

Acquisition of 50 Richmond Street East

Date: May 12, 2017
To: Government Management Committee
From: President, Toronto Parking Authority
Wards: Ward 28 Toronto Centre - Rosedale

SUMMARY

The purpose of this report is to obtain Council's authorization to purchase the property municipally known as 50 Richmond Street East, Toronto from 50 Richmond Inc. The intent is to maintain the current use as a fully tenanted office building until such time as it may be required for purposes of the Toronto Parking Authority including the redevelopment of the property with the adjacent City-owned lands which include a 645-space municipal parking garage ("Municipal Car Park 26").

RECOMMENDATIONS

The Toronto Parking Authority ("TPA") recommends that:

1. City Council authorize the acquisition by the City of the property known municipally as 50 Richmond Street East, Toronto (the "Property") from 50 Richmond Inc. ("Vendor") for a purchase price of \$8,100,000, and substantially on the terms and conditions contained in Appendix 'A' attached hereto, plus the additional expenditure of approximately \$300,000 for any associated costs such as land transfer tax, commissions, title insurance, appraisal fees, survey, environmental studies, and legal fees for a total acquisition cost estimate of \$8,400,000;
2. City Council amend the 2017 Capital Budget and 2018-2026 Capital Plan for the Toronto Parking Authority by adding the capital project "50 Richmond East Redevelopment" to be funded by reallocation of capital funds from "Carpark Provisions 2017" project included in the 2017 Approved Capital Budget and 2018-2026 Approved Capital Plan in the amount of \$8,400,000 in order to facilitate the purchase of the Property;
3. Upon acquisition, City Council designate the Property for municipal parking purposes and to support ancillary uses in the delivery of parking services, to be managed by the TPA;

4. City Council authorize the City Solicitor to complete the purchase transaction, deliver any notices, pay any expenses and amend the closing and other dates to such earlier or later date(s), on such terms and conditions, as she may, from time to time, determine.

FINANCIAL IMPACT

The 2017 Approved Capital Budget and 2018-2026 Approved Capital Plan includes an allocation of \$10,000,000 in funding for new carpark provisions in 2017 in order to accommodate unbudgeted property acquisitions or accelerate already planned acquisitions should opportunities arise (Project: Carpark Provisions 2017).

It is recommended that this already approved funding be reallocated to fund the cost of the previously unplanned purchase required for the property at 50 Richmond Street East, estimated at \$8,400,000, including the purchase price of \$8,100,000 and associated costs of \$300,000. The acquisition is expected to close in July 2017.

The TPA has retained the services of Cushman & Wakefield Ltd., an independent accredited appraisal firm which has reported a fair market value of \$8,500,000, which is supportive of the \$8,100,000 purchase price to be paid for the Property.

In the short-term, TPA will continue to operate the facility in its current use and form, as fully tenanted office building. The operating and maintenance costs associated with the Property will be fully offset by the revenues from the operation of the Property. The Property is currently fully leased and TPA will assume all six (6) tenants in the building and their respective leases. Once fully determined, all associated costs and revenues will be reported through quarterly variance reporting and subsequently included in the TPA's 2018 Operating Budget.

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

DECISION HISTORY

The TPA has entered into an Agreement of Purchase and Sale for the Property with the Vendor which is subject to certain conditions, including receiving approvals from both the TPA Board of Directors and City Council.

At its meeting of February 21, 2017, the TPA Board of Directors approved staff to engage independent consultants in order to conduct the requisite due diligence on the proposed acquisition of the Property (TPA Board Minute No: 17-030).

At its meeting of April 24, 2017, the TPA Board of Directors approved the proposed acquisition of the Property on the terms as outlined herein (TPA Board Minute No: 17-066).

The ward Councillor, Councillor Pam McConnell, supports the potential transaction.

COMMENTS

Site Location and Particulars

The Property fronts on the north side of Richmond Street East between Church Street and Victoria Street within the downtown core and is in close proximity to the Yonge-Queen intersection (see attached Appendix 'B' - Aerial Image of Property and Surrounding Neighbourhood). The Property benefits from access to transportation, major highways, hospitals, universities, and parks.

