



Property Transaction/Parking Development: City of Toronto and Reserve Land Corporation/1117 Dundas Street West Ltd. - 1113 and 1117 Dundas St. West (Municipal Carpark 204)

Date: April 3, 2018
To: Board of Directors, Toronto Parking Authority
From: Acting President, Toronto Parking Authority
Wards: Ward 19, Trinity-Spadina

SUMMARY

Toronto Parking Authority ("TPA") and City Real Estate Services ("City RES") have been negotiating major business terms of a property transaction and municipal parking development with Reserve Land Corporation and 1117 Dundas Street West Ltd. (the, "Developer") involving the City-owned properties located at 1113 and 1117 Dundas Street West (also known as Municipal Carpark 204, collectively, the "Subject Properties"), subject to TPA and City approvals. The proposed transaction involves the sale of the Subject Properties to the Developer, save and except for a strata area sufficient to accommodate an underground parking garage which will provide a minimum of 50 spaces, up to a maximum of 60 spaces (current estimate is 55 spaces). The Developer proposes to construct a mixed-use development consisting of residential and retail uses and the underground public parking garage (collectively, the "Development"). As part of the proposed transaction, the City would acquire the public parking garage from the Developer. The garage is to be constructed to 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 (April 3, 2018) and approve that the property transaction/parking development be directed through the real estate approval process as described in Toronto Municipal Code, Chapter 179, Parking Authority, to seek City delegated authority approval, substantially in accordance with the major business terms and conditions set out in Appendix 'B' - *Summary of Major Business Terms*. The proposed transaction/parking development has been assessed under the City RES due diligence procedures and City RES is supportive of the proposed transaction/parking

development. City Legal Services has been engaged and will continue to provide legal services in connection with the proposed transaction. The Local Councillor and City Planning have been consulted through the process.

RECOMMENDATIONS

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 (April 3, 2018) from the Acting President and approve that the property transaction/parking development be directed through the real estate approval process as described in the Toronto Municipal Code, Chapter 179, Parking Authority, to seek City delegated authority approval of the property transaction/parking development, which will involve:

- a) a sale to the Developer of City owned properties located at 1113 and 1117 Dundas Street West (Municipal Carpark 204), save and except for a strata area sufficient to accommodate an underground parking garage;
- b) the purchase of the underground public parking garage with a minimum of 50 spaces and a maximum of 60 spaces; and
- c) entering into all ancillary agreements, including but not limited to, an interim parking lease agreement, restrictive covenant agreement and reciprocal cost sharing agreement, along with all necessary property transfers, easements and undertakings;

substantially under the business, including financial, terms and conditions set out in Appendix 'B' - *Summary of Major Business Terms*, contained in the report (April 3, 2018) of the Acting President, and any such other amended terms and conditions as may be acceptable to the City Manager in consultation with the Acting President.

FINANCIAL IMPACT

A fair market value appraisal of the Subject Properties prepared by Bosley Farr Associates Ltd. and commissioned in accordance with City RES's appraisal terms of reference resulted in a value for the City Subject Properties of \$5,800,000 based on the Developer achieving a final zoned density of approximately 70,308 square feet of total gross floor area ("GFA") in the Development. This translates to a fair market value figure of \$82.50 on a buildable per square foot of GFA basis. The transaction is proposed at a sale price of \$6,300,000 ("Base Purchase Price") (109% of the appraised fair market value) for the sale of the Subject Properties, save and except for a strata area sufficient to accommodate the underground parking garage in the Development.

In the event that the final zoning permits less than 70,308 square feet of total GFA ("Target GFA"), the Base Purchase Price shall be decreased by an amount equal to \$82.50 per square foot of GFA times the number of square feet less than the Target GFA with a floor price of \$5,500,000. Conversely, in the event that the final zoning permits greater than 70,308 square feet of total GFA, the Base Purchase Price will be increased by an amount equal to \$82.50 per square foot of GFA times the number of square feet above the Target GFA.

