REPORT FOR ACTION

Land Exchange with 2470347 Ontario Inc. (Galleria Developments) for City Land Forming Part of Wallace Emerson Park and Community Centre at 1260 Dufferin Street

Date: June 1, 2018
To: Government Management Committee
From: Director, Real Estate Services
Wards: 18 - Davenport

SUMMARY

The purpose of this report is to seek authority to enter into an agreement to exchange lands owned by the City of Toronto and lands owned by 2470347 Ontario Inc. (Galleria Developments).

The proposed land exchange would facilitate a new street and block configuration associated with the redevelopment of the former Galleria Mall site located at 1245 Dupont Street. In order to facilitate the new street and block configuration, a land exchange is proposed which will exchange a portion of the former Galleria Mall lands for a portion of Wallace Emerson Park, including the existing Wallace Emerson Community Centre. The existing Wallace Emerson Community Centre will be demolished following the construction of a new larger community centre to be situated on the enlarged and reconfigured Wallace Emerson Park.

The terms for completing the transaction are considered to be fair, reasonable and reflective of market value.

RECOMMENDATIONS

The Director, Real Estate Services recommends that:

1. City Council authorize the City to enter into a Land Exchange Agreement with 2470347 Ontario Inc. ("Galleria Developments") for part of 1245 Dupont Street, shown as Part 2 on Sketch No. PS-2018-015 ("Galleria Lands") in exchange for part of 1260 Dufferin Street, being Lots 1, 8, 10, 12, 16 to 20, Part of Lots 2, 9, 11 on Plan M567, Parts 2, 3, 4, 6 on 66R-9966, shown as Part 1 on Sketch No. PS-2018-015 ("City Lands") in Appendix "B" to this report, substantially on the terms and conditions outlined in Appendix "A" to this report and such other terms as may be approved by the Director, Real Estate Services in consultation with the General Manager of Parks, Forestry and Recreation in a form satisfactory to the City Solicitor.
2. City Council approve that the transaction meets the requirement for an exchange of land set out in Chapter 4.3 (Parks and Open Space Areas), Policy 8 of the Official Plan.

3. City Council authorize each of the Deputy City Manager, Internal Corporate Services and the Director of Real Estate Services severally to accept the term of the Land Exchange Agreement on behalf of the City.

4. City Council authorize the City Solicitor to complete the transactions provided for in the Land Exchange Agreement on behalf of the City, including making payment of any necessary expenses and amending the closing and other dates to such earlier or later date(s) and on such terms and conditions as she may from time to time consider reasonable.

FINANCIAL IMPACT

Galleria Developments has agreed to credit the City $3,526,000.00 in land value and $7,474,000.00 for the existing recreation centre and surrounding improvements for a total of $11,000,000.00 towards the cost of constructing a new recreation centre in lieu of the fact the parcel owned by the City was deemed to be more valuable than the parcel owned by Galleria Developments. The rationale behind the valuation analysis is provided below in the comments section of this report.

The new recreation centre, which is to be constructed by Galleria Developments, is estimated to cost $35,000,000.00. Although the combined $11,000,000.00 land and improvement value differential credit will assist, the remaining cost of $24,000,000.00 for the new recreation centre must be financed from City sources and is not currently approved by Council. It is anticipated that the full project will be considered as part of the 2019 Parks, Forestry & Recreation Capital Budget with Development Charges and Parkland Development Cash-in-Lieu reserve funds as financing sources. Completion of the land exchange and the final commitments to the community centre project is contingent on Council approval of the City's 2019 Capital Budget.

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

DECISION HISTORY

In accordance with the City's Real Estate Disposal By-law, No. 814-2007, the City Lands were declared surplus on May 8, 2018 (DAF No. 2018-174) with the intended manner of disposal to be by way of a land exchange with Galleria Developments for a portion of land located within the abutting proposed development, conditional upon City Council approving that land being exchanged is for nearby land of equivalent or larger area and of comparable or superior green space utility.
At its meeting on April 4, 2017, Toronto and East York Community Council adopted the preliminary report for the Official Plan Amendment and Zoning Amendment Applications pursuant to the redevelopment of the former Galleria Mall site.  

COMMENTS

The City-owned lands at 1260 Dufferin Street are comprised of Wallace Emerson Park and Community Centre under the operational management of Parks, Forestry and Recreation. Immediately to the north of the park is a 12 acre property with a one-storey shopping centre known as the Galleria Mall. The Galleria Mall site is earmarked for demolition with a proposal for a large scale mixed use development consisting of 3,416 residential units (including 150 affordable housing units), 29,912 square metres of retail gross floor area, 6,391 square metres of office gross floor area, and 4,738 square metres of community space.

In connection with the redevelopment of the Galleria Mall lands, Galleria Developments has approached the City proposing a land exchange to reconfigure the park into a more efficient layout including a new and larger recreation centre. The City will acquire Part 2 on Sketch No PS-2018-015, and in exchange will dispose of Part 1. Both parcels are of equal size being approximately 2.04 acres in area.

While the parcels being exchanged are of equal size, they are not of equal value. The City's parcel has superior locational qualities with frontage along Dufferin Street in comparison to the Galleria Developments parcel which is located substantially to the rear with only minimal frontage along the lesser Dupont Street. The superior frontage displayed by the City's parcel translates into a significant value advantage from a commercial use perspective. In lieu of this superior commercial value advantage, City Real Estate Services staff negotiated a land value differential of $3,526,000.00 in favour of the City land. External and internal appraisal reports were reviewed to establish and assist in the negotiation process.

