



REPORT FOR ACTION

Property Transaction/Parking Development at Municipal Car Park 282, 838 Broadview Avenue

Date: November 12, 2019
To: Board of Directors, Toronto Parking Authority
From: Acting President, Toronto Parking Authority
Wards: Ward 14 Toronto-Danforth

SUMMARY

Toronto Parking Authority (TPA), the City's Housing Secretariat and City Real Estate Services (City RES) have been working together through CreateTO on the major business terms of a property transaction with a Developer involving the City-owned property located at 838 Broadview Avenue, also known as Municipal Car Park 282 (the Subject Property) and adjacent lands owned by the Developer at 840-844 Broadview Avenue (Developer Lands) (collectively, Development Lands). The proposed transaction involves the sale of the Subject Property (to a certain ceiling height) to the Developer and the subsequent acquisition of a strata area sufficient to accommodate the portions of an underground parking garage which would provide approximately 33 spaces on the Development Lands. The Developer is proposing to construct a residential development including 69 residential condominium units, 16 affordable housing units and an underground parking garage (collectively, the "Development").

As part of the overall development, the City would acquire the portions of the parking garage containing approximately 33 spaces and approximately 16 affordable housing units from the Developer. The public parking garage would be constructed in accordance with TPA standards and specifications and operated by TPA as a municipal parking facility. The affordable housing units would be owned by the City and leased to a non-profit operator.

TPA has conducted a business case analysis to support the acquisition of the public parking spaces. Based on the proposed terms of the transaction, the business case analysis identifies a 8.6 percent Internal Rate of Return (IRR) over a twenty year period plus terminal value, which is above the 5 percent benchmark criteria established by TPA policies and guidelines for the acquisition of new facilities.

This report is requesting TPA Board of Directors to approve the property transaction to be directed through the City RES delegated approval process to authorize a Purchase and Sale Agreement to sell the Subject Property and to acquire 31 to 35 underground parking spaces from the Developer of the Development Lands (838-844 Broadview Avenue) for a purchase price for an agreed upon cost of \$37,500 per space (\$1,162,500 for 31 spaces, \$1,237,500 for 33 spaces, \$1,312,500 for 35 spaces). Additional funding of up to \$85,000 in associated closing costs are also required. Sufficient funding is available in TPA's 2019 Capital Budget and 2020-2028 Capital Plan for this purchase.

The proposed transaction has been assessed in accordance with City RES' due diligence procedures and City RES is supportive of the proposed transaction. All further due diligence will be conducted in accordance with City RES' due diligence procedures. The overall transaction is also subject to a number of other approvals through the City's processes, including the proposed acquisition of affordable housing units within the Development. The local Councillor has been consulted throughout the process.

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. the sale of 838 Broadview Avenue up to a certain ceiling height at an agreed price of \$4,090,000 plus Harmonized Sales Tax (HST);
- b. the purchase of the portions of an underground public parking garage located at 838 - 844 Broadview Avenue on the P1 level to accommodate a minimum of 31 spaces and a maximum of 35 spaces at a cost of \$37,500 per space plus HST for total cost ranging from \$1,162,500 (plus HST) for a minimum of 31 spaces and \$1,312,500 (plus HST) for a maximum 35 spaces;
- c. entering into a Purchase and Sale Agreement and all ancillary agreements, including but not limited to, reciprocal cost sharing agreements, along with all necessary transfers, easements and undertakings; and,
- d. incurring additional Toronto Parking Authority expenditures of up to \$85,000 to cover ancillary costs associated with this project such as legal fees, HST, and Land Transfer Tax;

substantially on the terms and conditions in Appendix A 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

A fair market value appraisal of the property was commissioned in accordance with City RES's appraisal terms of reference. Bosley Farr & Associates, which carried out the appraisal on behalf of RES, confirmed a value of \$4,090,000, which the Developer has agreed to pay for the Subject Property.