The current plans received from the Developer, which could be further amended and are subject to the zoning process and requisite approvals, contemplate 66,787 square feet of total GFA (3,521 square feet lower than the Target GFA) which would result in a final value of \$6,009,518.

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 \$50,000 per stall plus HST, for a total cost ranging from \$2,500,000 (plus HST) for the minimum 50 spaces, up to \$3,000,000 (plus HST) for a maximum of 60 spaces. The current estimate is fifty-five (55) spaces for a total of \$2,750,000 (plus HST).

The public parking garage (anticipated to consist of fifty-five (55) spaces, as per current discussions with the Developer) is forecast to generate a stabilized operating income of \$173,214 on an annual basis. Over 25-year and 20-year holding periods, based upon the agreed purchase price, operating cash flows, and expected disposition value (at the end of the respective holding periods) of the public parking garage, we estimate an Internal Rate of Return ("IRR") of 6.9% and 6.3%, respectively, which is over the 5% rate specified as TPA's benchmark criteria.

DECISION HISTORY

At its meeting of December 19, 2011 (Minute No. 11-189), the TPA Board of Directors approved retaining Colliers International ("Colliers") to market the sale of 1117 Dundas Street West / Municipal Carpark 204.

At its meeting of April 25, 2012, (Minute No. 12-067), the TPA Board authorized staff to retain Borden Ladner Gervais LLP to provide legal services in connection with the proposed transaction.

At its meeting of May 22, 2012 (Minute No. 12-088), the TPA Board approved the purchase of the residential house located at 1113 Dundas Street West for a price of \$950,000 plus closing costs. This property (adjacent to Municipal Carpark 204) was purchased and proposed to be included as part of the proposed development since the combined site would achieve a more efficient and desirable parking design and layout.

At its meeting of September 25, 2013 (Minute No. 13-131), 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 Properties to the Developer, save and except for a strata area sufficient to accommodate an underground public parking garage consisting of approximately fifty-five (55) spaces, which was to be acquired by the City and operated by TPA. TPA's conditions including obtaining the requisite approvals were not satisfied and the agreement was deemed terminated as at January 8th, 2018.

On March 15, 2017 (DAF No. 2017-075), the Subject Properties were declared surplus pursuant to the Delegated Authority contained in Government Management Committee Item GM6.18 entitled "Policy with Respect to the Sale / Disposition of Land" adopted as amended by City Council on July 16, 17, 18 and 19, 2007 (By-Law No. 814-2007).

On November 3, 2017 (DAF No. 2017-285), an amendment to DAF 2017-075 was approved to exclude the portion of the public lane which was inadvertently included in the surplus declaration of the Subject Properties in DAF 2017-075.

COMMENTS

Background

1117 Dundas Street West has been operating as a 37-space municipal surface parking facility since November 2000. Municipal Carpark 204 was marketed in early 2012 by Colliers on behalf of TPA. Marketing efforts included direct mail campaigns, newspaper advertising, targeted call campaigns and issuance of a Confidential Information Memorandum to encourage prospective bidders. A total of 193 prospective bidders initially viewed offering information, 28 potential bidders were contacted by Colliers and it was decided that the most favourable offer was provided by the Developer. TPA commenced working with the Developer on formalizing the arrangement through a conditional agreement of purchase and sale.

In 2013, 1113 Dundas Street West was purchased by TPA and City of Toronto to form part of the proposed development and the conditional agreement of purchase and sale was amended. The addition of 1113 Dundas Street West contributed significantly to the achievement of an optimal underground parking garage design which was not possible solely by developing on Municipal Carpark 204.

