



## STAFF REPORT ACTION REQUIRED

### Purchase of Stratified Interest in 11 Wellesley Street West, Toronto

<b>Date:</b>	January 12, 2017
<b>To:</b>	Government Management Committee
<b>From:</b>	President, Toronto Parking Authority
<b>Wards:</b>	Ward 27 Toronto Centre – Rosedale
<b>Reference Number:</b>	TPA File No.: 1250-00

#### SUMMARY

---

The purpose of this report is to obtain Council's authorization to complete a purchase and sale agreement ("PSA") involving a transaction between the Toronto Parking Authority (the "TPA") and Lanterra Developments (Bay Wellesley) Limited (the "Vendor") for the acquisition of a municipal parking facility. The Vendor is the property owner of the lands municipally known as 11 Wellesley Street West (the "Property"). The transaction involves the acquisition by the City of a stratified interest in a below-grade strata of the Property within which a municipal parking facility is to be located and form part of a mixed commercial / retail / residential development.

#### RECOMMENDATIONS

---

##### The Toronto Parking Authority recommends that:

1. Council authorize the acquisition by the City from Lanterra Developments (Bay Wellesley) Limited of a below-grade strata portion of the Property in accordance with the terms and conditions of the purchase and sale agreement substantially set out in Appendix 'A';
2. Council authorize the City to enter into the ancillary transactions contemplated under the purchase and sale agreement which require the City to be party, solely in its capacity as land owner, including easements and reciprocal cost sharing agreements, restrictive covenant agreements, closing and other agreements to implement the purchase and sale agreement, substantially on the terms and conditions set out in Appendix 'A', together with such other terms and conditions

as the Chief Corporate Officer, in consultation with the Toronto Parking Authority may deem appropriate, and in form satisfactory to the City Solicitor.

3. Council direct that prior to closing the transactions described in Recommendations 1 and 2, the City Solicitor shall be in receipt of appropriate title opinions, from the solicitor for the Toronto Parking Authority, in form and content satisfactory to the City Solicitor.
4. Council direct that the lands acquired under the purchase and sale agreement to be used for the municipal underground parking garage be designated for municipal parking purposes and managed by the Toronto Parking Authority.
5. Council authorize the City Solicitor to complete the transactions contemplated under the purchase and sale agreement, 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 the City Solicitor may determine from time to time.

## **FINANCIAL IMPACT**

---

The total estimated costs of this purchase is expected to be \$6.85 million. As part of the transaction, the Vendor will construct a below-grade municipal parking garage to TPA 2014 specifications containing approximately 132 parking spaces with a total capital cost not to exceed \$50,000 per space or a total of \$6.60 million plus closing and land transfer fees, estimated at \$0.250 million.

The TPA's 2017-2026 Approved Capital Budget and Plan allocates \$6.50 million in funding for this property acquisition, cash flowed in 2018, as well as a provision of \$30.0 million for unplanned / accelerated acquisitions that can be used to accommodate the additional funding requirement of \$0.385 million. Since closing of the transaction is expected to occur in late 2022 and no payment is required until that time, the TPA will adjust its' 10-Year Approved Capital Budget and Plan to include actual timing and funding for this acquisition in its' 2018-2027 Capital Budget and Plan Submission. This project will be fully funded from the Toronto Parking Authority's retained earnings.

A financial analysis undertaken by the TPA indicates that based on historical activity for comparable sized garages in similar locations and rate structures, this project will achieve an Internal Rate of Return (IRR) which meets TPA's minimum required IRR of 5.0% over a 20 year period, which is consistent with TPA's revenue return expectations.

Based on past net profit history, the current 10-Year Capital Plan anticipates an operating impact of this project of \$0.182 million in net revenues annually, starting in 2022. Once construction schedule and completion date is determined, these estimates will be revised and all expenses and revenues associated with the operations of the parking garage at 11 Wellesley Street West will be included in the TPA's future year operating budgets.

The TPA will retain the services of an independent accredited appraisal firm to confirm that the purchase price to be paid for the Property of \$50,000 per space, or a total of \$6.60 million for a 132-space below grade municipal parking garage, is reasonable and reflective of fair market value.

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

## **DECISION HISTORY**

The lands located at 11 Wellesley Street West were originally to be donated in the late 1980's by the provincial government to construct a new ballet and opera house. Construction was supposed to begin in 1991 however, in 1992, funding by the three levels of government was withdrawn. The site sat for the past 20 years with a brief appearance as a temporary skateboard park.

