

Update on the Ground Lease Amendment for the Toronto Transit Commission Lands at Yonge-Eglinton (Canada Square)

Date: April 9, 2018

To: Executive Committee

From: Deputy City Manager, Internal Corporate Services
Chief Executive Officer, Toronto Transit Commission

Wards: 22 - St. Paul's

REASON FOR CONFIDENTIAL INFORMATION

This report is about a proposed or pending land acquisition by the City or one of its agencies or corporations.

SUMMARY

On June 7, 2016 City Council requested Build Toronto, in consultation with the Toronto Transit Commission (TTC), Real Estate Services (RES) and City Planning (CP) to negotiate directly with the long term lessee(s) located at Yonge and Eglinton regarding amendments to the existing ground lease to facilitate the redevelopment of the lands, identified in Parts 1 to 4 in Appendix A (the "Lands").

Build Toronto (now CreateTO), in consultation with the TTC, RES and CP have negotiated a new business proposal with the long term lessees for a new ground lease relating to the redevelopment of the Lands, the details of which are outlined in Appendix B and Confidential Attachment 1. The proposed transaction has been developed within the new City real estate model to achieve key city building objectives, including unlocking the value of City assets through transit oriented development. This report follows a report on the same initiative submitted for consideration by the TTC Board on April 11, 2018 entitled "Redevelopment of TTC Lands at Yonge and Eglinton". The TTC Board report is attached herein as Appendix B, with its confidential attachments contained within Confidential Attachment 1 to this report.

RECOMMENDATIONS

The Deputy City Manager, Internal Corporate Services and the Chief Executive Officer, Toronto Transit Commission, recommend that:

1. City Council authorize the transactions identified in the recommendations of the Toronto Transit Commission (TTC) report, including the Confidential Attachments thereto, set out in Appendix B and Confidential Attachment 1 of this report, subject to approval by the TTC Board at their meeting on April 11, 2018.
2. City Council grant authority for the City to enter into any and all such ancillary and related agreements, including easement, license, tie back, or shoring agreements as may be necessary for any periods of time and for any consideration, including nominal consideration if appropriate, with respect to adjacent City-owned lands for the purposes of site mobilization, site preparation, excavation, shoring, surveying, soil investigation, access, construction staging, parking and any other purposes deemed appropriate by the Deputy City Manager, Internal Corporate Services, in a form satisfactory to the City Solicitor to effect the development of the Yonge-Eglinton Toronto Transit Commission lands, on the condition that such agreements are consistent with the intent of the development and the lease terms set out in the Toronto Transit Commission Board report, subject to approval by the Toronto Transit Commission Board at its meeting on April 11, 2018.
3. City Council authorize the public release of the confidential information in Confidential Attachment 1 concurrently with the release of said confidential information by the Toronto Transit Commission.

FINANCIAL IMPACT

Financial impacts of the proposed transaction are outlined in Confidential Attachment 1 of this report. There are significant revenues associated with redevelopment of the Lands as outlined therein. In addition, there are significant city building opportunities as well as economic, social and fiscal benefits.

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

DECISION HISTORY

At its meeting of April 11, 2018, the TTC Board is scheduled to consider a report entitled "Redevelopment of TTC Lands at Yonge and Eglinton", which outlines the background and key terms of the proposed transaction. The TTC Board report, including appendices, is attached herein as Appendix B and Confidential Attachment 1.

At its meeting of June 7, 2016, City Council adopted a report entitled "Redevelopment of Toronto Transit Commission Lands at Yonge-Eglinton," which requested Build Toronto, in consultation with the Toronto Transit Commission, Real Estate Services and City

Planning, to negotiate directly with the long-term lessee(s) located at Yonge and Eglinton regarding options for redeveloping the lands, and to report back to City Council with an evaluation of options and a recommended plan for advancing redevelopment:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.10>

At its meeting on April 27, 2016, the TTC Board adopted a report entitled "Redevelopment of TTC Lands at Yonge-Eglinton," which requested staff to report back in Q4 2016 on recommended arrangements for redevelopment of the Lands and forward the report to Executive Committee and the City's Chief Corporate Officer for consideration:

https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2016/April_27/Reports/6_Redevelopment_of_TTC_Lands_at_Yonge_Eglinton.pdf

At its meeting on June 10, 11, 12, 2015, City Council adopted Official Plan amendments to the Yonge Eglinton Secondary Plan (OPA 289) that implement, among other matters, the urban design and public realm policies of the Midtown in Focus Public Realm Plan. The proposed Secondary Plan amendments are currently under appeal at the Ontario Municipal Board:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.PG4.2>