Over the past few years, the agreement between TPA and the Developer had remained conditional while TPA conducted due diligence on the transaction, including but not limited to the review of parking plans, consultations with City Planning and the Local Councillor, and having the Subject Properties declared surplus. Over the second half of 2017, significant progress was made in satisfying due diligence items (including declaring the property surplus) and advancing negotiations with the Developer. Meanwhile, the new City-wide real estate delivery model was adopted by City Council in 2017 and revisions to TPA authorities under the Municipal Code were subsequently enacted by Council at its meeting in December 2017. Ultimately the conditional 2013 agreement between the TPA and Developer terminated.

However, in early 2018, TPA working in collaboration with City Real Estate Services and in consultation with City Legal Services, negotiated major terms of a new agreement of purchase and sale with the Developer as further detailed in Appendix 'B' - *Summary of Major Business Terms*, subject to TPA Board and City Council delegated authority approvals.

Site Location & Particulars

1117 Dundas Street West (Municipal Carpark 204) was acquired by the City in 2000 for municipal parking purposes and currently operates as a 37-space surface parking facility. 1113 Dundas Street West was acquired by the City in 2013 to form part of the proposed development in order to achieve a larger site area that is more conducive to an efficient and functional parking garage design.

A description of each of the properties follows:

Property	Site Size (Square Feet / Square Meters)	Existing Use
1113 Dundas Street West	2,718 / 253	A two-storey residential property with a garage
1117 Dundas Street West	15,514 / 1,441	Municipal Carpark 204 A 37-space surface parking facility

Development

Current preliminary plans of the Development consist of a 6-storey mixed-use building with 6,205 square meters (66,787 square feet) of total GFA comprising 5,417 square meters (58,307 square feet) of residential GFA and 788 square meters (8,480 square feet) of retail GFA. The below-grade garage will contain a 50 to 60-space (current estimate is 55 spaces) public parking garage to be built to TPA standards and specifications. The Developer has held preliminary meetings with City Planning, the Community, and the Local Councillor over the past few years. Once the proposed transaction is finalized, they will pursue the requisite planning approvals.

Affordable Housing Contribution

TPA, City Real Estate Services and the Affordable Housing Office ("AHO"), with the support of the Local Councillor, have agreed that a contribution will be made from the proceeds of the sale to the AHO, to be used in affordable housing initiatives in the local ward. The contribution amount will be determined through further discussions with the City Real Estate Services, AHO, and the Local Councillor and any requisite approvals will be sought through the appropriate channels.

Developer Profile

Reserve Land Corporation is owned by the Reserve Group of Companies (“Reserve”). Reserve and its principals are active developers in residential, commercial and mixed-use properties with over 75 projects completed in the last several years totaling close to 7,500 residential units and one million square feet of commercial space across North America including Montreal, Toronto and Vancouver. Reserve Land Corporation is also the Developer for another similar project with TPA, at 1445 Bathurst Street, and is therefore familiar with TPA parking specifications and designs.

Parking Supply and Demand

The public parking supply in the catchment area of the existing 37-space surface parking facility consists of on-street paid parking on Dundas Street and Ossington Avenue (which is subject to peak period restrictions), as well as free parking (which is subject to residential permit parking rules and 1-hour duration of stay limits) on surrounding side streets. The existing 37-space surface parking facility currently experiences demand which exceeds capacity during peak daytime and evening periods (peak usage of 125% as per 2017 rate review). The local area has experienced robust growth with average commercial assessments growing well above the average for the City in the past 5 years. The area is expected to continue experiencing rapid growth in retail and hospitality activity with the resulting increase in demand for municipal parking. The proposed Development provides a modest increase of between 13 to 23 spaces (current estimate is an increase of 17 spaces) to the parking supply. The spaces are expected to be heavily utilized.

Development / Financial Analysis

Staff completed financial analyses / assessments in order to determine:

- a) whether the investment in, or acquisition of, the public parking garage would produce a return over the TPA Board approved threshold of 5.0%; and
- b) whether the property transaction / property development scenario (under the major terms and conditions as set out in the body of this report) is more valuable, in financial terms, than continuing to operate the surface parking lot in its current state.

