



## REPORT FOR ACTION

### Property Transaction/Parking Development: City of Toronto and Lanterra 234 Simcoe Realty Ltd. - 121 St. Patrick Street (Municipal Carpark 221)

**Date:** February 16, 2018  
**To:** Board of Directors, Toronto Parking Authority  
**From:** Acting President, Toronto Parking Authority  
**Wards:** Ward 20 Trinity - Spadina

#### SUMMARY

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Toronto Parking Authority ("TPA") and City Real Estate Services ("City RES") have negotiated major business terms of a property transaction and municipal parking development with Lanterra 234 Simcoe Realty Limited (the, "Developer") involving the City-owned property located at 121 St. Patrick Street, also known as Municipal Carpark 221 (the "Subject Property") and adjacent lands owned by the Developer at 234 Simcoe Street ("Developer Lands") (collectively, "Development Lands"). The proposed transaction involves the sale of the Subject Property to the Developer, save and except for a strata area sufficient to accommodate an underground parking garage which will provide a minimum of 75 spaces, up to a maximum of 125 spaces, on the Development Lands. The Developer will construct a mixed-use development consisting of residential, retail and office space, the underground public parking garage, and public parkland of approximately 1,000 square meters (10,764 square feet) (collectively, the "Development"). As part of the proposed transaction, the City would acquire the public parking garage from the Developer. The public parking garage is to be constructed in accordance with TPA standards and specifications, and operated by the TPA as a municipal parking facility.

The Board of Directors of the TPA is requested to receive the information contained in the body of this report (February 16, 2018) and approve the submission of a joint report presented by TPA and the Director, Real Estate Services, to City Council on the property transaction under the major business terms and conditions set out in Appendix 'A' - *Summary of Major Business Terms*. The proposed transaction has been assessed in accordance with City RES' due diligence procedures and City RES is supportive of the proposed transaction. Any further due diligence, if required, will be conducted in accordance with City RES' due diligence procedures. City Legal has been engaged and will continue to oversee the proposed transaction, which is also subject to a number of

other approvals through the City process. The local Councillor and City Planning have been consulted through the process.

## **RECOMMENDATIONS**

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The Acting President, Toronto Parking Authority recommends that:

1. The Board of Directors of the Toronto Parking Authority ("TPA") receive the information contained in the body of this report (February 16, 2018) and approve the submission of a joint report by TPA and the Director, Real Estate Services to City Council on a property transaction between the City and Lanterra 234 Simcoe Realty Limited (the "Developer") which will involve:

a) a sale to the Developer of Municipal Carpark 221 located at 121 St. Patrick Street, save and except for a strata area sufficient to accommodate an underground parking garage;

b) the purchase of an underground public parking garage with a minimum of 75 spaces and a maximum of 125 spaces; and

c) entering into all necessary agreements, including but not limited to, an interim parking lease agreement, construction procedures agreement and reciprocal cost sharing agreement, along with all necessary transfers and undertakings;

under the business, including financial, terms and conditions set out in Appendix 'A' - *Summary of Major Business Terms*, contained in the report (February 16, 2018) of the Acting President, and any such other amended terms and conditions as may be acceptable to the Acting President and the City Solicitor.

## **FINANCIAL IMPACT**

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A fair market value appraisal of the property obtained by Bosley Farr Associates Ltd. and commissioned in accordance with City RES's appraisal terms of reference resulted in a value of \$10,430,000. The City negotiated a sale price of \$9,900,000 for the sale of the Subject Property, save and except for a strata area sufficient to accommodate the underground parking garage in the Development. The negotiated sale price is within a reasonable negotiating range (5%) of the fair market value appraisal of the Subject Property.

The public parking garage will be constructed by the Developer to TPA standards and specifications as a component of the transaction and will be acquired by the City and operated by TPA at an agreed price of \$67,500 per stall plus HST, for a total cost ranging from \$5,062,500 (plus HST) for the minimum 75 spaces, up to \$8,437,500 (plus HST) for a maximum of 125 spaces. Based on the current development plans, the

actual target is eighty one (81) spaces (at a cost of \$5,467,500 plus HST) to be provided in the public parking garage component, which will increase the number of parking spaces from the current total of thirty six (36) by an additional forty five (45) spaces. The sale to TPA of additional spaces is at the Developer's option and TPA would considerably benefit from any additional spaces over the estimated eighty one (81) given the significant parking deficiency in this area. As part of the Development and negotiated by City Planning Division staff, the City will receive public parkland of approximately 1,000 square meters (10,764 square feet) which is over the required parkland contribution requirements by approximately 400 square meters (4,306 square feet), at no cost, and valued at approximately \$357,500, as per City RES valuation terms of reference.

