



REPORT FOR ACTION

Acquisition of Parking Spaces: City of Toronto and Charlotte King Residents Corp. - 400-420 King Street West

Date: November 8, 2019
To: Board of Directors, Toronto Parking Authority
From: Acting President, Toronto Parking Authority
Wards: Ward 10, Spadina-Fort York

SUMMARY

Toronto Parking Authority (TPA), CreateTO and City Real Estate Services (City RES) are proposing major business terms of a property transaction that involves the acquisition of underground parking spaces located at 400-420 King Street West (collectively, the Property) from Charlotte King Residents Corp. (the Developer) in connection with a rezoning application for the Property. The proposed transaction involves the acquisition of a strata area that is sufficient to accommodate the portions of an underground parking garage that will provide a minimum of 22 spaces, up to a maximum of 25 spaces, on the Property.

Charlotte King Residents Corp., the owners of 400-420 King Street West (the Property) have submitted an application to amend the City of Toronto's Zoning By-law to permit a 49-storey mixed-use building with approximately 633 residential condominium units, 10,391.9 metres square of retail and office space and 136 underground parking spaces.

Following lengthy negotiations between the Developer, City Planning, and CreateTO, an opportunity has been identified to add municipal parking in this location to offset some of the 180 on-street spaces that were removed as part of the King Street Transit Priority Corridor, including 31 spaces within one block of the subject site.

The proposed transaction forms part of a proposed settlement between the City and the Developer that was endorsed by City Council at its meeting of July 16, 17 and 18, 2019. The settlement will be further considered by the Local Planning Appeal Tribunal (LPAT).

TPA has conducted a business case analysis to support the acquisition of the public parking spaces. The business case analysis identifies an Internal Rate of Return (IRR)

of 9.1 percent, which meets the 5 percent benchmark criteria established by TPA policies and guidelines for the acquisition of new facilities.

This report is requesting that the TPA Board of Directors approve that the property transaction be directed through the City RES delegated approval process to authorize a purchase and sale agreement to acquire 22 - 25 underground parking spaces at 400-420 King Street West from the Developer for a purchase price of between \$1,650,000 and \$1,875,000 (\$75,000 per space). Additional funding of up to \$150,000 in associated closing costs are also required. Sufficient funding is available in the TPA's 2019 Capital Budget and 2020 - 2028 Capital Plan for this purchase.

RECOMMENDATIONS

The Acting President, Toronto Parking Authority recommends that:

1. The Board of Directors of Toronto Parking Authority approve that the property transaction be directed through the real estate approval process, as outlined in Section 8.1 (Delegated Real Estate Authority) of the City of Toronto Municipal Code Chapter 179, Toronto Parking Authority, to seek City delegated authority approval of the property transaction, which will involve:

- a. purchasing the portions of an underground public parking garage located at 400-420 King Street West on the P1 level to accommodate a minimum of 22 spaces and a maximum of 25 spaces at a cost of \$75,000 per space plus Harmonized Sales Tax under a Purchase and Sale Agreement for a total cost ranging from \$1,650,000 (plus Harmonized Sales Tax) for a minimum 22 spaces and up to \$1,875,000 (plus Harmonized Sales Tax) for the maximum 25 spaces;
- b. entering into all ancillary agreements, including but not limited to, reciprocal cost sharing agreements, along with all necessary transfers, easements, and undertakings; and,
- c. incurring additional Toronto Parking Authority expenditures of up to \$150,000 to cover ancillary costs associated with this project such as legal fees, Harmonized Sales Tax, and Land Transfer Tax;

substantially on the terms and conditions in Appendix B and on such other terms and conditions deemed acceptable to the President, Toronto Parking Authority, and the Deputy City Manager, Corporate Services, in consultation with CreateTO.

FINANCIAL IMPACT

The City will acquire the underground parking spaces and operate under the jurisdiction of TPA at an agreed price of \$75,000 per stall, for a total cost ranging from \$1,650,000 (plus HST) for the minimum 22 spaces and up to \$1,875,000 (plus HST) for the

maximum 25 spaces. Additional funds in the amount of \$150,000 (plus HST) are required to address closing costs.

Sufficient funding for the acquisition of the underground parking (22 to 25 parking stalls) is included in the TPA's 2019 Capital Budget and 2020 - 2028 Capital Plan.

A financial analysis was undertaken to forecast the IRR for the acquisition of the underground parking spaces. Based on the analysis completed, an IRR of 9.1 percent is expected over a 20-year period, which exceeds TPA's benchmark criteria of 5 percent.