In 2012, Infrastructure Ontario and the Ministry of Finance deemed 11 Wellesley Street West as surplus land and ordered the sale of the land. Infrastructure Ontario retained CB Richard Ellis (CBRE) to market the property on their behalf. No listing price was indicated for the property and Offers to Purchase were to be submitted by August 15, 2012. Lanterra Developments was eventually the successful proponent in acquiring the property from Infrastructure Ontario.

The Developer has been working with various interest groups including holding discussions with the local area Councillor Kristyn Wong-Tam to try and incorporate as part of a redevelopment of the site, several key elements including a public open space component and the provision of public parking. As a result of those discussions, the Developer approached the TPA to purchase the public parking garage component within the Project provided that the facility meets TPA's design and specification requirements. The terms and conditions of the proposed transaction are outlined in the body of this report.

At its meeting of September 25, 2013 (*TPA Board Minute No.: 13-134*), the TPA Board of Directors authorized TPA staff to proceed with negotiating the terms and conditions of a PSA with the Vendor involving the acquisition by the City of a stratified interest in a below-grade strata of 11 Wellesley Street West. The Vendor will construct and convey to the City a below-grade parking structure in accordance with TPA specifications that will form part of a mixed commercial / retail / residential development at the Property.

At its meeting of August 25, 26, 27, and 28, 2014, Council adopted Item TE34.31 in which adopted a final report related to zoning amendment application for 5 to 25 Wellesley Street West and 14 to 26 Breadalbane Street.

(<http://www.toronto.ca/legdocs/mmis/2014/te/bgrd/backgroundfile-72127.pdf>)

A PSA dated November 17, 2015 has been fully executed between the TPA and the Vendor which contains conditions in favour of the TPA and the Vendor which both parties are working on to satisfy, one of which is obtaining City Council approval of the transaction.

At its upcoming meeting of January 19, 2017, a subsequent report will be tabled seeking approval of the TPA Board of Directors of the final PSA terms and conditions. A summary of the major terms and conditions of the PSA are detailed at Appendix 'A'.

The City Manager and staff responsible for the City-Wide Real Estate Review have been notified of this pending transaction in accordance with staff report EX16.4 adopted June 28, 2016.

## **COMMENTS**

### **SITE LOCATION AND PARTICULARS**

The Property, located a short distance west of Yonge Street, extends the length of an entire City block and is bounded by Wellesley Street to the north and Breadalbane Street to the south (refer to attached *Site Location Map*). The site benefits from being located in a prominent position in the City's downtown core residential node within close proximity to the Yonge - Wellesley TTC subway station. The subject downtown core area has proven to be one of the most dynamic and active condominium nodes in the City with some of the most aggressive and iconic condominium development projects including U Condominiums, Aura at College Park and Five.

#### *Development Proposal*

The Property is comprised of a site area of approximately 94,000 square feet. The Vendor is proposing to construct a 54 storey mixed-use residential condominium development complete with commercial / retail uses as well as a 1.6 acre open space park (see attached *Appendix 'B' – Property Rendering*). The Project will have a multi-level below grade parking garage which will include a 132-space public parking component. The City will acquire the below grade strata for the purposes of TPA operating a municipal parking garage.

The Vendor is currently working to satisfy site plan approval requirements. The Vendor is expecting to receive a Notice of Approval Conditions (NOAC) for the Project by June 30, 2017. Construction of the Project began in July 2015; taking approximately 36 months to complete with the opening of the public parking garage scheduled to occur in April 2020.

#### *Parking Supply and Demand*

The development of a public parking facility at the Property will help satisfy the existing parking demand and support future demand within the area especially given the intensity of redevelopment occurring within the immediate vicinity. This opportunity will also permit the TPA to potentially reduce its 250 space parking garage requirement as part of the redevelopment of CP 5 (15 Wellesley Street East) thus effectively create two public parking facilities within the Yonge / Wellesley neighbourhood. As the area continues to intensify which will include the proposed Project, the demand for parking will continue to grow.

### *Ownership Profile*

Formed in 1999, Lanterra Developments (“Lanterra”) was founded by Mr. Mark Mandelbaum and Mr. Barry Fenton who joined forces to develop innovative, one-of-a-kind downtown condominium properties ([www.lanterradevelopments.com](http://www.lanterradevelopments.com)). Since inception, Lanterra has introduced a number of new condominium developments throughout the City.