As a component of the transaction, the City would acquire the stratified rights to the first level of the underground parking garage containing a minimum of 31 and a maximum of 35 parking spaces. The parking garage will be operated by TPA. The cost of the parking spaces will be \$37,500 per stall plus HST. The total cost of the transaction ranges from \$1,162,500 (plus HST) for the minimum 31 spaces, up to \$1,312,500 (plus HST) for a maximum of 35 spaces. Based on the current development plans, the current estimate is 33 spaces, which will increase the number of parking spaces from the current total of 11 by an additional 22 spaces.

In addition, it is also contemplated that 16 affordable housing units will be constructed by the Developer to Housing Secretariat's standards and specifications. These units will be the subject of an affordable housing report and transaction.

Based on the proposed terms of the transaction, the business case analysis identifies an 8.6 percent IRR over a twenty year period, which is above the 5 percent benchmark criteria established by TPA policies and guidelines for the acquisition of new facilities.

DECISION HISTORY

At its meeting of March 31 and April 1, 2016, City Council authorized the acquisition of 838 Broadview Avenue. Acquisition of the property was undertaken with the intent of retaining the existing commercial building as a rental property and operating the ancillary parking area as a TPA parking lot, until such time as the site could be redeveloped for a mid-rise building with ancillary surface/underground parking and in keeping with the Broadview Avenue Planning Study. Additional information can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM10.9>

At its meeting of June 7, 8 and 9, 2016, City Council amended the Official Plan to reflect the recommendations made as part of the Broadview Avenue Planning Study. The Study included policies and guidelines that are intended to support vibrant, high quality, appropriately scaled, single or mixed-use development in the study area. This Development Site is classified as Character Area A (from Danforth Avenue to Chester Hill Road) with intensification in the form of mixed-use, mid-rise buildings anticipated. Additional information can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.TE16.5>

At its meeting of May 24, 2017 (Item No. EX25.9), City Council approved a new real estate service delivery model for the City 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. Additional information 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.

City Council on December 9 and 10, 2015, adopted EX10.18 Affordable Housing Open Door Program, with amendments, which detailed land, planning and financial actions to enhance the City's ability to deliver affordable housing and achieve its approved housing targets, Council adopted actions to better utilize surplus public lands and provide financial contributions for new affordable housing from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116). The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/view/AgendaItemHistory.do?item=2015.EX10.18>

At its meeting of July 16, 17 and 18, 2019, City Council requested the General Manager, Transportation Services to initiate the detailed design for a pilot project with eastbound and westbound cycle tracks on Danforth Avenue from Coxwell Avenue west to Broadview Avenue, which takes loading and unloading issues into account.

Additional information can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE6.11>

COMMENTS

Background

TPA acquired the lands at municipal address 838 Broadview Avenue on April 27, 2016 at a cost of \$3,215,000 plus associated costs of \$110,000. At the time, the lands contained two commercial units fronting Broadview Avenue and an 11-space surface parking facility at the rear of the lot. Following the acquisition of the property, TPA upgraded the surface parking and converted it to paid parking (Car Park 282) and has to date, maintained the commercial buildings as rental properties.

In 2018, the Owners of 840 to 844 Broadview Avenue (Developer Lands), approached the City with a proposal to acquire 838 Broadview Avenue and construct a mixed use building comprising ground floor retail and above grade residential uses on the consolidated lands. As the City had introduced its new real estate model, discussions were initiated between CreateTO and the Developer to determine whether TPA and Housing Secretariat had interest in a Joint Venture Project that would leverage the use of Car Park 282 for an expanded public parking supply and affordable housing.

Affordable housing was one of the priority issues identified by City Council for the 2018-2022 term. In partnership with CreateTO, Housing Secretariat and City RES, this project would showcase the City's new Real Estate Model to maximize and leverage the benefits of City-owned lands to provide multiple services.

Site Location & Particulars

The Subject Property is located a short distance north of Danforth Avenue and TTC Broadview Subway Station. The property consists of two commercial units fronting Broadview Avenue, with 11 surface parking spaces provided at the rear, which are accessed via Pretoria Avenue and operated by the TPA as Car Park 282 (see attached Appendix B - *Site Location Map*). The Subject Property has frontage along Broadview Avenue of approximately 20 metres (66 feet) and a frontage along Pretoria Avenue of approximately 41 metres (135 feet). The Developer owns the adjacent commercial-residential lands to the north (840 - 844 Broadview Avenue), with a frontage of 20 meters (66 feet) along Broadview Avenue.