DECISION HISTORY

At its meeting of July 16, 17 and 18, 2019 (Item No. CC9.24), City Council endorsed a proposed settlement with the Developer that will involve the TPA's acquisition of the portions of the underground parking garage needed to accommodate a minimum of 22 and a maximum of 25 parking spaces. The spaces are to be purchased at a price of \$75,000 per stall and will be funded from TPA retained earnings. The Developer will also include City ownership of a service elevator, ground level lobby and stairwell providing direct street access to the TPA parking garage off of King Street West or, if not feasible, Charlotte Street. Additional information can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC9.24>

At its meeting of April 16 and 17, 2019 (Item No. EX4.2), City Council authorized that King Street from Bathurst Street to Jarvis Street continue to operate as a Transit Priority Corridor. Additional information can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX4.2>

At its meeting of January 16, 2018 (Item No. TE29.36), Toronto and East York Community Council approved staff to schedule a community consultation meeting for the lands pertaining to 400 and 420 King Street West; notice for the community consultation meeting be given to landlords and residents within 120 meters; and notice for the public meeting under the Planning Act be given according to the regulations of the Planning Act. Additional information regarding this can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.TE29.36>.

At its meeting of July 4, 5, 6 and 7, 2017, City Council adopted the report EX26.1 Proposed King Street Transit Pilot - Bathurst Street to Jarvis Street with amendments. Implementation of the King Street Transit Pilot resulted in the temporary removal of 180 on-street parking spaces along King Street from Bathurst Street to Jarvis Street, including 31 spaces in the immediate vicinity of the Property. Additional information can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.1>

At its meeting of May 24, 2017 (Item No. EX25.9), City Council approved a new real estate service delivery model for the City government that centralized all real estate activities City-wide, including all real estate strategy and portfolio planning, major building projects, developments, real estate transactions and facilities management. In addition Council established a new City agency (Toronto Realty Agency) and delegated

its authority pursuant to Section 143(1) of the City of Toronto Act, 2006 to manage the City's real estate portfolio, develop City buildings and lands for municipal purposes and deliver client focused real estate solutions to City Divisions, Agencies and Corporations. The decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9>

Since this decision, the new City agency referred to as Toronto Realty Agency has been renamed to CreateTO.

COMMENTS

Background

In 2018, CreateTO brought TPA into discussions with the Developer of the Properties at 400-420 King Street West and other City divisions in an effort to help TPA alleviate the public parking deficiency resulting from the removal of on-street parking associated with the King Street Transit Priority Corridor. This project which addresses the interests of City Planning and Development, RES, Parks, Forestry and Recreation (PFR), Economic Development and TPA is one of the first examples of City building under the new City Real Estate model.

Given the financial and service-oriented merits (including additional public parking in an area of significant deficiency) of the proposal, TPA recommends proceeding with the purchase of parking at this location.

Development

The Property is located on the north east corner of King Street West and Charlotte Street and is currently occupied by a two-storey commercial building containing 4,450 square metres of retail uses with underground parking and access to loading space for the current building is accessible from Charlotte Street (see attached Site Location Map). The Property has 61 metres of frontage along King Street West and 41 metres of frontage along Charlotte Street.

The proposed Development consists of a 49-storey mixed use building with 43,200 sq. m. (465,000 sq. ft.) of GFA including:

- Residential 39,818 sq. m. (428,597sq. ft.), 633 units;
- Retail 2,436 sq. m. (26,220.0 sq. ft.); and
- Commercial 962 sq. m. (10,354.9 sq. ft.).

The below-grade garage will contain an estimated 136 parking spaces on three (3) levels below grade. TPA's parking spaces would be contained on the first level and include 22 to 25 parking spaces.

At its meeting of July 16, 17 and 18, 2019, City Council endorsed a proposed settlement with the Developer that involves the TPA's acquisition of the portions of the underground parking garage needed to accommodate a minimum of 22 and a maximum of 25 parking spaces. The spaces are to be purchased at a price of \$75,000 per stall and will be funded from TPA retained earnings. The Developer will also include City ownership of a service elevator, ground level lobby and stairwell providing direct street access to the TPA parking garage off of King Street West or, if not feasible, Charlotte Street.

Given that the design of the project had been substantively completed prior to TPA involvement, the design varies somewhat from TPA design specifications for parking garages. The garage is designed in accordance with the stall dimensions required in the City of Toronto Zoning By-law 438-86 for the former City of Toronto which have deeper parking stalls and narrower aisles. Due to the small size of the facility and the parking deficiency associated with the King Street Transit Priority Corridor, TPA staff are prepared to accept the proposed stall and aisle dimensions. All other TPA design specifications will be met.