In light of the service benefits achieved via additional public parkland and public parking spaces, TPA and City staff are supportive of the agreed upon price of \$9,900,000 which is within 5% of the fair market value appraisal.

The public parking garage anticipated to consist of eighty one (81) spaces, as per current development plans, is forecast to generate a stabilized operating income of \$413,100, on an annual basis, which is an increase of approximately \$149,100 relative to the current operating income (2017: \$264,000). Over a 20-year horizon, based upon the agreed purchase price and operating cash flows of the Public Parking Garage, we estimate an Internal Rate of Return ("IRR") of 7.4% which is over the 5% rate specified as TPA's benchmark criteria.

## **DECISION HISTORY**

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At its meeting of July 28, 2016, the TPA Board of Directors approved major terms and conditions of a conditional agreement of purchase and sale between TPA and the Developer involving the sale of the Subject Property to the Developer, save and except for a strata area sufficient to accommodate an underground public parking garage, with a minimum of 80 spaces and a maximum of 125 spaces, on the Development Lands, which was to be acquired by the City and operated by TPA (Minute No. 16-119). The resulting conditional agreement expired in August, 2017 and thus was deemed terminated at that time.

## **COMMENTS**

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### **Background**

The Subject Property has been operating as a 36-space surface parking facility since September 2003. The Developer owns the adjacent property immediately to the south of the Subject Property at 234 Simcoe Street and approached TPA to negotiate a parking development arrangement involving acquisition of a portion of the Subject Property as part of its Development. A conditional agreement dated June 7, 2016 was

entered into with the Developer for the sale of the Subject Property, save and except for a strata area sufficient to accommodate an underground public parking garage, which was to be acquired by the City and operated by TPA. The Developer had waived all conditions on July 22, 2016, however, TPA's conditions expired on August 29, 2017 and the agreement was deemed terminated by City RES and TPA staff, and confirmed by third party counsel.

Given the financial and service-oriented merits (including additional public parking spaces and public parkland in areas of significant deficiency) of the proposal, and the substantial progress achieved in meeting planning principles, City RES and TPA recommenced negotiations with the Developer on a new agreement of purchase and sale, the major terms of which are presented in the body of this report (February 16, 2018).

**Site Location & Particulars**

The Subject Property is a surface parking lot containing 36 parking spaces, and is a narrow rectangular lot that extends the length of the entire block offering vehicular access from both St. Patrick Street to the west and Simcoe Street to the east (see attached Site Location Map). The Subject Property has frontage along St. Patrick Street of 18.1 meters (59.2 feet) and a frontage along Simcoe Street of 9.27 meters (30.4 feet) while the Developer owns the adjacent Developer Lands.

A description of each of the properties that comprise the Development Lands follows:

Property	Site Size (Square Feet / Square Meters)	% of Total Size (approx.) of Development Lands	Existing Use
121 St. Patrick St. ("Subject Property")	10,900 / 1,012	15%	Municipal Carpark 221 A 36-space surface parking facility
234 Simcoe St ("Developer Lands")	61,000 / 5,667	85%	A three storey 125,000 sq. ft. commercial office building leased to the Bank of Montreal

**Development**

The proposed Development consists of 39-storey, 35-storey, and 17-storey mixed-use buildings with 73,063 square meters (786,443 square feet) of total GFA consisting of 65,917 square meters (709,524 square feet) of residential GFA, 1,409 square meters (15,171 square feet) of retail GFA, and 5,737 square meters (61,748 square feet) of office GFA. The below-grade garage will contain a 75 to 125-space (current estimate is

81-space) public parking garage to be built to TPA standards and specifications. In addition, the Development will provide a 1,000 square metre (10,764 square foot) public park that will be owned by the City and operated by Parks, Forestry and Recreation ("PF&R"). The final report will be presented at Toronto and East York Community Council by City Planning on April 4, 2018.

## Developer Profile

The Developer is a subsidiary of Lanterra Developments ("Lanterra"). Lanterra has developed numerous condominium projects throughout the City. Summarized under Appendix 'B' - *Summary of Projects*, are a sample of the group's projects. TPA has partnered with a subsidiary of Lanterra recently on another development involving the acquisition by the City of a 135-space underground parking garage at 11 Wellesley Street West to be operated by TPA as municipal parking.