A. Acquisition of the public parking garage

The modeling framework used to determine the returns associated with the purchase of the public parking garage focus on the cash flows associated with the acquisition of the public parking garage only (not including the property sale proceeds) over a 20-year time frame. It includes acquisition costs (including purchase price and due diligence costs/lawyer's fees etc.), parking equipment purchase costs, public parking garage operating revenues and expenses, capital reserve amounts, condo corporation contributions, and the estimated disposition value at the end of the 20-year time frame. The analysis start date corresponds to the estimated completion date of the public parking garage (January 2025). The purpose of the analysis is to determine whether the

public parking garage acquisition (separate from other transaction-related components) produces a return that meets the TPA Board approved benchmark of 5.0%.

A summary of the key assumptions of the 20-year time frame assessment is provided in Table 1.0 - *Summary of Key Assumptions, Acquisition of Parking Garage*, below and a summary of the total cash flows is provided in Appendix 'C' - *Summary of Cash Flows - Public Parking Garage Acquisition*.

Table 1.0 - Summary of Key Assumptions, Acquisition of Parking Garage

Input / Variable	Detail / Assumption	Comments
No. of Current Parking Spaces	37	Current spaces as a surface parking lot.
No. of Underground Parking Spaces to be constructed	55	Anticipated parking spaces, as per current development plans.
Base Case Stabilized Annual Revenue	\$295,601 (\$5,375/stall)	Based on 25% reduction of 2017 annual revenues per stall, inflated by 3.5%, annually, until est. time of garage opening.
Base Case Stabilized Annual Operating Expenses	\$93,578 (\$1,701/stall)	Based on TPA garages of similar size; expenses inflated by 2.5%, annually, until est. time of garage opening.
Base Case Stabilized Annual Property Taxes	\$58,809 (\$1,069/stall)	Based on TPA garages of similar size; expenses inflated by 2.5%, annually, until est. time of garage opening
Base Case Contribution from Condo Corp. to cover TPA operating expenses	\$30,000	Based on est. costs that will be covered by condo corp. for shared elements of public parking garage and as negotiated with Developer.
Revenue Growth Rate	3.5%	Based on historical revenue growth (conservative estimate; 3 year compounded annual growth rate from 2014 to 2017 is 12.4%)
Expense Growth Rate	2.5%	Based on historical patterns.

Input / Variable	Detail / Assumption	Comments
Long Term Inflation Rate	2.0%	Based on Bank of Canada Long term Target Inflation Rate
Capital Reserve	2% of Initial Purchase Price, annually	Based on historical trends.
Initial Set Up Capital Costs	\$100,000	Based on est. signage costs, machine costs and other TPA operational requirements.
Purchase Price of public parking garage	\$2,750,000 + HST	Based on agreed upon \$50,000 per space price for 55 spaces + HST
Closing/Transaction Costs (incl. land transfer tax, HST, lawyer, and other closing and due diligence costs)	\$171,511	Includes all deal associated costs
Terminal Value (@ Year 20) Less 5% provision for selling and closing costs	\$3,882,038	Based on inflationary year-over-year increase of 2.0% of the initial purchase price (this is a conservative methodology).

As a benchmark test, we also completed the same assessment using a 25-year time frame. A summary of the key performance metrics used to assess the viability of the proposed acquisition of the public parking garage is provided below in Table 2.0 - *Summary of Key Metrics*, below.

Table 2.0 - Summary of Key Metrics

20-Year Net Present Value	\$568,446
20-Year Internal Rate of Return	6.3%
25-Year Net Present Value	\$1,000,450
25-Year Internal Rate of Return	6.9%

The 25% per-space reduction in 2017 values to determine revenues generated from the underground parking garage is based on several factors including the lower desirability to parkers of underground parking garages relative to surface parking lots, the commercial component of the Development, and projected growth of the local area.