Developer Profile

Charlotte King Residents Corp. is a joint venture project between Plazacorp Investments Limited (Plazacorp) and Main and Main Developments (Main + Main). Both Plazacorp and Main + Main have numerous projects throughout the City. Summarized under Appendix C - Summary of Projects.

Parking Supply and Demand

King-Spadina is one of the highest growth areas in the City of Toronto. Comprised of a unique mix of land uses, the area contains a large concentration of jobs in the culture sector, growing residential communities, historic and well-used parks, animated commercial main streets, a lively arts scene including theatres, live music venues and galleries, and a vibrant nighttime economy.

The King-Spadina area has historically seen strong demand for public parking. The implementation of the King Street Transit Priority Corridor resulted in the loss of 180 on-street parking spaces along King Street from Bathurst Street to Jarvis Street, including 31 spaces in the immediate vicinity of the Property.

TPA maintains two parking facilities nearby at Car Park 212 (363 Adelaide Street West - 23 surface parking spaces) and Car Park 227 (105 Spadina Avenue - 14 surface parking spaces). Parking usage at both Car Park 212 and 227 is extremely high as is identified in Table 1.0.

Table 1.0 - Parking Usage at Car Park 212 - 363 Adelaide Street West and Car Park 227 - 105 Spadina Avenue

Municipal Car Park No.	Address	Distance to Subject Property	Usage (May 2019)
227	105 Spadina Avenue	150 metres	95 percent
212	363 Adelaide Street West	150 metres	99 percent

Given that the existing neighbourhood is evolving as well as the consistently high usage and revenues in the nearby TPA facilities, the addition of parking spaces will help accommodate the existing and future parking demands.

Financial Analysis

Staff completed a financial analysis to forecast the IRR that is expected through the acquisition of the public parking spaces over a 20-year time frame. A summary of the key assumptions is provided in Table 2.0 - *Summary of Key Assumptions (22 Spaces)*.

Table 2.0 - Summary of Key Assumptions (22 Spaces)

Input / Variable	Detail / Assumption	Comments
No. of Parking Spaces	22	Anticipated parking spaces, as per current development plans
Base Case Stabilized Annual Revenue	\$227,499 (\$10,341 per space)	Based on 40 percent reduction of 2018 annual revenues of nearby facilities per stall, inflated by 2.5 percent per year for 3 years (est. time of garage opening)
Base Case Stabilized Annual Operating Expenses	\$44,000 (\$2,000/stall)	Based on TPA garages of similar size (Car Parks 157, 171, 178)
Base Case Stabilized Annual Property Taxes	\$44,000 (\$2,000/stall)	Based on TPA garages of similar sizes
Revenue Growth Rate	2.5 percent	Based on anticipated inflation

Input / Variable	Detail / Assumption	Comments
Expense Growth Rate	2.5 percent	Based on anticipated inflation
Capital Reserve	8 percent of Annual Revenues	TPA annual reserve target
Initial Set Up Capital Costs	\$90,000	Based on est. machine costs and other TPA operational requirements
Purchase Price	\$1,650,000	Based upon agreed price for 22 spaces
Closing/Transaction Costs (incl. land transfer tax, HST, lawyer, and other closing and due diligence costs)	\$150,000	Estimated costs
Terminal Value	\$3,878,292	At year 20 net revenue capped at TPA Board approved capitalization rate of 5 percent

The base case stabilized annual revenue has been derived using the 2018 revenue generated at the two (2) surface car parks near the Development (Car Parks 227 - 105 Spadina Avenue and Car Park 212 - 363 Adelaide Street West). The forecasted revenue has been reduced by 40 percent to reflect TPA's experience that underground parking garages typically perform 30 percent to 35 percent below similarly situated surface car parks and to account for the design of the garage which has been configured with narrow drive aisles

A sensitivity analysis on the Stabilized Annual Revenue was completed and the results are estimated and indicated in Table 3.0 - *Sensitivity Analysis on Stabilized Annual Revenue*.

Table 3.0 - Sensitivity Analysis on Stabilized Annual Revenue

Surface Lot Revenue Reduction Scenarios	Estimated Investment Internal Rate of Return
35 percent	10.2 percent
40 percent (base case scenario)	9.1 percent
45 percent	7.8 percent

The sensitivity analysis indicates that even at a 45 percent reduction in the per stall parking revenues relative to 2018 values would still produce an IRR that meets the 5 percent benchmark criteria established by TPA policies and guidelines.