On the west, the Property is adjacent to Municipal Car Park 26 which is one of TPA's busiest parking structures consisting of 645 spaces, TPA corporate offices, and four retail tenants. On the east, the Property is adjacent to the Toronto Emergency Medical Services Station #40 ("EMS Station #40"). Directly facing the Property on the south side of Richmond Street East is a TTC substation, and a future residential development consisting of 45-storeys and 469 units that is currently under construction and slated for completion in 2018/2019. The surrounding area is characterized with a mix of office buildings, retail, owner-occupied condominiums, and rental apartments.

The Property is improved as a 5-storey office building plus an additional floor below grade circa 1914 with wood frame / masonry construction, basement level concrete slab-on-grade, and a flat roof protected by a modified bitumen roof membrane (see attached Appendix 'C' - Photo of Property). The building has recently completed minor cosmetic renovations and is equipped with one elevator, multiple sky lights, washrooms on each floor, and roof-mounted HVAC units. The building offers 14,554 sq. ft. of office space with each tenant occupying an entire floor. The site offers a frontage of 30 feet (9.1 meters) with a depth of 103 feet (31.4 meters) and measures 3,021 square feet (280.7 square meters) (see attached Appendix 'D' - Property Survey).

Business Case

In the short-term, TPA will continue operating the Facility in its current use and form as an office building. Based on the forecasted operating expenses of the Property and the estimated growth in revenues via re-leasing at market rents at the end of the current lease terms, the resulting internal rate of return (IRR) based on a projected 20-year cash flow meets TPA's minimum threshold requirement of 5%, before considering any alternate uses and development plans.

Given the proximity to the existing TPA corporate head offices, which are located in the structure of Municipal Car Park 26, the Property could be used as TPA's corporate head office which would permit the conversion of TPA's existing corporate offices back to parking spaces in an area with significant unmet parking demand.

The acquisition of the Property completes a City-owned land assembly comprised of the TPA 645-space parking garage, EMS Station #40, and the Property, providing future opportunity for City-build initiatives. This land assembly would provide a significant amount of mixed-use density not otherwise achievable by the current City-owned lands on a stand-alone basis. Unlocking the value of the redevelopment potential of the land

assembly of City-owned properties that is created through the acquisition of the Property, delivers a significant financial and public benefit. Through redevelopment of the Property along with the adjacent City-owned lands, the TPA has the opportunity to replace an above-grade parking structure with underground parking. The acquisition of the Property also allows the City of Toronto to fully control the development of an important block of prime real estate in the downtown core.

CONTACT

Lorne Persiko
President, Toronto Parking Authority
Phone (416) 393-7294 / Fax (416) 393-7352
lpersiko@toronto.ca

SIGNATURE

Lorne Persiko
President, Toronto Parking Authority

ATTACHMENTS

Appendix 'A' Agreement of Purchase and Sale - Major Terms and Conditions
Appendix 'B' Aerial Image of Property and Surrounding Neighbourhood
Appendix 'C' Photo of Property
Appendix 'D' Property Survey

APPENDIX 'A'
AGREEMENT OF PURCHASE AND SALE - MAJOR TERMS AND CONDITIONS

Purchaser – Toronto Parking Authority / registered owner to be City of Toronto

Vendor – 50 Richmond Inc.

Purchase Price – \$8,100,000

Deposit - \$100,000 upon acceptance of Purchase and Sale Agreement (paid)

Site Dimensions / Site Area – Frontage of 30 feet (9.1 meters) with a depth of 103 feet (31.4 meters) / 3,021 square feet (280.7 square meters)

Purchaser's Conditions – conditional upon TPA Board and City Council approval of the proposed transaction, and acceptable results of due diligence investigations, including environmental reports

