012/December_19/Reports/Yonge-Eglinton_-_Tra.pdf](https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2012/December_19/Reports/Yonge-Eglinton_-_Tra.pdf)
Issue Background

The previous report on this matter, submitted to the Board in October 2012 and deferred to December 19, 2012, which report was further deferred, and referenced in the Decision History, is replaced by this report in its entirety. The 2012 report contemplated a transfer of the leasehold interests from TTC to Build Toronto, with conditions, while ensuring a revenue guarantee to the TTC for 10 years.

The TTC’s predecessor, The Toronto Transportation Commission, purchased the property starting in 1921. The TTC is approaching 100 years of transit operations on this site which will continue for as long as the Line 1 (Yonge-University) subway operates.

The TTC Lands, in TTC title, are comprised of four areas, shown on Attachment 3. These areas consist of the following:

- **Leasehold Improvement Lands (7.2 acres)**
  - Phase 1 – 2210 Yonge (Bank Pavilion at corner including the station entrance), 2200 Yonge St – Canada Square building
  - Phase 2 – 2190 Yonge St (Canada Square), 2180 Yonge (Canadian Tire office)
  - Phase 3 – 2190 Yonge St (Cineplex and Parking Garage) + TTC Interim Bus Terminal

- **Old Bus Terminal Lands (2.1 acres)**
  - Phase 4 – Old bus terminal lands – fronting Eglinton Ave W., in the northwest quadrant of the TTC Lands

The Leasehold Improvement Lands buildings at 2210 thru 2190 Yonge, collectively known as Canada Square, sit directly on top of the Eglinton subway station and Line 1 structures. The TTC operates its interim bus terminal on a portion of the 2190 Yonge lands and has accesses onto Berwick Avenue, Duplex Avenue and Yonge Street (shown in Attachment 4).

The TTC Board declared the old bus terminal lands surplus at its meeting of Nov. 28, 2005. These lands are to be turned over to Build Toronto (BT) once the final determination of permanent property requirements for the Eglinton Crosstown project is made. The TTC has signed a five year licence to Metrolinx for these lands for temporary construction use, with provisions to transfer the permanent property interests for an entrance and vent structures once the final design is complete and approved by The TTC.

There are three ground leases in place for the Leasehold Improvement Lands through a number of different corporate entities (tenants). Generally speaking, the various corporate entities are owned by a consortium including Oxford Properties Inc., Canadian Tire Corp. and Northam Properties. Original signing dates for the ground leases were 1961 for Phase 1, and 1971 for Phases 2 and 3. The renewal periods are every 30 years.
The existing ground lease arrangement for Canada Square has worked well for the last 50 years; currently The TTC receives guaranteed annual carefree rent of about $2.1M from its tenants for the three ground leases. The revenues from these leases are built into the TTC’s operating budget. To date, the TTC has received more than $75M from lease payments ($2015). The Phase 1 lease rate was reset pursuant to an arbitration hearing in 1991 and represents the majority of the current rent received by the TTC. The 50-year time period to reset rent for Phases 2 and 3 has not yet been reached and therefore, lease rates for Phase 2 and Phase 3 are significantly below market rent. However, a rent reset for all three phases is coming due in 2021, at which time the rent(s) will be reset at prevailing market rates. There is also the possibility of the tenants attempting to redevelop the Leasehold Improvement Lands, which may impact the market rents.

The majority of the Leasehold Improvement Lands have more than 50 years remaining on the lease terms and as a result, the opportunity to redevelop these lands is controlled by the current tenants except for those portions of the TTC Lands that are not encumbered by any leases or other rights.

Any transfer of the leasehold improvement lands or material amendment to the leases would require TTC Board approval as the owner of the lands and the landlord. In the case of a transfer or turnover of lands, staff would enter into negotiation of transfer or turnover agreements on a property by property basis to the satisfaction of the TTC’s General Counsel to ensure the retention of those areas and interests required to satisfy the TTC’s ongoing operational requirements, financial and legal interests. For properties held on title by the TTC, preparation of documents and approvals would be undertaken as required by the TTC’s By-law No. 2.

Comments

The TTC’s property at Yonge-Eglinton is a large property with significant development potential at a major transit hub of both the existing Line 1 subway and the Metrolinx Eglinton Crosstown LRT. The value of the property and future development rights is primarily driven by its location at intersection of these two major transit facilities on the Yonge corridor. Development of this prime land holding is beneficial to the City in many respects; however, a critical element in the redevelopment must be the protection of the transit infrastructure and integration of transit access within the redevelopment scheme in order to provide excellent transit service and connections.