## Parking Supply and Demand

This is an area that continues to be deficient in the adequate supply of parking. The current 36-space surface carpark is very well utilized, with demand stemming from the recent significant level of development of both residential and commercial intensification that has occurred within the immediate neighbourhood. The TPA also maintains a public parking presence nearby; at Carpark 216 to the north (205 McCaul Street – 38 surface parking spaces) and Carpark 263 (130 Elizabeth Street/Toronto Coach Terminal – 27 surface parking space), both of which consistently reach full capacity. Parking usage data from the above mentioned TPA parking lots (including the Subject Property) are provided below for reference:

Municipal Carpark No.	Address	Distance to Subject Property	Usage
216	205 McCaul Street	500 meters	104%
263	130 Elizabeth Street	550 meters	107%
221 (Subject Property)	121 St. Patrick Street	N/A	110%

Given that the existing neighbourhood is evolving and the consistently high usage in the Subject Property's catchment area, the development of an improved and expanded public parking facility at the Subject Property will help accommodate the existing parking demand and support future demand.

## Financial Analysis

Staff completed a financial analysis to forecast the internal rate of return expected via the acquisition of the public parking garage over a 20-year time frame. A summary of the key assumptions is provided in Table 1.0 - *Summary of Key Assumptions*, below and a 20-year cash flow table is provided in Appendix 'C' - *Summary of Cash Flows*.

*Table 1.0 - Summary of Key Assumptions*

Input / Variable	Detail / Assumption	Comments
No. of Parking Spaces	81	Anticipated parking spaces, as per current development plans
Base Case Stabilized Annual Revenue	\$737,100 (\$9,100/stall)	Based on 35% reduction of 2017 annual revenues per stall, inflated by 2.5% per year for 3 years (est. time of garage opening)
Base Case Stabilized Annual Operating Expenses	\$202,500 (\$2,500/stall)	Based on TPA garages of similar size
Base Case Stabilized Annual Property Taxes	\$121,500 (\$1,500/stall)	Based on TPA garages of similar size
Revenue & Expense Growth Rate	2.5%	Based on anticipated inflation
Capital Reserve	8% of Annual Revenues	Based on historical trends
Initial Set Up Capital Costs	\$125,000	Based on est. signage costs, machine costs and other TPA operational requirements
Purchase Price	\$5,467,500	Based on agreed upon price for 81 spaces
Closing/Transaction Costs (incl. land transfer tax, HST, lawyer, and other closing and due diligence costs)	\$250,000	
Terminal Value (@ Year 20) Less 5% provision for selling and closing costs	\$8,511,179	Based on inflationary year-over-year increase of 2.5% of the initial purchase price

Please note that the 35% reduction to 2017 values assumed in the 'Base Case Stabilized Annual Revenue' figure reflects our experience that underground parking garages achieve a lower relative usage rate compared to surface parking spaces, resulting in a per stall reduction of revenues. Due to the dynamic nature of parking demand, the following provides a sensitivity analysis on the Stabilized Annual Revenue figures in Table 2.0 - *Sensitivity Analysis on Stabilized Annual Revenue*.

*Table 2.0 - Sensitivity Analysis on Stabilized Annual Revenue*

Reduction in 2017 Base Revenue	Forecasted 20 Year - Internal Rate of Return ("IRR")
25%	9.0%
35%	7.5%
45%	5.7%

The sensitivity analysis indicates that a worst case scenario of a 45% reduction in the per stall parking revenues relative to 2017 values would still produce an IRR that meets the benchmark criteria of 5% established by TPA policies and guidelines.

**Next Steps and Timelines**

The steps necessary to comply with the City's real estate disposal process, as set out in Chapter 213 of the City of Toronto Municipal Code have commenced and are anticipated to be completed prior to March 5, 2018, at which point the property is expected to be declared surplus based on recommendations of the relevant staff committees. Upon approval of the recommendations in this report by the TPA Board of Directors and subject to confirmation of surplus declaration, TPA and the Director, Real Estate Services, will submit a joint report for review and approval of City Council through the Government Management Committee ("GMC") at its meeting of April 3, 2018. City Planning intends to submit a recommendation report on the proposed development to Toronto and East York Community Council ("TEYCC") at its meeting of April 4, 2018. Subject to the respective recommendations of TPA Board, GMC and TEYCC, the reports will be before City Council at its meeting of April 24, 2018.