### *Purchase and Sale Agreement (PSA) – Summary of Major Terms and Conditions*

Summarized at Appendix ‘A’ are the major terms and conditions of the PSA between the TPA and the Vendor.

Upon closing, the City will acquire title to the subject lands and, as registered owner of the subject lands, the City will be a necessary party, solely in its capacity as land owner, to the various closing agreements set out in Appendix 'A', including reciprocal easements and cost sharing agreements, and restrictive covenants. The TPA however will be responsible for all operational and financial matters under the closing agreements, including repair and maintenance obligations, and any cost sharing expenses.

### **Financial Analysis and Conclusion**

TPA staff undertook a financial analysis to determine the returns that would be realized from the new underground parking facility. As part of the transaction, the Vendor will construct a below-grade municipal parking garage to TPA specifications at a cost to the TPA not to exceed \$50,000 per space for a total consideration of \$6.60 million for a 132-space parking garage. The Vendor has agreed to cause the Condominium Corporation(s) (when established) to contribute a minimum of \$50,000 per annum plus HST (adjusted annually based on the Consumer Price Index (CPI) for the City of Toronto), payable in advance on a monthly basis towards the operating expenses of the public parking garage. This contribution is designed to cover ongoing maintenance costs of common areas of the public parking garage (i.e. ramps, drive isles, hydro, lighting, fans, painting, cleaning, etc.) which benefit the TPA and condominium owners. The resulting internal rate of return (IRR) meets TPA’s minimum required IRR of 5.0% over the 20 year period using a conservative estimate of \$4,200 per space (current dollars) in annual revenue. The financial analysis of the deal reveals that the TPA’s benchmark criteria used to assess the merits of this transaction remain intact and have been achieved. The total capital cost for the garage will be paid by the TPA following the TPA’s standard procedures for the turnover of the garage.

The TPA will retain the services of an independent accredited appraisal firm to confirm that the purchase price to be paid for the Property of \$50,000 per space, or a total of \$6.60 million for a 132-space below grade municipal parking garage, is reasonable and reflective of fair market value.

The Vendor has had ongoing discussions with the local area Councillor for Ward 27 Toronto Centre – Rosedale, Kristyn Wong-Tam who is supportive of the proposed development. TPA staff have also contacted the Councillor and she has indicated her support of the purchase.

### *Conclusion*

This acquisition opportunity provides a number of financial benefits that add value for the TPA, and therefore of benefit to the City and the TPA, namely:

- The consideration to be paid by the TPA for the Parking Garage are considered to be at a fair market rate;
- This deal will ensure a long term income stream from the public parking garage and will allow the TPA the ability to continue to serve the parking needs of the area;
- TPA's benchmark criteria used to assess the merits of this transaction have been achieved;
- Provides the opportunity to re-balance the proposed replacement of public parking spaces identified as part of TPA's redevelopment strategy for CP 5 (15 Wellesley Street East); and
- The anticipated level of residential condominium intensification within the area including the planned retail uses within the Project will likely help to increase the economic results from the proposed public parking garage at the Project.

### **CONTACT**

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

Marie Casista  
Vice President, Real Estate & Development  
Phone: (416) 393-7295  
Fax: (416) 393-7352  
[mcasista@toronto.ca](mailto:mcasista@toronto.ca)