TTC’s role in the redevelopment these lands is as follows:

- Ensure that the redevelopment project strives for transit excellence, for customers, operations and facilities (including a replacement bus terminal), as the primary objective of any redevelopment and, as such, it is important that the TTC, as a partner, be involved in any discussions regarding the possible redevelopment of the TTC owned lands; and
Transit-related decisions will take into account the impact on the redevelopment potential of the lands;
Take the necessary steps to ensure that development can proceed on a reasonable schedule to take advantage of the transit investments at this location.

TTC Partnership with City and Build Toronto

Through the City Manager’s office, a steering committee has been established with membership from the City, Build Toronto and TTC to guide the internal and external discussions and strategies with respect to development of the Canada Square lands. The recommended primary roles and responsibilities based on the principles set out in Attachment 2 have been defined as follows:

City – Lead on planning and support for commercial negotiations (finance, real estate)
BT  –  Lead on commercial negotiations (real estate transaction)
TTC  –  Lead on transit requirements, partner in commercial negotiations and participant in planning process

Next Steps

The TTC’s requirements with respect to existing and future requirements will inform the discussions with the City, BT and the future developer of these lands will provide input into future commercial negotiations.

Subject to TTC Board approval, TTC staff will participate in the redevelopment process, through the steering committee, with roles as noted above. Staff will report back to the Board once discussions have advanced and a recommended approach is determined. At that time, authorizations will be sought, with respect to the TTC Lands, that are within the Board’s jurisdiction.

Contact

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416-590-6884

Attachments:

Attachment 1 – Confidential Information
Attachment 2 – Guiding Principles for Redevelopment of TTC Lands
Attachment 3 – TTC Lands at Yonge-Eglinton
Attachment 4 – Bus Terminal and Station Entrance at 2190 Yonge St
Attachment 2
Guiding Principles for Redevelopment of TTC Lands at Yonge-Eglinton

1. Existing decision-making authorities for each organization, City, Build Toronto and TTC, will be maintained through Committee/Council and Board structures.

2. Any new development will meet transit infrastructure needs for customers, operations (existing and future) and facilities and provide direct, seamless, fully accessible transit access. Transit–related decisions will take into account the impact on the redevelopment potential of the Lands.

3. The redevelopment of the Canada Square Lands will be advanced in a manner that represents good planning and supports the transit objectives. Final planning and community benefit decisions will be made through the legislated planning process.

4. Existing TTC assets in, on, over, or through the Lands and access to those assets will be protected, including but not limited to the protection of Eglinton Station, tunnels, temporary bus terminal facilities and related infrastructure.

5. Development of a permanent replacement bus terminal will be incorporated into the development scheme of the Lands to the satisfaction of the TTC.
   - TTC requires a replacement bus terminal as part of any redevelopment of this site. Strategy and Service Planning has determined that a 7 bay fully accessible bus terminal will be required and should be in close proximity to the TTC station connection point.

6. Creation of a TTC, City and Build Toronto Steering Committee with the following joint responsibilities:
   a. City – Lead on Planning and support for commercial negotiations (finance, real estate);
   b. Build Toronto – Lead on commercial negotiations (real estate transaction); and
   c. TTC - Lead on transit requirements, partner in commercial negotiations and participant in planning process.
Attachment 3
TTC Lands at Yonge-Eglinton

<table>
<thead>
<tr>
<th>Phase</th>
<th>Address</th>
<th>Uses</th>
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<tbody>
<tr>
<td>1</td>
<td>2210 Yonge</td>
<td>BMO Bank pavilion, TTC station entrance</td>
</tr>
<tr>
<td></td>
<td>2200 Yonge</td>
<td>Canada Square office</td>
</tr>
<tr>
<td>2</td>
<td>2190 Yonge</td>
<td>Canada Square</td>
</tr>
<tr>
<td></td>
<td>2180 Yonge</td>
<td>Canadian Tire Office</td>
</tr>
<tr>
<td>3</td>
<td>2190 Yonge</td>
<td>Cineplex, parking garage, TTC interim bus terminal</td>
</tr>
<tr>
<td>4</td>
<td>Eglinton Ave W</td>
<td>Old TTC Bus terminal lands, Surplesed in 2005, not transferred</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Licensed to MX for Crosstown (permanent interests to be defined)</td>
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Attachment 4
Bus Terminal and Station Entrance at 2190 Yonge St