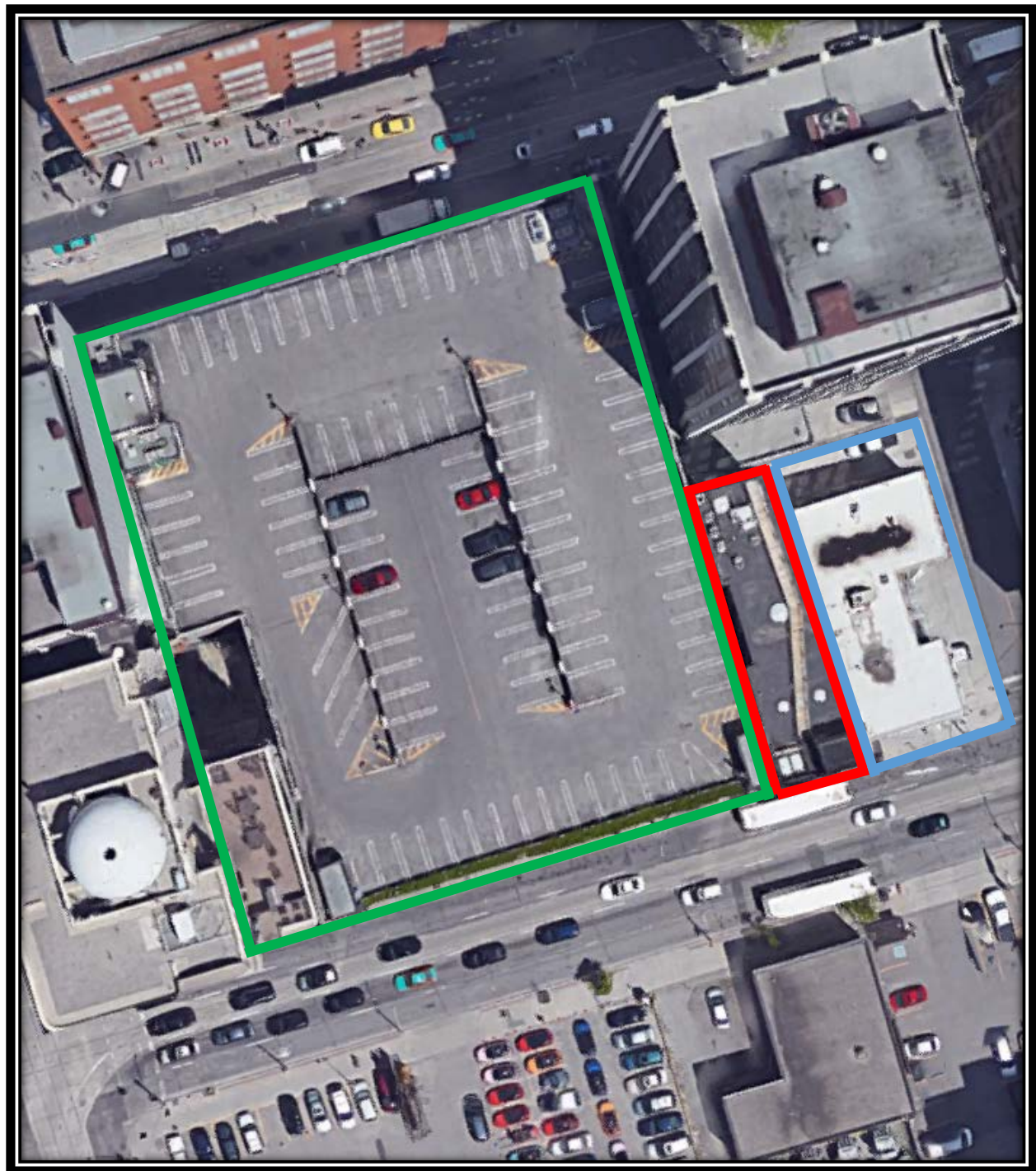
Commission - Paid by the Purchaser; 1.5% of Purchase Price