### **SIGNATURE**

---

Lorne Persiko, President

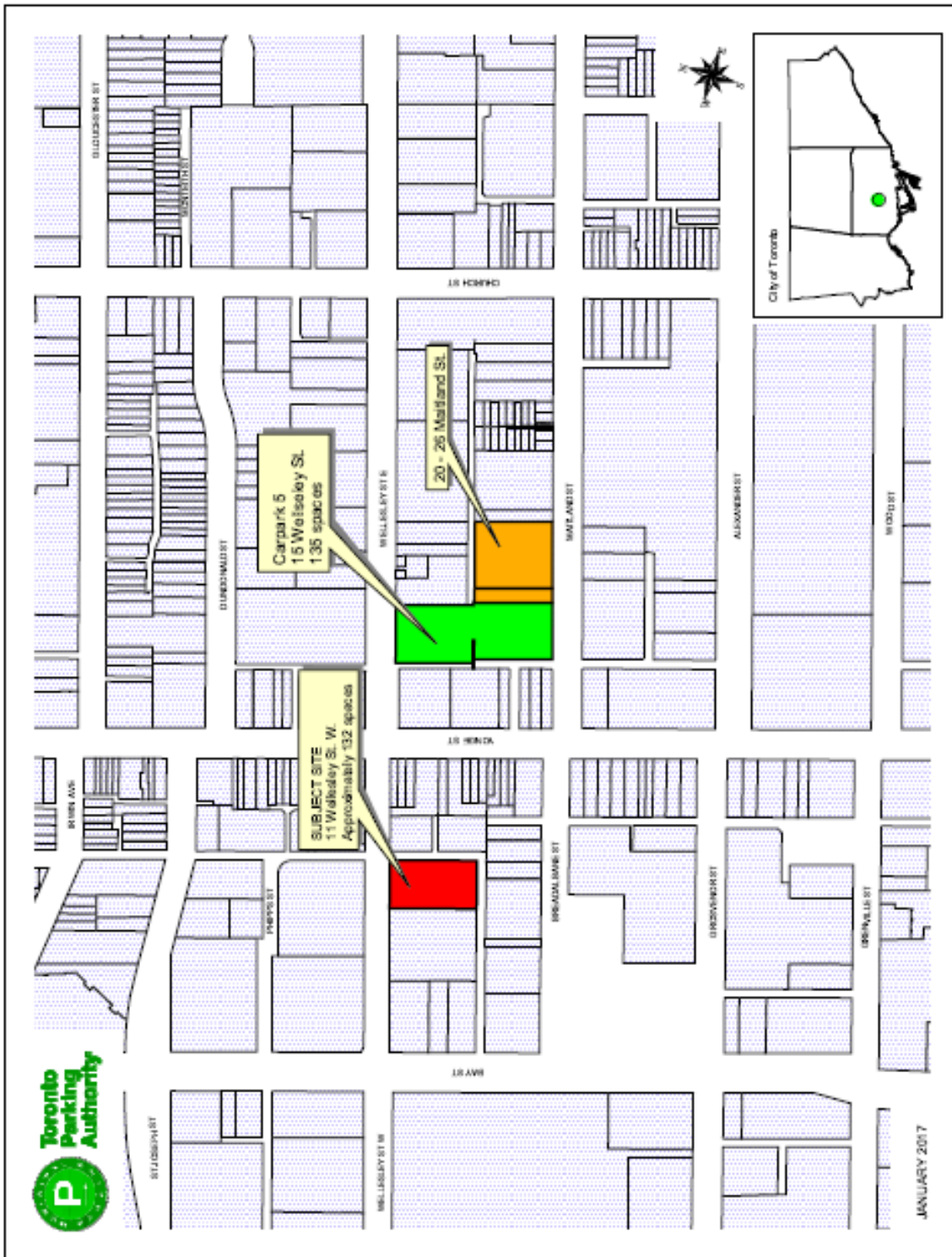
### **ATTACHMENTS**

Site Location Map

Appendix 'A' Major Terms and Conditions of the Purchase and Sale Agreement

Appendix 'B' Project Rendering

# SITE LOCATION MAP



## APPENDIX 'A'

### Major Terms and Conditions of the Purchase and Sale Agreement

<b>1. Vendor</b>	Lanterra Developments (Bay Wellesley) Limited
<b>2. Purchaser</b>	Toronto Parking Authority (title to be registered in the name of the City of Toronto)
<b>3. Site Location</b>	11 Wellesley Street West, Toronto
<b>4. Project</b>	A 54 storey mixed-use residential condominium development complete with commercial / retail uses as well as a 1.6 acre open space park. The Project will have a multi-level below grade parking garage which will include a Public Parking Garage component.
<b>5. Purchased Interest</b>	The Vendor will construct and convey to the Purchaser a parking structure (Public Parking Garage) in the Project's Parking Garage which is to be constructed at the Vendor's sole cost and expense in strict accordance with the TPA 2014 Outline Specifications. The Public Parking Garage will be located in the first parking level below-grade. The balance of the Parking Garage will form part of the condominium which is to be registered as part of the Project. The preliminary plans for the Public Parking Garage contemplate one two-way shared ramp for the Public Parking Garage and the Condominium Parking Garage. The Public Parking Garage will not form part of the condominium corporation and will have a separate fee simple strata title.
<b>6. Public Parking Garage</b>	One (1) underground level located at the Site Location containing approximately 132 spaces but no less than 128 spaces on the first level together with the ramps, elevators, stairs, lobbies and corridors for pedestrian and vehicular access and egress thereto and other facilities associated therewith.
<b>7. Consideration</b>	\$6.60 Million Canadian Dollars, calculated at a cost of \$50,000.00 per parking space in the Public Parking Garage and payable in full on Closing plus closing costs and land transfer taxes. In the event the Public Parking Garage contains more than 132 spaces, the Purchaser will have the option to purchase the additional spaces at a cost of \$50,000.00 for each additional parking space.
<b>8. Purchaser's Conditions</b>	<p>The obligation of the Purchaser to complete the purchase transaction is subject to the Purchaser being satisfied with and/or obtaining the following:</p> <p><b>Due Diligence Review</b></p> <p>Satisfactory due diligence review, including the preliminary design drawings for the below-grade garage for the project which includes the Public Parking Garage; results of any tests or inspections of the property including results of any environmental investigations and enquiries related to the Project; and the Purchaser and Purchaser's solicitors satisfying themselves with all matters retaining to title to the Property.</p>