## **CONTACT**

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## **SIGNATURE**

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Andrew Koropeski  
Acting President, Toronto Parking Authority

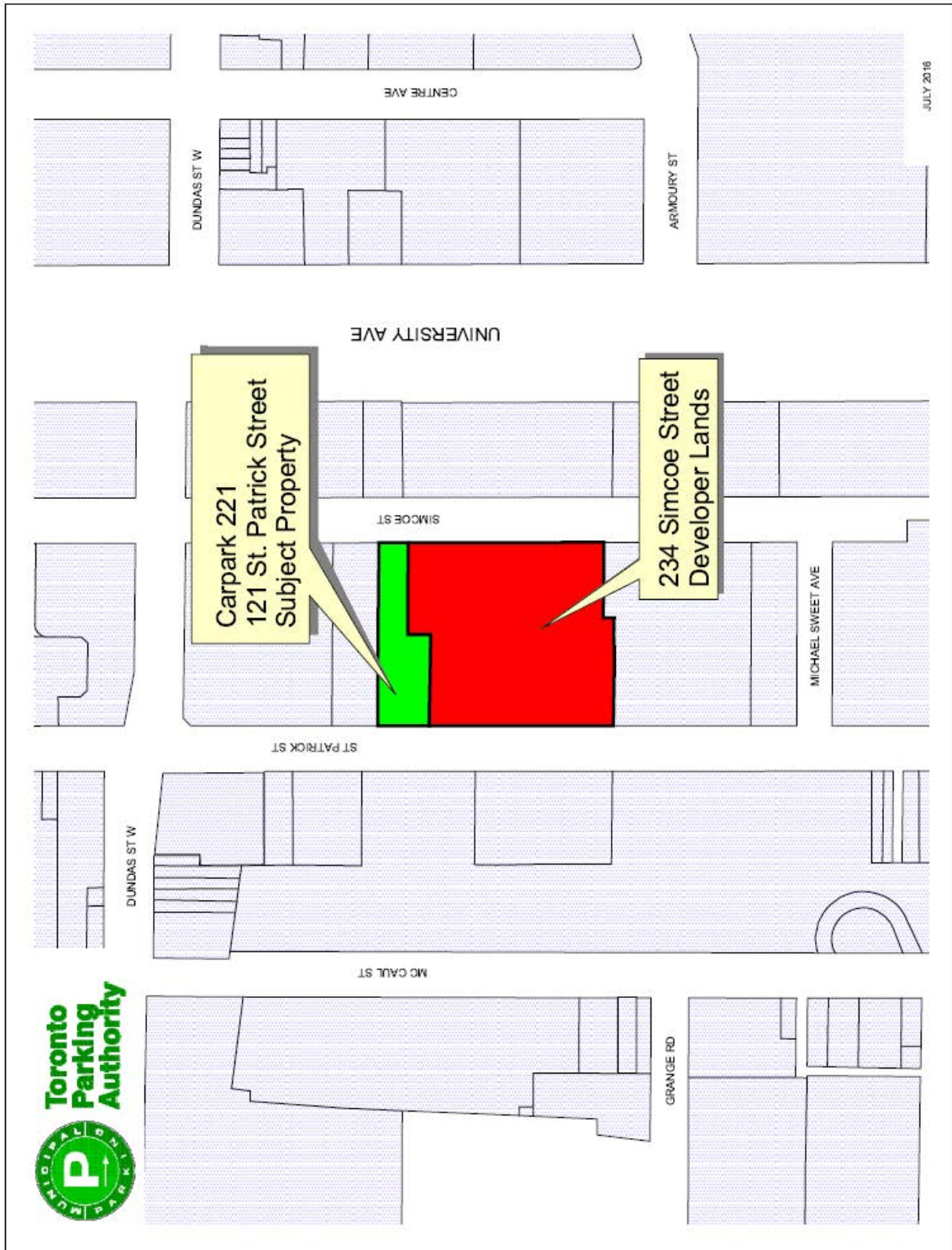
## **ATTACHMENTS**

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Site Location Map  
Appendix 'A' – Summary of Major Business Terms  
Appendix 'B' – Summary of Projects  
Appendix 'C' – Summary of Cash Flows



