



Appendix B

EX33.7 For Action with Confidential Attachment

Redevelopment of TTC Lands at Yonge-Eglinton

Date: April 11, 2018
To: TTC Board
From: Chief Executive Officer

REASON FOR CONFIDENTIAL INFORMATION

This report is about a proposed or pending land acquisition or disposition of land for municipal or local board purposes.

Summary

This report presents the results of a successful joint initiative between Toronto Transit Commission (TTC), CreateTO, City Real Estate Services, and City Planning to create transit-oriented redevelopment of TTC-owned lands at Yonge-Eglinton (known as "the Lands" and identified as Parts 1 - 4 in Appendix 1).

The report recommends the terms of a commercial transaction, as described in the Confidential Attachment 1, which has been negotiated with the long-term lessee(s) as the best option to enable comprehensive redevelopment of the Lands. In accordance with the direction given by both the TTC Board and City Council, the collective objectives for: the commercial transaction; protection of transit assets; and City building at this important transit hub have been achieved.

Recommendations

It is recommended that:

1. The Board approve the recommendations in Confidential Attachment 1;
2. The Board approve the major lease terms (the "Lease Terms") substantially as provided in Confidential Attachment 1;
3. The Board recommend to City Council, by way of a joint report together with the Deputy City Manager, Internal Corporate Services ("DCM-ICS"), that the TTC:
 - a. as Landlord enter into a lease amendment agreement with current tenants, which may include Cansquare (Canada 8) LP, CT Reit LP, and OPG Investment Holdings LP (which are subsidiaries of Northam Realty, CT Reit and Oxford

Properties), or other related corporations satisfactory to the Chief Executive Officer of TTC and the City's DCM-ICS (the "Tenant"), on the property shown as parts 1-4 in Appendix 1 (the "Lands"), on terms and conditions not materially inconsistent with the major terms and conditions described in the Lease Terms, contained in Confidential Attachment 1, together with such other terms and conditions as may be deemed appropriate by the TTC's CEO in consultation with the DCM-ICS, the City's Chief Financial Officer (CFO) and CreateTO and in a form satisfactory to the TTC's General Counsel; and

- b. as Licensor, to enter into a license agreement or agreements (the "License Agreements") with the Tenant for any period of time and for any consideration, including nominal consideration, with respect to the Lease Lands for the purpose of site mobilization, site preparation, excavation, shoring, surveying, soil investigation, access, construction staging, parking and any other purpose deemed appropriate by the DCM-ICS, TTC's Chief Capital Officer and in a form satisfactory to TTC's General Counsel.
4. The Board grant authority to reimburse CreateTO (formerly Build Toronto) for expenses incurred related to negotiations of the proposed lease amendment contained within this report up to \$2.0 million.
5. The Board forward this report to the City of Toronto's Executive Committee along with the Board's decision for consideration with its report on the same subject; and
6. The Board authorize that the information provided in the Confidential Attachment 1 is to remain confidential until all lease amendment agreements have been executed by the parties.

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.

Under Corporate Policy 8.3.0 Entrance Connections will apply to developments under this arrangement.

Financial Summary

The Chief Financial Officer has reviewed this report and agrees with the financial impact information provided in Confidential Attachment 1.

Equity/Accessibility Matters

One of the guiding principles for the redevelopment is to ensure that any new development 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:

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2005/Nov 28 2005/Other/Declare Surplus Port.jsp](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2005/Nov%2028%202005/Other/Declare%20Surplus%20Port.jsp)

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:

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2009/Apr 27 2009/Supplementary Reports/BUILD TORONTO - TRAN.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2009/Apr%2027%202009/Supplementary%20Reports/BUILD%20TORONTO%20-%20TRAN.pdf)

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%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2012/December%2019/Reports/Yonge-Eglinton%20-%20Tra.pdf)

At its meeting of April 27, 2016, the Board authorized staff to participate in the Yonge-Eglinton Steering Committee in order to negotiate arrangements for redevelopment of lands under TTC ownership, in accordance with guiding principles adopted by the Board:

[http://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](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2016/April%2027/Reports/6%20Redevelopment%20of%20TTC%20Lands%20at%20Yonge%20Eglinton.pdf)

Issue Background

The TTC Lands, in TTC title, are comprised of four phases consisting of the following:

- Leasehold Improvement Lands (7.2 acres)
 - Lease Phase 1 – 2210 Yonge (Bank Pavillion at corner including the station entrance), 2200 Yonge St – Canada Square building
 - Lease Phase 2 – 2190 Yonge St (Canada Square), 2180 Yonge (Canadian Tire office)
 - Lease 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 (currently licensed by Metrolinx for construction staging).