	<p><b>Approvals</b></p> <p>The transaction is subject to TPA Board and City Council approval.</p>
<b>9. Vendor's Conditions</b>	<p>The obligation of the Vendor to complete the sale transaction is subject to the Vendor obtaining all necessary municipal approvals required for the Project, including without limitation, any and all zoning and site plan approvals. The Vendor acknowledged having obtained the Rezoning and that the Vendor's Condition has been satisfied.</p>
<b>10. Due Diligence Date and Council Approval Date</b>	<p>March 31, 2017.</p>
<b>11. Closing Date</b>	<p>Closing of this transaction shall take place contemporaneously with the Public Parking Garage Turnover, being a date not later than eighty-four (84) months from the Date of the Agreement. Following substantial completion of the Public Parking Garage, the Vendor will deliver possession of the Public Parking Garage and convey title to that portion of the below grade strata of the Property within which the Public Parking Garage is located. On Closing, the Purchaser will pay the Vendor the full amount of the Purchase Price. The turnover of the Public Parking Garage will be completed in accordance with TPA's standard protocol for the turnover of a public parking garage. Closing is anticipated to be no later than November 17, 2022.</p>
<b>12. Construction Commencement Date</b>	<p>The Construction Commencement Date is defined as a date which is not later than forty-eight (48) months from the Date of the Agreement or no later than November 17, 2019.</p>
<b>13. Timeframe for Commencement and Substantial Completion of Construction</b>	<p>The Vendor agrees to Substantially Complete the Parking Garage within thirty-six (36) months following the Commencement of Construction, failing which the Purchaser shall have the right to terminate the Purchase Agreement.</p>
<b>14. TPA Specifications</b>	<p>The PSA requires that the design, construction, signage and other matters pertaining to the Public Parking Garage comply with the TPA 2014 Outline Specifications.</p>
<b>15. Reciprocal Agreement</b>	<p>On or before the Closing, the PSA requires that the Purchaser and the Vendor enter a reciprocal cost-sharing and easement agreement which will provide for easements for pedestrian and motor vehicle access and egress, support, maintenance and repair, and sharing of costs and expenses in respect of any shared facilities. The reciprocal operating agreement will provide that as part of the cost sharing arrangement, the Vendor and its successors in title will partially subsidize the Purchaser's annual operating costs by paying the Purchaser the sum of \$50,000.00 per annum plus HST (annually adjusted by the Consumer Price Index (Toronto) from the date of closing).</p>
<b>16. Restrictive Covenant</b>	<p>In connection with the Public Parking Garage, the Vendor acknowledges and agrees that no parking spaces within the balance of the Parking Garage or elsewhere upon the Property or within the project save for the Public Parking Garage, shall be used as a commercial parking lot having parking spaces available on a daily fee basis, monthly or long-term basis, nor shall such parking spaces be operated by a third-party commercial</p>

	parking lot operator without the prior written consent of the Purchaser which may be unreasonably withheld, in its sole and absolute discretion.
<b>17. Discretion</b>	The Vendor agrees that the City of Toronto shall be under no obligation by virtue of any provision of the Agreement to grant approvals, or consents, including approvals or consents relating to the City of Toronto's Official Plan, zoning by-laws, site plan control, minor variances and building permits necessary for any contemplated use by the Vendor. The Vendor further agrees that nothing contained in the Agreement shall in any manner limit or restrict the normal exercise of discretion by the various municipal departments and officials or fetter the discretion of City Council or by any delegated authority in any way.

**APPENDIX 'B'**  
**Project Rendering**