# SITE LOCATION MAP



## APPENDIX 'A'

### SUMMARY OF MAJOR TERMS

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Purchaser	Lanterra 234 Simcoe Realty Limited
Vendor	City of Toronto
Subject Property	Part of 121 St Patrick Street, Toronto, ON, save and except the retained lands
Retained Lands	The lands to be retained in the City's ownership are the fee simple interest in that portion of the Development Lands whereon the public parking garage will be located
Public Parking Garage	The Developer shall construct the public parking garage consisting of no more than 125 spaces with a minimum of 75 spaces for public parking, based on the standard sizing prescribed by the TPA standards and specifications, including legal access to, or ownership of, all or some portion or portions of the ramps, stairs and corridors for pedestrian and vehicular access and egress thereto
Purchase Price	The Purchase Price for the Subject Property is Nine million Nine hundred thousand (\$9,900,000.00).
Closing	The Closing of this transaction shall take place following the date the Purchaser has obtained excavation permits for the Development or 2 years from the execution of the agreement of purchase and sale
City's Reserved Easement	On Closing, the City will reserve easements and rights over the Subject Property in favour of the Retained Lands for access and egress and support, including, without limitation, such access (inclusive of air crane passage), egress and support as may be necessary or desirable to facilitate the construction of the parking garage or any other use permitted by zoning with respect to the Retained Lands, such easements to continue until the Reciprocal Easements have been transferred and registered on title.

<p>Construction Bonds and Letter of Credit</p>	<p>The construction and completion of the Parking Garage shall be secured on Closing by:</p> <ul style="list-style-type: none"> <li>- an irrevocable letter of credit from a bank approved by the City and TPA, acting reasonably, in the amount of 110% of the anticipated Construction Cost to complete the entire Parking Garage</li> <li>- a 50% performance bond (which performance bond shall not be released until one year after Substantial Completion of the Parking Garage) and a 50% labour and material bond which bonds shall be provided by the Purchaser in respect of the excavation, shoring, forming and concrete, electrical, mechanical and waterproofing contracts, in amounts representing 50% of the anticipated cost of such contracts.</li> </ul>
<p>Reciprocal Agreement</p>	<p>On or before the Closing, the Developer (on behalf of the future condominium corporation), together with the City / TPA will execute and deliver to each other a reciprocal cost-sharing and easement agreement setting out the terms of the cost-sharing, responsibility for maintenance and repairs, decision-making and other similar matters, as between the parties, in order to enable each of the Developer (on behalf of the future condominium corporation) and the City / TPA to effectively own and operate their respective portions of the Parking Garage.</p>
<p>Construction Procedures Agreement</p>	<p>The Developer and the City shall enter into a construction procedures agreement on Closing, which agreement shall set out the guidelines and procedures for construction of the public parking garage.</p>
<p>Interim Parking Lease Agreement</p>	<p>The Developer will lease to the City and TPA the existing surface parking facility located on the Subject Property for use by the TPA as a commercial parking lot for the lease term commencing on the Closing Date and until construction commences, at no cost.</p>

<p>Public Parking Garage Consideration</p>	<p>The City shall pay to the Developer the sum estimated to be Five Million Four Hundred and Sixty Seven Thousand and Five Hundred (\$5,467,500.00) (plus HST) based on 81 spaces as consideration for the construction of the Public Parking Garage. In the event that the Development provides for more or less than 81 parking spaces for the Public Parking Garage, then the Public Parking Garage Consideration shall be adjusted accordingly by way of an increase/decrease to the Public Parking Garage Consideration by multiplying the sum of \$67,500.00. The Public Parking Garage will consist of not less than 75 spaces. The City will purchase any increase in spaces in the Public Parking Garage in excess of 75 parking spaces up to 125 parking spaces.</p>
<p>Environmental</p>	<p>The Agreement includes an acknowledgment by the Developer that it is purchasing the Property on an “as is, where is” basis including its environmental condition, state of repair, deficiencies and encroachments.</p> <p>The Developer shall also provide an indemnity in favour of the TPA and the City from and against all claims in connection with the environmental activities or omissions of the Developer, the Subject Property, the Retained Lands or any of the Developer's obligations</p> <p>The Developer releases the TPA and the City from all claims arising out of the Pre-Existing Environmental Conditions.</p>

## **APPENDIX 'B'**

### **SUMMARY OF PROJECTS**

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The following are a list of projects by Lanterra that are currently in the pre / construction or occupancy phase of development:

Rodeo Drive: Lanterra (and Cadillac Fairview's) residential development located within the 'Shops at Don Mills.' Phase 1 comprises of 425 units and Phase 2 comprises of 207 units. The project is currently under construction with occupancy expected in the fall of 2020.