At its meeting on May 25, 26, and 27, 2009, City Council declared surplus for turnover to Build Toronto a portion of the Lands shown as Part 3 and Part 4 in Appendix A, subject to TTC declaring these properties surplus:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX32.5>

At its meeting on April 27, 2009, the TTC 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 property (shown as Part 4 in Appendix A):

https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2009/Apr_27_2009/Supplementary_Reports/BUILD_TORONTO_-_TRAN.pdf

At its meeting on February 23, 24, and 25, 2009, City Council adopted recommendations from City Planning staff to amend the Yonge-Eglinton Secondary Plan to reflect the conclusions of the focused review of the Yonge-Eglinton Centre (Official Plan Amendment 63). As part of the Yonge-Eglinton Centre Review a comprehensive design first approach was taken with the southwest corner. The built form and land use planning recommendations for the southwest corner that were written into the Secondary Plan include:

- Creation of a new neighbourhood park at the southwest portion of the Lands;
- The use of a 45° angular plane to protect transition to the neighbourhood;
- The use of a 60° angular plane to provide transition to Eglinton and Duplex;
- Massing the height of the towers at Yonge and Eglinton with the use of strata title (retained by the City) to enforce the 120 metre height limit; and
- The provision of a new road bisecting the Lands generally from mid-block on Berwick exiting mid-block on Duplex:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.PG23.1>

COMMENTS

Current Status and Uses at the Yonge-Eglinton Lands

The Lands are currently occupied by a mixed-use development, Canada Square Complex, consisting of approximately 844,000 square feet of office and retail uses, and a parking structure. These improvements were completed in the early 1960's and 1970's and are +/-50 years old, depending on the building. The Lands also includes the Eglinton TTC Subway Station along with related subway infrastructure, an interim TTC bus terminal and a former TTC bus terminal which has been demolished. The Eglinton Crosstown LRT is currently under construction and the new LRT Station is scheduled for completion in late 2021. Approximately 75% of the Lands are encumbered with the existing long term leases. Refer to Appendix A for an outline of the encumbered lands.

The Yonge-Eglinton Lands are a central point of the Midtown area; it is also a key urban centre in the City and there is significant development underway in the surrounding area. With the completion of the new Eglinton Crosstown LRT Station, the existing subway station and TTC bus terminal, these Lands are strategically located and are prime for transit-oriented redevelopment.

Negotiating Process and Governance

A joint approach to the redevelopment has been followed as part of the negotiation process. A project governance structure was put in place, consisting of executives from the City, TTC and CreateTO, as well as senior staff from all three organizations. The structure consisted of a Steering Committee Executive Group (the "Steering Committee"), a Commercial Working Group Committee and a CreateTO negotiating team. Meetings were held on an ongoing basis throughout the negotiation process, and the business proposal has been vetted through the Steering Committee.

Protecting TTC Interests

The Proposal has built in the protection of the TTC's interests and retention of areas and interests required to satisfy operational and maintenance requirements (both existing and future) of the TTC. Opportunities to improve existing infrastructure, including the replacement of the existing interim bus terminal have been incorporated into the Master Plan for the redevelopment of the Lands.

Overall Transaction

By undertaking this transaction the City will unlock substantial value that will allow for transit-oriented development at the intersection of the Yonge Subway Line and the Eglinton Crosstown LRT. This significant redevelopment of the Lands is consistent with the City's objectives of creating value through development that complements transit and other City objectives such as public space/parkland provision and urban planning. Furthermore, this project embodies the strategic approach to real estate planning mandated by the new City-wide real estate model. Any redevelopment of these lands will be subject to the City's planning process and existing planning regulations.

Valuation of the Lands

CBRE was commissioned by the City and has undertaken a valuation of the Lands and leasehold interests. The valuation process included and gave consideration to:

- Status and nature of ground leases, including renewal options, expiration dates and expected rents;
- Metrolinx land requirements - both permanent and temporary interests for the planned LRT station;
- TTC infrastructure above and below grade;
- Various easements, strata interests and other encumbrances on title;
- Development potential, considering "highest and best uses principles"; and
- Market demand and forecasts for a variety of proposed uses.

Details relating to the valuation are outlined within Confidential Attachment 1.

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SIGNATURE

Josie Scioli,
Deputy City Manager, Internal Corporate Services

Richard J. Leary
Chief Executive Officer (Acting), Toronto Transit Commission

ATTACHMENTS

Appendix "A" - Yonge Eglinton Lands

Appendix "B" - TTC Board Report, April 11, 2018 - "Redevelopment of TTC Lands at Yonge-Eglinton"

Confidential Attachment 1

APPENDIX A

Yonge Eglinton Lands (Parts 1 - 4) and Lands Encumbered by Long Term Leases (Parts 1, 3 & 4)