In addition to the land value differential the two parcels also differ in regards to their status as improved properties. The Galleria Developments parcel is essentially an empty lot, while the City's parcel currently contains the Wallace-Emerson Community Centre which was constructed in 1980. An analysis of the facility was undertaken with the two sides agreeing on a depreciated value of $7,474,000.00 for the existing recreation centre, ice rink, skating trail and playground.

Combining the $3,526,000.00 land value differential with the $7,474,000.00 depreciation value for the existing recreation centre, ice rink, skating trail and playground results in a total credit in favour of the City of $11,000,000.00. This credit is earmarked to be applied directly to the cost of the new recreation centre Galleria Developments will be constructing for the City as part of the overall redevelopment of the Galleria Mall site.
In addition to agreeing to the above noted value differential, Galleria Developments will also be required to enter into a land exchange agreement with the City of Toronto to exchange the subject portion of the park along Dufferin Street containing the existing recreation centre with a portion of the west side of the Galleria Mall redevelopment site, a condition of which being that the owner enter into and register a Section 118 Restriction under the Land Titles Act (to the satisfaction of the City Solicitor) agreeing not to transfer or charge those parts of the lands comprising the Galleria Mall site, without the written consent of the Chief Planner and the Executive Director, City Planning Division or their designate.

CONTACT

Nick Simos, Manager, Program & Policy Management, Real Estate Services, Tel: (416) 392-7223, Nick.Simos@toronto.ca

SIGNATURE

David Jollimore,  
Director, Real Estate Services

ATTACHMENTS

Appendix A - Major Terms and Conditions  
Appendix B - Site Map & Sketch  
Appendix C - Park Land
Appendix A - Major Terms and Conditions

Property:

1) Conveyance of Galleria Lands to the City:
Part of 1245 Dupont Street, shown as Part 2 on Sketch PS-2018-015 ("Galleria Lands")

2) Conveyance of City Lands to Galleria Developments:
Part of 1260 Dufferin Street being lots 1, 8, 10, 12, 16 to 20 , Part of Lots 2, 9, 11, on Plan M567, Parts 2, 3, 4, 6 on 66R-9966 shown as Part 1 on Sketch PS-2018-015 ("City Lands")

Consideration:

The exchanged Lands are of approximate equal size. The City Lands, as improved, have been valued at $40,269,000.00. The Galleria Lands have been valued at $29,269,000.00. Galleria Developments will also be providing a credit of $11,000,000.00 for the construction of the new community centre.

Closing Date:

Within 90 days of completion of the construction of the Community Center subject to Galleria Developments or the City requesting further extension not to exceed an additional 90 days.

Terms and Conditions:

1) Galleria Developments to register Reference Plans describing the Galleria Lands and the City Lands as noted above at their sole cost and expense, satisfactory to the City Surveyor;

2) Galleria Developments to acquire the City Lands in "as is" condition;

3) Galleria Developments to pay all costs associated with any applicable Land Transfer Tax and any applicable Goods and Services Taxes;

4) Conditions with respect to the transfer of the City Lands for the benefit of the City to be waived or satisfied within 8 months from the date of execution of the land exchange agreement, subject to Galleria Developments requesting further extensions not to exceed an additional 4 months (the "Planning Conditional Period")
   a) execution by Galleria Developments of a s.37 Agreement.

5) Conditions with respect to the transfer of the City Lands for the benefit of Galleria Developments to be waived or satisfied within the Planning Conditional Period:
   a) Galleria Developments to be satisfied with all of the permitted encumbrances to which the City Lands will be subject; and
b) Encroachment or Consent Agreement(s) to be entered into in respect of any Easement Lands if required or, alternatively, any easements to be located such that there will be no need for any encroachment or consent agreements.

6) Conditions of transfer of City Lands

a) Galleria Developments to register a restriction under s.118 of the Land Title Act on those portions of the lands identified as Block 6 on the attached Appendix C that are not currently owned by the City, without the written consent of the Chief Planner and the Executive Director, City Planning Division or their designate; and

b) City to reserve any easements over that part of the City Lands as may be required for any public utilities.

c) The City contribution to the community centre project will be conditional upon Council approval of funding for the project within the 2019 Parks, Forestry and Recreation Capital Budget and the land exchange is contingent on this approval by City Council.

7) Conditions of transfer of the Galleria Lands to the City:

a) Galleria Developments shall design and construct a minimum 6,000 square metre community centre on the Galleria Lands in accordance to the approved plan and Council approved budget that will be set out in a Section 37 Agreement, to the satisfaction of the General Manager, Parks Forestry and Recreation and the General Manager of Children’s Services;

b) prior to the Galleria Lands being conveyed to the City, Galleria Developments shall obtain an environmental assessment of the land and complete any and all remediation works required as a result of that assessment, at its sole cost and expense. Such assessment or remediation shall ensure that the property will meet all applicable laws, regulations and guidelines respecting the site to be used for public park purposes, including City Council policies respecting soil remediation of sites.

Galleria Development shall ensure that the environmental consultant used to perform the environmental assessment shall file a Record of Site Condition (RSC) on the Ontario’s Environmental Site Registry and submit to the General Manager, Parks, Forestry and Recreation, the Ministry of the Environment and Climate Change (MOECC) Letter of Acknowledgement of Filing of the RSC confirming that the RSC has been prepared and filed in accordance with O. Reg. 153/04 and that the MOECC will not audit the RSC at this time or that the RSC has passed an MOECC audit; and

c) the Galleria Lands shall be free and clear, above and below grade, of all physical obstructions and easements, encumbrances and encroachments, including surface and subsurface easements, unless otherwise approved by the General Manager, Parks, Forestry & Recreation.
Appendix B - Site Maps & Sketch
Existing Configuration