Treviso Condominiums (830 Lawrence Avenue West): a 1.32 million square foot development comprised of a 21-storey, 26-storey, and 15-storey residential condominium with approximately 1,300 units, 60,000 square feet of retail, commercial space as well as a 10 acre park. The project, located at the north-east corner of Dufferin and Lawrence Avenue has occupied Phases I and II. Phase III is currently under construction and occupancy is expected fall of 2018.

The Britt Residences (955 Bay Street): a 41-storey, 691 suite condominium building which was formerly the Sutton Hotel located at Bay Street and Wellesley. It is currently under construction.

11 Wellesley Offices: Office Condos located between Yonge and Bay on Wellesley. Office suites ranging from a floor Area of 432 sq. ft. to 20,000 sq. ft. Occupancy is slated for September 2019 and is currently under construction.

11 Wellesley Residences: A 550,000 sq. ft. development comprising a 60-storey residential building with 739 units. Occupancy is scheduled for fall of 2019.

501 Yonge (The Tea House): The project consists of 51,126 sq. ft. and comprises of two towers - North Tower, 224 units and South Tower, 608 Units. Construction commenced in June, 2016 and occupancy for both towers is expect to be in the fall of 2019.

Additional lead projects that Lanterra has constructed include:

3018 Yonge Street – A 12 storey mid-rise residential condominium with 179 suites located within the Lawrence Park neighbourhood, recently completed.

One Bedford at Bloor (1 Bedford Road) – Completed in 2011, the project comprised a 32 storey development with 254 suites located on the north-east corner of Bloor and Bedford, immediately north of the ROM at the entrance to the Annex residential neighbourhood

The Residences of Maple Leaf Square (55 & 65 Bremner Boulevard) – Completed in 2010, a 2 tower residential development (44 and 40 storeys) built atop a 9 storey commercial podium and 170 room hotel, 200,000 square feet of office space and over 100,000 square feet of retail.

Murano (37 Grosvenor Street – 38 Grenville Street) – Completed in 2009, two towers, 35 and 45 stories, a total of 731 suites and located on the east side of Bay.

Burano (832 Bay Street) – A 50 storey tower with 486 suites.

Toy Factory Lofts – Completed in 2008, the 7 storey project involved the conversion from the original historic Irwin Toy factory to an urban mixed-use live-work complex containing 215 originally designed live-work lofts with over 20,000 square feet of commercial space.

Neptune & Neptune 2 (209 & 215 Fort York Boulevard) – Completed in 2011, the project comprised the third and fourth phases of the Waterpark City community with a 38 and 16 storey residential condominium with a total of 860 suites

22 Condominiums (22 Wellesley Street East) – Completed in 2008, a boutique 23 storey, 158 unit residential condominium located immediately adjacent to the Yonge/Wellesley subway station.

18 Yonge Condominiums (18 Yonge Street) – Completed in 2007, the project consisted of a 39 storey 493 unit residential tower at the foot of Yonge Street/Lake Shore Blvd, immediately to the east of Air Canada Centre.

Waterpark City (219 & 231 Fort York Boulevard) – Completed in 2007, the Waterpark City community comprises 2,000 residential condominium suites which first established the western edge of the Fort York District. The first phase included a 38-storey 1,070 unit tower facing Coronation Park and Lake Ontario connected by a 7-storey podium to the 28-storey Phase 2 tower.

Riverhouse at the Old Mill (30 Old Mill Road) – An 11 storey residential condominium development with 101 suites, completed in 2016.

ICE Condominiums (12 & 14 York Street) – The residential component of York Centre consists of two towers of 67 and 57 stories with a total of 1,343 suites as well as a 31 storey office tower.

## APPENDIX 'C'

### SUMMARY OF CASH FLOWS

Please note that the figures below are presented in thousands (000's)

Period	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Parking Acquisition Costs	(5,717.5)																					
Parking Initial Capital Costs	(125.0)																					
Operating Cash Flow		(14.4)	136.3	294.6	381.3	390.9	400.6	410.7	420.9	431.5	442.2	453.3	464.6	476.2	488.1	500.4	512.9	525.7	538.8	552.3	566.1	
Terminal Value																					8,511	
Total Cash Flow	(5,842.5)	(14.4)	136.3	294.6	381.3	390.9	400.6	410.7	420.9	431.5	442.2	453.3	464.6	476.2	488.1	500.4	512.9	525.7	538.8	552.3	566.1	9,077.3