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

Property	Site Size (Square Meters / Square Feet)	Percent of Total Size (approx.) of Development Lands	Existing Use
838 Broadview Avenue ("Subject Property")	809 / 8,755	50 percent	Municipal Car Park 282 Noor Fine Food Riverdale Martial Arts
840-844 Broadview Avenue ("Developer Lands")	809 / 8,742	50 percent	Three residential units

Development

The proposed development consists of an 8-storey mid-rise building with one floor of commercial uses at grade, 6 floors of residential uses and one floor of interior and exterior amenity space on the top level. The project will include 16 affordable housing units constructed to Housing Secretariat's standards and specifications and a below-grade garage containing 31 to 35 spaces (current estimate is 33 spaces), which will be built to TPA standards and specifications. Refer to Appendices B, D and E - *Site Location Map, Aerial View and Developer's Proposed Architectural View* for more information.

Parking Supply and Demand

Car Park 282 is located in an area that continues to be deficient in public parking. The current 11-space surface car park is very well utilized, with demand stemming from recent residential and commercial development in the immediate neighbourhood. The Albany Medical Clinic is located across the street and does not have its own parking lot. TPA also maintains a public parking presence nearby at Car Park 78 to the south (35 Erindale Avenue/Broadview subway station – 93 surface parking spaces) and Car Park 277 to the southeast (242 Danforth Avenue – 19 surface parking space), both of which consistently reach full capacity. Parking usage data for TPA parking lots (including the Subject Property) in the area are provided below for reference:

Municipal Car Park No.	Address	Distance to Subject Property	Parking Spaces	Peak Usage (2019 May)
282	838 Broadview Avenue	N/A	11	122 percent
78	35 Erindale Avenue	165 meters	93	112 percent
277	242 Danforth Avenue	340 meters	19	118 percent

In addition, it should be noted that the City's Cycling Network Plan identifies Danforth Avenue between Broadview Avenue and Victoria Park Avenue as a segment requiring further study. In its consideration of the Cycling Network Plan Update, City Council directed the General Manager, Transportation Services to initiate the detailed design of a pilot project with eastbound and westbound cycle tracks on Danforth Avenue from Coxwell Avenue west to Broadview Avenue which takes loading and unloading issues into account.

With the consistently high usage of parking facilities in the area and the growth that is anticipated to occur in the neighbourhood, the development of an improved and expanded public parking facility at the Subject Property would provide a needed service to the community and help off-set any on-street paid parking that may be impacted by the implementation of cycling facilities on Danforth Avenue.

Financial Analysis

TPA conducted a business case analysis to forecast the IRR that could be expected through the acquisition of public parking as part of the proposed development. A summary of the key assumptions is provided in Table 1.0 below and a cash flow table provided in Appendix B - *Summary of Cash Flows*.

Table 1.0 - Summary of Key Assumptions

Input / Variable	Detail / Assumption	Comments
No. of Parking Spaces	33	Estimate based on current development plans
Base Case Stabilized Annual Revenue	\$158,104 (\$4,791/stall)	Based on revenues generated by Car Parks 282, 248, 78, 277
Base Case Stabilized Annual Operating Expenses	\$40,590 (\$1,230/stall)	Based on TPA Car Parks of similar size
Base Case Stabilized Annual Property Taxes	\$28,175 (\$854/stall)	Based on TPA Car Parks of similar size

Input / Variable	Detail / Assumption	Comments
Revenue Growth Rate	2.5 percent	Based on the rate of revenue growth in comparable car parks
Expense Growth Rate	2.5 percent	Based on anticipated inflation
Capital Reserve	8 percent of Annual Revenues	Based on historical trends
Initial Set Up Capital Costs	\$30,000	Based on est. signage costs, machine costs and other TPA operational requirements
TPA Purchase Price	\$1,237,500	Based on agreed upon price for 33 spaces
Closing/Transaction Costs (incl. land transfer tax, HST, lawyer, and other closing and due diligence costs)	\$83,005	Estimated costs based on comparable transactions
Terminal Value (@ Year 20) Less 5 percent provision for selling and closing costs	\$1,929,398	Based on inflationary year-over-year increase of 2.5 percent of the initial purchase price

The 'Base Case Stabilized Annual Revenue' figure has been reduced by 30 percent to reflect the TPA's 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, a sensitivity analysis was completed on the Stabilized Annual Revenue (refer to Table 2.0).