Next Steps and Timelines

Upon approval of the recommendations in this report by the TPA Board of Directors, the TPA, CreateTO and RES will negotiate an Agreement of Purchase and Sale (APS) to acquire the public parking spaces. The terms of the APS will be subject to Delegated Approval authorization. City Legal requires TPA Board of Directors direction on the Agreement of Purchase and Sale before it can support the Zoning By-law Amendment at the LPAT.

CONTACT

Ian Maher, Vice President of Parking Strategy, Policy, Planning and Technology, 416-393-7291, ian.maher@toronto.ca

Jeffrey Dea, Director of Parking Strategy, Policy and Planning, 416-393-7292, jeffrey.dea2@toronto.ca

SIGNATURE

Robin Oliphant, Acting President
Toronto Parking Authority

ATTACHMENTS

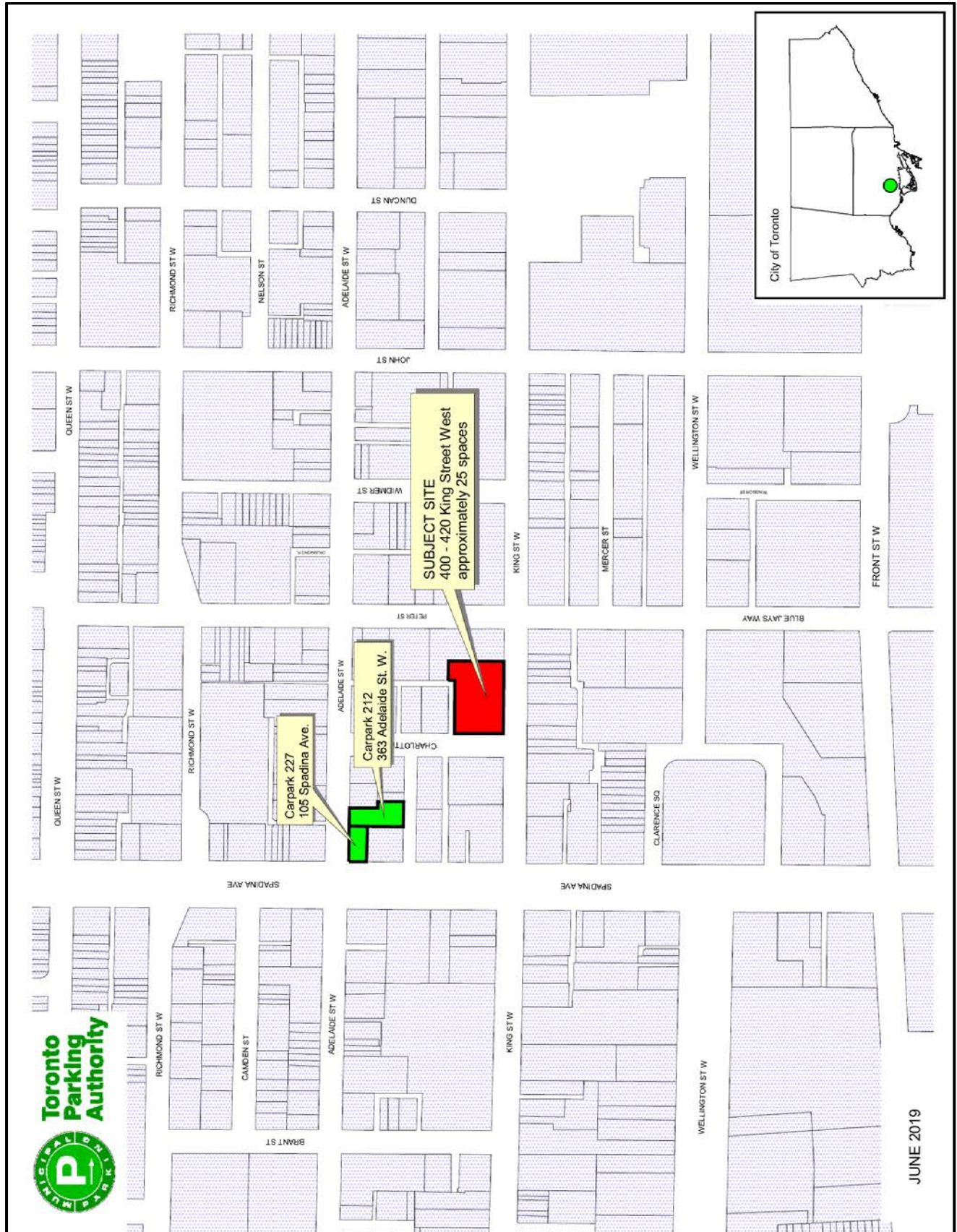
Appendix A - Site Location Map

Appendix B - Summary of Major Terms

Appendix C - Summary of Cash Flows

Appendix D - Summary of Projects

APPENDIX A - SITE LOCATION MAP



APPENDIX B - SUMMARY OF MAJOR TERMS

Vendor	Charlotte King Residents Corp.
Subject Property	400-420 King Street West, 22-25 spaces on P1 level of parking garage
Public Parking Garage	<p>The Developer shall construct the public parking garage consisting of between 22 and 25 parking spaces to be located on the first parking level of the building below-grade in accordance with the requirements contained in City Zoning By-laws 438-86 and 569-2013.</p> <p>The dimensions of the parking spaces and drive aisles being purchased by the City / TPA would neither be designed nor built to TPA standards. All other TPA design specifications will be met.</p> <p>The Public Parking Garage will include City ownership of a service elevator, ground level lobby and stairwell providing direct street access to the Public Parking Garage at the southeast corner of the building fronting on King Street West, or if it is not physically possible to utilize the King Street West frontage, the Charlotte Street frontage could be utilized, subject to the final location being acceptable to TPA.</p> <p>Access to shared areas (entrance / exit ramps, stairwells, elevators, lobbies, corridors, walkways, mechanical areas) will be granted to the City under registered Easements.</p> <p>The Public Parking Garage will not include any ancillary gross floor area space, such as storage rooms or washrooms.</p>

Closing	The Closing of the public parking garage is expected to take place upon substantial completion of the public parking garage (the Public Parking Garage Turnover).
Reciprocal Agreement	Any cost-sharing and maintenance/repair obligations in respect of shared areas of the building will be set out in a Reciprocal Agreement entered into on the Public Parking Garage turnover, concurrent with the transfer of the Public Parking Garage and Easements;