Due Diligence Date – July 10, 2017

Closing Date – July 28, 2017

Possession: TPA to assume all six (6) tenants

APPENDIX 'B'
AERIAL IMAGE OF PROPERTY AND SURROUNDING NEIGHBOURHOOD



- 50 Richmond Street East
- Municipal Car Park 26
- EMS Station #40

Acquisition of 50 Richmond Street East

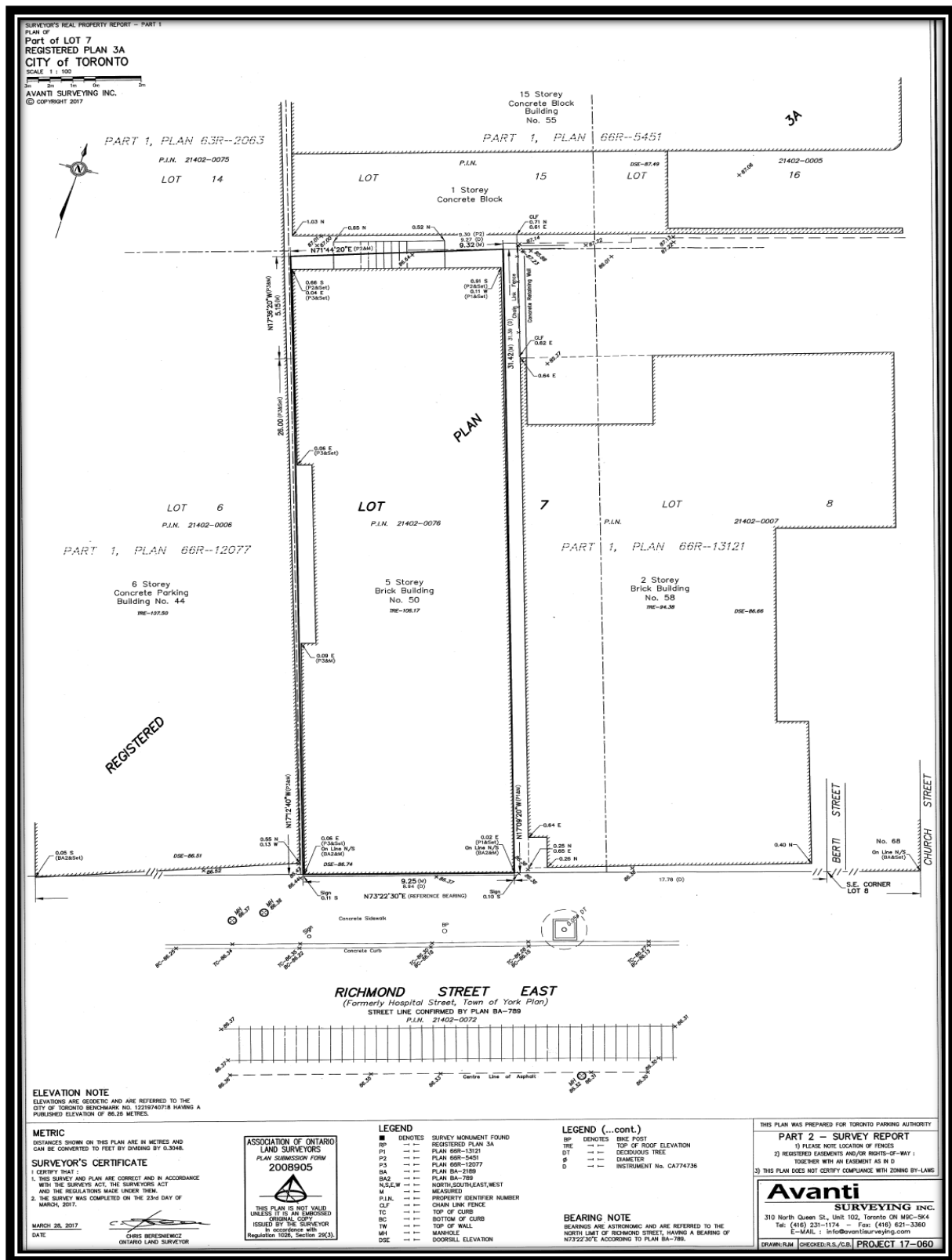
APPENDIX 'C'
PHOTO OF PROPERTY - 50 RICHMOND STREET EAST, TORONTO



South Elevation - 50 Richmond Street East

Acquisition of 50 Richmond Street East

APPENDIX 'D' PROPERTY SURVEY



Acquisition of 50 Richmond Street East