The Leasehold Improvement Lands buildings at 2210 through 2180 Yonge Street, 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 access onto Berwick Avenue, Duplex Avenue and Yonge Street.

The TTC Board declared the Old Bus Terminal Lands surplus at its meeting of Nov. 28, 2005. More recently, the TTC signed a five year license starting in 2015 to Metrolinx for these lands for temporary construction staging for the Eglinton Crosstown LRT (ECLRT) project. The license includes provision to transfer the permanent property interests for the ECLRT entrance and vent structures.

There are three ground leases in place for the Leasehold Improvement Lands through the Tenant. Original signing dates for the ground leases were 1961 for Phase 1, and 1971 for Phases 2 and 3. The last renewal occurred in 1991.

TTC currently receives guaranteed annual carefree rent of approximately \$2.1 million from the Tenant 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 \$75 million 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, existing lease rates for Phase 2 and Phase 3 are below market rent. However, under current leases a rent reset for all three phases is coming due in 2021, at which time the rent(s) would be reset at prevailing market rates. The remaining rent reset periods beyond 2021 for all three phases ranges from 24-30 years.

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 Tenant except for the Phase 4 Lands that are not encumbered by any leases or other rights, except the portions to be transferred to Metrolinx.

Any transfer of the Leasehold Improvement Lands or material amendments to the leases require TTC Board approval as the owner of the lands and the Landlord. 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 9.3 acre parcel with significant development potential at a major transit hub of both the existing Line 1 subway and Metrolinx's Eglinton Crosstown LRT which is under construction. The value of the property and future development rights is primarily driven by its location at the 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 is the protection of the transit infrastructure and integration of transit access within the redevelopment scheme in order to provide excellent integrated transit services and connections.

The TTC Board and City Council approved a series of guiding principles (Appendix 2) with respect to negotiation of the commercial and technical transaction with the Tenant. Staff has addressed each of these principles during the negotiation process, as discussed in Confidential Attachment 1.

With the approval of the TTC Board and Toronto Council, TTC, City and CreateTO (formerly BuildToronto) staff established a Steering Committee which provided direction to lead negotiating staff from CreateTO with respect to the negotiations with the Tenant's representatives. Extensive discussions of technical, financial, legal and planning components for the proposed redevelopment schemes were held over the past 17 months.

External financial, appraisal and legal advisors (Brookfield Financial, CBRE and Torys LLP, respectively) were retained to provide independent expert advice with respect to proposals presented. In addition, TTC staff undertook technical assessments of proposed modifications to TTC facilities, as well as providing technical requirements and guidance on opportunities and constraints to guide proposal development and refinements, in order to protect both existing TTC assets and future requirements.

With respect to the planning process, there has been some preliminary work done by both the City and the Tenant to address planning requirements. Future applications related to the redevelopment will follow the normal planning process through the City including public and local Councillor consultations, and TTC technical reviews in order to ensure proposed structures and changes to TTC facilities comply with TTC requirements and standards.

In summary, all of the guiding principles for the redevelopment have been satisfied and staff recommends proceeding with a transaction on the basis of the details and terms provided in Confidential Attachment 1.

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Signature

Richard J. Leary
Chief Executive Officer (Acting)

Attachments

Appendix 1 – TTC Lands
Appendix 2 – Guiding Principles for Redevelopment of TTC Lands at Yonge-Eglinton
(Approved April 27, 2016)

Confidential Attachment 1

03074-95-1987

Appendix 1 – TTC Lands

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



Appendix 2 - Guiding Principles for Redevelopment of TTC Lands at Yonge-Eglinton (Approved April 27, 2016)

1. Existing decision-making authorities for each organization, City, Build Toronto and TTC, will be maintained through Committee/Council and Board.
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 (now CreateTO) Steering Committee with the following joint responsibilities:
 - a. City – Lead on Planning and support for commercial negotiations (finance, real estate);
 - b. CreateTO – Lead on commercial negotiations (real estate transaction); and
 - c. TTC - Lead on transit requirements, partner in commercial negotiations and participant in planning process.