Another critical component is the design of the garage including layout and street visibility. Due to the dynamic nature of parking, staff conducted a sensitivity analysis on the Stabilized Annual Revenue figures to assess its impact on the 20-year IRR in Table 3.0 - *Sensitivity Analysis on Stabilized Annual Revenue*.

Table 3.0 - Sensitivity Analysis on Stabilized Annual Revenue

Reduction in 2017 Base Revenue	Forecasted 20 Year - Internal Rate of Return ("IRR")
20%	7.0%
25%	6.3%
30%	5.6%

B. Status Quo Scenario relative to Proposed Property Transaction/Property Development Scenario

The modeling framework used to determine the incremental value associated with the property transaction/property development relative to operating the surface parking lot in its current state assesses the net present value ("NPV") of the two scenarios to determine the incremental difference (in today's dollars using TPA Board approved rate of 5.0%) between the two options. The analysis start date for both scenarios is assumed to occur at the projected closing date of the proposed transaction (January 1, 2021). All growth rate assumptions associated with revenue, expenses, property taxes, and inflation are consistent in both scenarios. A summary of the net present value over a 20-year horizon of both scenarios is provided below in Table 4.0 - *NPV of Status Quo Scenario relative to Proposed Property Transaction Scenario*.

Table 4.0 - NPV of Status Quo Scenario relative to Proposed Property Transaction Scenario

NPV of Status Quo scenario	\$2,434,820
NPV of proposed property transaction/ parking development scenario (under major terms and conditions as described in the body of this report)	\$4,964,269

Based on the 25-year Net Present Value of the two (2) scenarios at a discount rate of 5% (TPA Board approved benchmark criteria), the proposed property transaction/ parking development scenario results in an NPV greater than the status quo scenario by \$2,529,449

A brief summary and associated assumptions of the two scenarios is provided:

Status Quo Scenario

This scenario assumes that 1117 Dundas Street West (Municipal Carpark 204) continues to operate as a 37-space surface parking lot and the current structure on 1113 Dundas Street West would be demolished to amalgamate the two sites into a larger surface parking lot generating an additional nine (9) spaces. A summary of key assumptions are provided below in Table 5.0 - *Status Quo Scenario Assumptions*

Table 5.0 - Status Quo Scenario Assumptions

Input / Variable	Detail / Assumption	Comments
No. of Current Parking Spaces	37	Current spaces as a surface parking lot.
No. of Additional Parking Spaces	09	Anticipated parking spaces, as per preliminary development plans
Construction Costs	\$650,000	Includes costs associated with demolition of existing structure, expansion related costs, engineering etc.
Expanded Surface Lot Opening	January 1, 2021	Est. 20-30 months planning / construction period (incl. time for site plan approvals, demolition permits, other requisite approvals)
Annual Revenue	\$231,058 (\$6,245/stall)	2017 annual revenues per stall, inflated by 3.5%, annually, until Jan 2021, and thereafter
Incremental Annual Revenue from 9 additional surface parking spaces	\$56,203 (\$6,245/stall)	Based on annual revenue above
Annual Operating Expenses	\$50,749 (\$1,372/stall)	2017 annual expenses per stall, inflated by 2.5%, annually, until Jan 2021, and thereafter; \$0 for incremental annual expenses
Annual Property Taxes	\$60,906 (\$1,646/stall)	2017 annual property taxes per stall, inflated by 2.5%, annually, until Jan 2021, and thereafter; \$0 for incremental annual expenses
Annual Capital Reserve	\$13,000	Based on 2% of construction costs related to expansion

Property Transaction / Parking Development Scenario

This scenario assumes that the property transaction / parking development under the terms and conditions as set out in the body of this report are finalized. It assesses the NPV using all transaction-related cash flows including lease-back provisions, lost income compensation amounts, interim operating income, sales proceeds less associated deductions (closing costs etc.), public parking garage acquisition costs, public parking garage operating cash flows, and assumed parking garage disposition value at the end of the investment horizon. A summary of key assumptions are provided below in Table 6.0 - *Property Transaction / Parking Development Scenario Assumptions*