Table 2.0 - Sensitivity Analysis on Stabilized Annual Revenue

Reduction in 2018 Base Revenue	Forecasted 20 Year - Internal Rate of Return ("IRR") with Terminal Value
20 percent	10.2 percent
30 percent	8.6 percent
40 percent	6.9 percent

The sensitivity analysis indicates that even at a 40 percent reduction in the per stall parking revenues relative to 2018 values, the garage 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 and obtaining the appropriate RES delegated approvals, TPA, CreateTO and City RES will negotiate an Agreement of Purchase and Sale (APS) to sell 838 Broadview Avenue and acquire the public parking spaces. The terms of the acquisition of the affordable housing units will be subject to other City approvals.

CONTACT

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SIGNATURE

Robin Oliphant, Acting President
Toronto Parking Authority

ATTACHMENTS

Appendix A – Summary of Major Business Terms
Appendix B – Site Location Map
Appendix C – Summary of Cash Flows
Appendix D – Aerial View
Appendix E – Developer's Proposed Architectural View

APPENDIX A

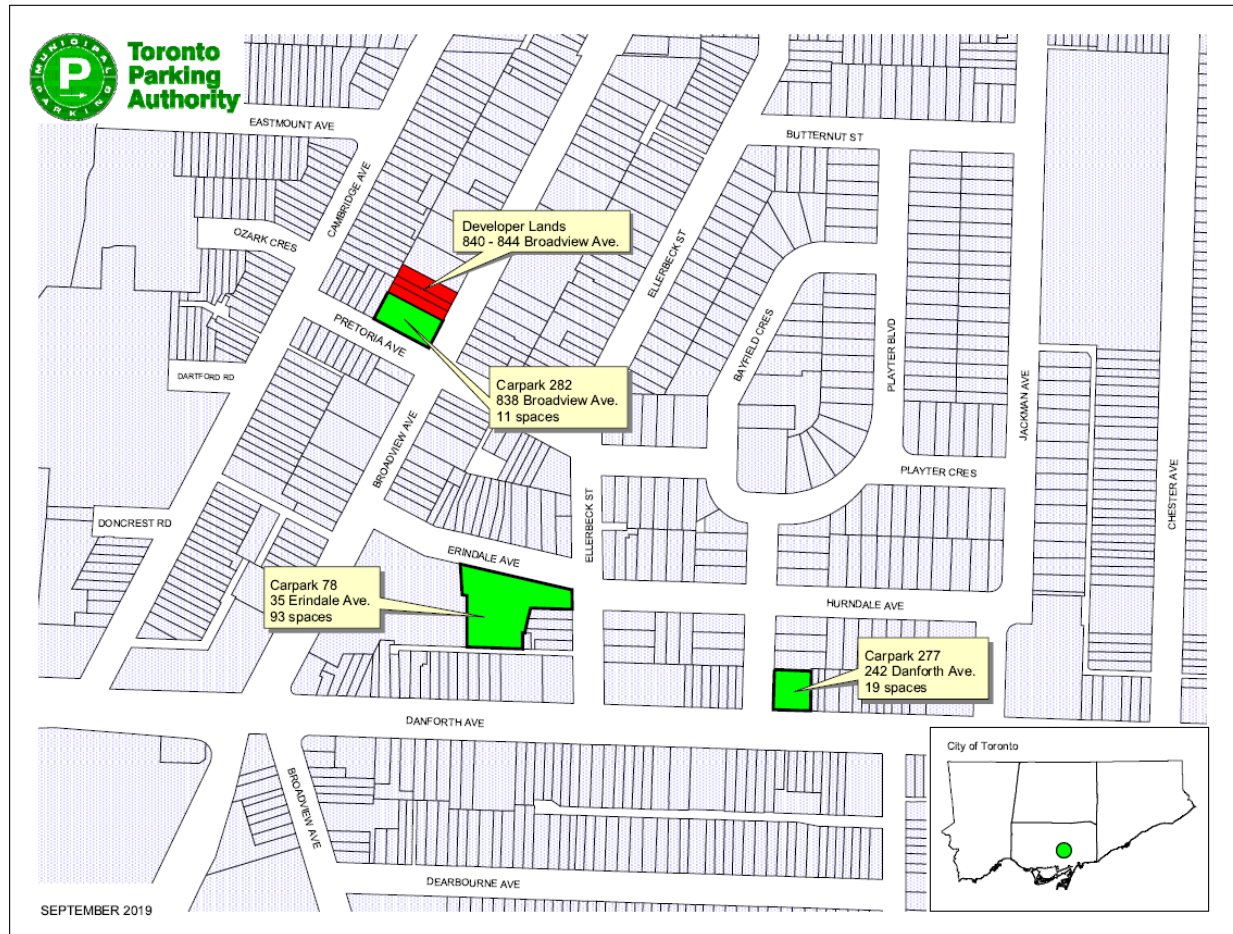
SUMMARY OF MAJOR BUSINESS TERMS

Purchaser	Owners of 840-844 Broadview Avenue (2572344 Ontario Inc. and 2572345 Ontario Inc.)
Vendor	City of Toronto
Subject Property	838 Broadview Avenue, Toronto, Ontario (up to a certain ceiling height)
Sale Price	The Sale Price for the Subject Property is Four million Ninety thousand (\$4,090,000.00) plus HST
Closings	<p>The Closing of the first transaction, being the sale of the Subject Property, shall take place at the time of the issuance of a demolition permit for the demolition of the existing commercial building on the Subject Property.</p> <p>The Closing of the acquisition of the Public Parking Garage will take place when the Public Parking Garage is constructed and turned over to the City/TPA on the Public Parking Garage Turnover.</p>
Lands to be Acquired	The lands to be acquired by the City 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 35 spaces with a minimum of 31 spaces for public parking, based on the standard sizing prescribed by TPA standards and specifications. 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 shall be provided.