Public Parking Garage Consideration	The Public Parking Garage Consideration for the construction and delivery of the completed public parking garage will be paid on the Public Parking Garage Turnover and is estimated to be One Million Eight Hundred Thousand and Seventy Five (\$1,875,000)(plus HST) based on 25 spaces In the event that the Development provides fewer than 25 spaces for the public parking garage, then the Public Parking Garage Consideration shall be adjusted accordingly by way of a decrease to the Public Parking Garage Consideration in the amount of \$75,000 per space, which in the case of 22 spaces would be \$1,650,000.00 plus HST. The public parking garage will consist of not fewer than 22 spaces.

APPENDIX C - SUMMARY OF CASH FLOWS

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

Period	YR0	YR 1	YR2	...	YR20	NPV
Acquisition Cost	(1,800.0)					(1,800.0)
Initial Implementation Costs	(90.0)					(90.0)
Operating Cash Flow		64.4	124.3		193.9	1,715.6
Terminal Value					3,878.3	1,325.8
Total Cash Flow	(1,890.0)	64.4	124.3	...	4,072.2	1,151.4
Internal Rate of Return						9.1%

APPENDIX D - SUMMARY OF PROJECTS

The following are a list of some projects by Plazacorp and Main + Main that are currently in the pre / construction or occupancy phase of development:

Plazacorp¹

The Met (Jane Street and Highway 7, Vaughan)

Plazacorp together with the property owner are constructing a 35-storey, 570 unit residential condominium tower above three levels of underground parking. Development is expected to be completed in December 2019 and will also include 62 townhouses.

One Yorkville (Yonge and Yorkville)

The property owner and Plazacorp are working together to develop a 58-storey, 564 unit residential condominium. The development includes one level of retail and five levels of below grade parking. Construction is expected to be completed in February 2020.

Nahani (Huronario and Eglinton Avenue)

Plazacorp is undertaking a joint venture with the property owner to develop a 36-storey, 402 unit condominium tower. The project is under construction with an estimated completion date of 2021.

Main + Main²

Yonge + Roselawn (2400-2444 Yonge Street)

The prospective redevelopment of this 2.1 acre land on the west side of Yonge Street and Roselawn is still in the planning phase. The proposal details a mixed-use development consisting of two residential towers (27 and 23 storeys), a 9 storey podium comprised of ground floor commercial and residential above, 6 blocks of 3 storey townhouses.

Dundas + Kipling Station (5245-5249 Dundas Street West)

The development of a 40 storey, 330 unit residential tower with 3 floor of grocery retail at grade is currently under construction.

¹ Plazacorp (2019). *Plazacorp Projects Under Development*. Retrieved from <http://www.plazacorp.com/projects>

² Main + Main (2019). *Projects*. Retrieved from <https://mainandmain.ca/allprojects>