Table 6.0 - Property Transaction / Parking Development Scenario Assumptions

Timeline Assumptions

Estimated Date (Subject to Change)	Details / Event
July 1, 2018	Property Transaction / Parking Development Agreement signed by Developer and City
January 1, 2021	Closing Date of Transaction / Leaseback Provision Commences
January 1, 2022	Construction Commencement Date / Lost Income Compensation Commences
January 1, 2025	Public Parking Garage Completion / Lost Income Compensation Ceases

Financial Assumptions

Input / Variable	Detail / Assumption	Comments
Sales Proceeds	\$5,876,232	Est. based on GFA as per current / preliminary plans less AHO contribution (est. \$100,000) and transaction / due diligence costs
Leaseback Provision	\$81,360	Temporary lease back of Subject Properties following closing of property sale
Lost Income Compensation	\$117,565	Est. receipt for 3 years with 2.0% inflation every year

Input / Variable	Detail / Assumption	Comments
Public Parking Garage Opening	January 1, 2025	
Public Parking Garage Cash Flows	As shown in Table 3.0: Summary of Key Assumption - Public Parking Garage Acquisition	

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 been completed and the Subject Properties have been declared surplus based on recommendations of the relevant staff committees. Upon approval of the recommendations in this report by the TPA Board of Directors, TPA and Real Estate Services staff will seek delegated authority approval from the City for the proposed transaction. Following the completion and acceptance of the agreement of purchase and sale by the Developer and the City, the Developer will file a preliminary application with City Planning officials to commence the rezoning process required to complete the Development for the Subject Properties.

CONTACT

Vin Madan, Director of Real Estate, (416) 393-7285, vmadan@toronto.ca

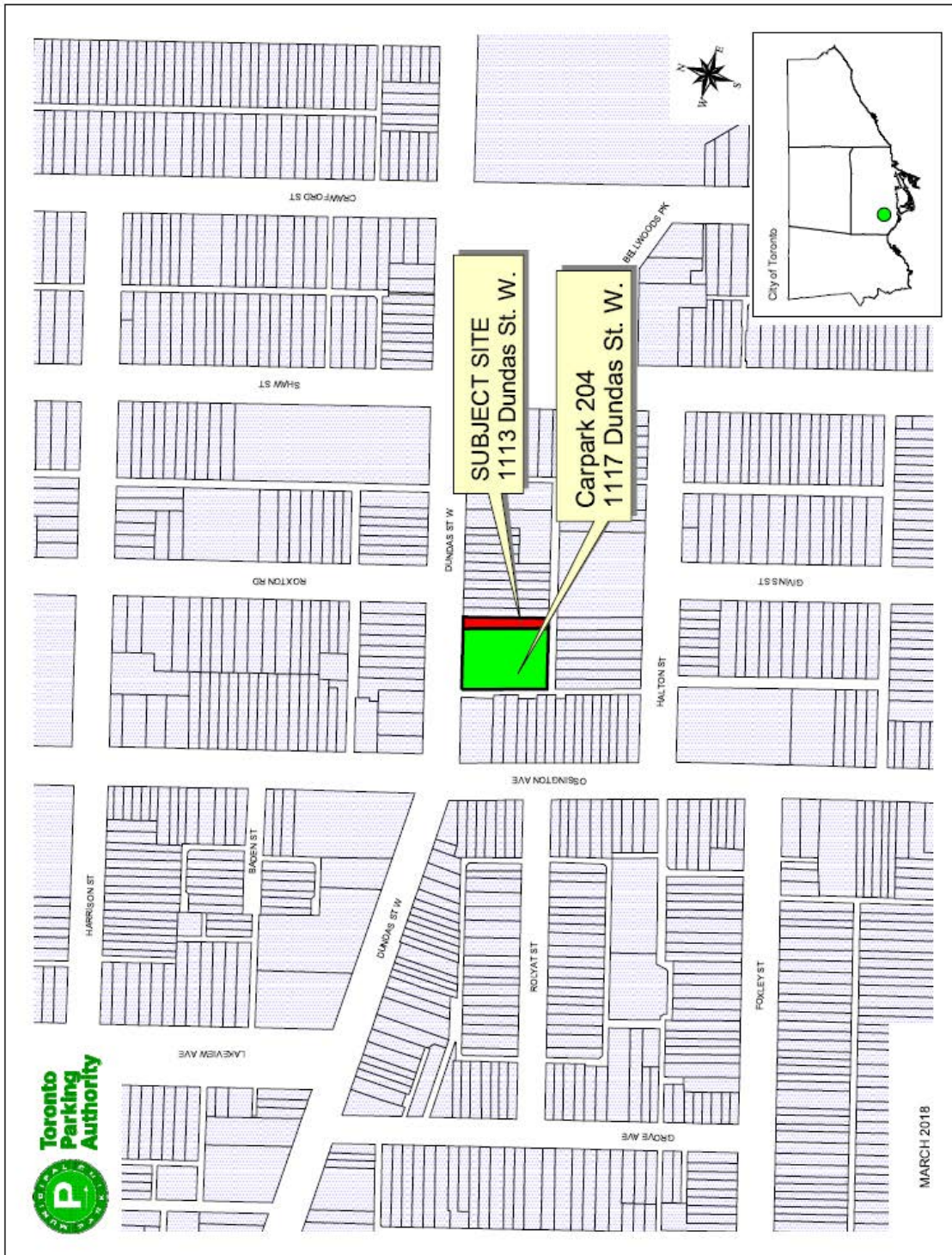
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Andrew Koropeski
Acting President, Toronto Parking Authority