Condition Upon Re-Zoning	The transaction will be conditional upon the re-zoning of the Development Lands to permit the proposed new Development.
Construction Bonds	The construction and completion of the Parking Garage shall be secured by 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.

Reciprocal Agreement	On or before the Public Parking Garage Turnover, the parties 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.
Interim Parking Lease Agreement	City to have the right to operate the surface lot, until a building permit is issued.
Public Parking Garage Consideration	On the Public Parking Garage Turnover, TPA shall pay to the Developer the sum estimated to be \$1,237,500 plus HST based on 33 spaces as consideration for the construction of the Public Parking Garage. In the event that the Development provides for more or less than 33 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 \$37,500 plus HST per space by the number of spaces above/below 33. The Public Parking Garage will consist of not less than 31 spaces and the City will purchase any increase in spaces in the Public Parking Garage in excess of 33 spaces, but not more than 35 parking spaces.
Lease of Existing Commercial Building	The Developer will have the right to lease the existing commercial building on the Subject Property prior to Closing under a new lease agreement at fair market rents.
Environmental	<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 Agreement will include environmental indemnities and releases.</p>

APPENDIX B

SITE LOCATION MAP



APPENDIX C

SUMMARY OF CASH FLOWS

Period	YR0	YR 1	YR2	...	YR20	NPV
Acquisition Cost	\$ (1,320,505.00)					\$ (1,320,505.00)
Initial Implementation Costs	\$ (30,000.00)					\$ (30,000.00)
Operating Cash Flow		\$ 45,070.37	\$ 77,643.26		\$ 147,651.91	\$ 1,336,996.33
Terminal Value					\$ 1,926,398.45	\$ 1,005,394.14
Total Cash Flow	\$ (1,350,505.00)	\$ 45,070.37	\$ 77,643.26	...	\$ 2,074,050.36	\$ 991,885.48
Internal Rate of Return						8.6%

APPENDIX D

AERIAL VIEW



APPENDIX E

DEVELOPER'S PROPOSED ARCHITECTURAL VIEW