ATTACHMENTS

- Appendix 'A' - Site Location Map
- Appendix 'B' – Summary of Major Business Terms
- Appendix 'C' – Summary of Cash Flows - Public Parking Garage Acquisition

APPENDIX 'A' - SITE LOCATION MAP



APPENDIX 'B'

SUMMARY OF MAJOR TERMS

Purchaser/Developer	Reserve Land Corporation & 1117 Dundas Street West Ltd.
Vendor/City	City of Toronto
Subject Property	Part of 1113-1117 Dundas Street West, 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 whereon the public parking garage will be located.
Public Parking Garage	The Developer shall construct the public parking garage consisting of no more than 60 spaces and a minimum of 50 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	<p>The Base Purchase Price for the Subject Property is Six Million Three Hundred Thousand (\$6,300,000).</p> <p>In the event that the final zoning permits less than 70,308 square feet of total GFA, the Base Purchase Price shall be decreased by an amount equal to \$82.50 per square foot of GFA times the number of square feet less than the Base, with a floor price of \$5,500,000. \$82.50 is the fair market value of the zoned density per square foot.</p> <p>Conversely, in the event that the final zoning permits greater than 70,308 square feet of total GFA, the Base Purchase Price will be increased by an amount equal to \$82.50 per square foot of GFA times the number of square feet above the Base.</p>

<p>Closing (of the Subject Properties)</p>	<p>The Closing of this transaction of purchase and sale shall take place ninety (90) days following the date that the Property is zoned in final form; (If the Subject Property is not zoned in final form within the thirty (30) month period from the acceptance of the agreement of purchase and sale, either party may terminate the transaction.</p>
<p>City's Reserved Easement</p>	<p>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>
<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"> • 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 • 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.

<p>Reciprocal Agreement</p>	<p>On or before the Closing, the Developer and the City will settle 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>On the Public Parking Garage Turnover, the Developer (and the future condominium corporation as successor to the Developer) shall pay to the Vendor an amount per annum, payable in monthly instalments in advance in each year of the term of the Reciprocal Agreement, equal to \$30,000 plus HST per annum, adjusted for inflation, as compensation to the City for the costs and expenses related to the condo corporation's use of the Public Parking Garage to access the residential portion 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 \$6,000 / month (plus HST)</p>
<p>Interruption of Public Parking and Lost Revenue Compensation</p>	<p>The Developer agrees to compensate the City for the income lost during the period of construction, which compensation shall be paid by the Developer to the City monthly in the sum of \$8,500.00 (plus HST) (annually adjusted based on the C.P.I. with the base year being the third anniversary of this Agreement)</p>

<p>Restrictive Covenant Agreement</p>	<p>On or before the Closing Date, the Developer shall deliver to the City the following restrictive covenants:</p> <p>No parking spaces within the balance of the public parking garage or elsewhere upon the Subject Properties or any abutting lands owned or acquired by the Developer for the Development or used in connection with the Development, save for the public parking garage, shall be used as a commercial parking lot, nor shall such parking spaces be operated by a third-party commercial parking lot operator without the prior written consent of the City, which may be unreasonably or arbitrarily withheld in its sole and absolute direction</p> <p>The Developer acknowledges and agrees that the gross floor area of the Development shall not exceed 73,000 square feet without the City's prior written consent first having been obtained, which may be withheld in the City's sole and absolute discretion.</p>
<p>Public Parking Garage Consideration</p>	<p>On the Public Parking Garage Turnover, the City shall pay to the Developer the sum estimated to be Two Million and Five Hundred Thousand (\$2,750,000) (plus HST) based on 55 spaces as consideration for the construction of the Public Parking Garage. In the event that the Development provides for more than 50 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 \$50,000 per space by the number of spaces above/below 55. The Public Parking Garage will consist of not less than 50 spaces and the City will purchase any increase in spaces in the Public Parking Garage in excess of 50 parking spaces but not more than 60 parking spaces.</p>
<p>Public Parking Garage Turnover</p>	<p>The Public Parking Garage Turnover shall occur on the sixtieth (60) Business Day following substantial completion.</p> <p>Substantial completion of the public parking garage is expected to occur thirty six (36) months following construction commencement.</p>

<p>Environmental</p>	<p>The Agreement will include an acknowledgment by the Developer that it is purchasing the Property on an "as is" basis, including but not limited to 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 in respect of the Subject Property, the Retained Lands or any of the Developer's obligations</p> <p>The Developer will release the TPA and the City from all claims arising out of the pre-existing environmental condition of the Subject Property and the Retained Lands.</p> <p>The Developer will have environmental obligations in respect of the Development, including:</p> <ul style="list-style-type: none"> • retain a "Qualified Person" under the Environmental Protection Act who is acceptable to the City and the City's peer reviewer; • carry out all remediation of the Subject Property and the Retained Lands to the satisfaction of the City and the City's peer reviewer such that no Certificates of Property Use will be imposed by the Ministry of Environment and Climate Change; • cause a Record of Site Condition to be filed in respect of the Subject Property and Retained Lands; • comply with the MOECC's Management of Excess Soil - A Guide for Best Management Practices or any subsequent MOECC regulations dealing with removal and handling of excess soil. <p>From and after the Public Parking Garage Turnover, the City/TPA will assume environmental responsibility for the portion of the Retained Lands containing the Public Parking Garage.</p>
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APPENDIX 'C' - SUMMARY OF CASH FLOWS - PUBLIC PARKING GARAGE ACQUISITION (IN THOUSANDS)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Year	-																				
Parking Acquisition (incl. acq. Costs)	(2,922)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Initial Parking Related Capital Costs	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow	-	(30)	64	133	140	148	157	165	174	184	193	203	214	225	236	248	260	273	286	299	313
Terminal Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,882
Total Cash Flow	(3,022)	(30)	64	133	148	157	165	174	184	193	203	214	225	236	248	260	273	286	299		4,195