PA20.6

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Parking Management Agreement - WDL 3/4/7 LP: 373 Front Street East (Car Park 289)

Date: November 29, 2020
To: Board of Directors, Toronto Parking Authority
From: Acting President, Toronto Parking Authority
Wards: Ward 13: Toronto Centre

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report is about a position to be applied to negotiations being carried out by Toronto Parking Authority (TPA).

SUMMARY

This report seeks the approval of the Board of Directors of the TPA to enter into a Parking Management Agreement with WDL 3/4/7 LP (WDL or the Owner) in order to manage a 196-space surface parking lot located at 373 Front Street East (also known as Car Park 289) (the Subject Property), for a term of six (6) months, in accordance with the terms and conditions outlined in *Confidential Attachment 1*.

TPA has been operating public parking for WDL at the Subject Property for the past two (2) years and has arrangements with WDL to manage parking at two (2) other locations. Although the Subject Property will be redeveloped in the short-term, WDL has requested that TPA continue to provide parking management services at this location for approximately six (6) months. The terms and conditions of the proposed agreement are generally consistent with the prior agreement save and except the term of the agreement, number of parking spaces to be managed and such necessary administrative changes resulting from the term and modifications to the layout of the parking facility, including minor modifications to the rates charged to the Owner.

RECOMMENDATIONS

The Acting President, Toronto Parking Authority recommends that:

1. The Board of Directors of Toronto Parking Authority authorize the Acting President, Toronto Parking Authority to negotiate, enter into, and execute on behalf of the Toronto Parking Authority, a parking management agreement with WDL 3/4/7 LP to manage the 196-space surface parking lot located at 373 Front Street East, in accordance with the terms and conditions as generally outlined in *Confidential Attachment 1*.

2. The Board of Directors, Toronto Parking Authority direct that Confidential Attachment 1 remain confidential in its entirety, as it relates to a position to be applied to negotiations being carried out by Toronto Parking Authority.

FINANCIAL IMPACT

The proposed parking management agreement is anticipated to generate gross revenues of approximately $16,000 per month for the duration of the parking management agreement. This estimate is subject to change depending on the continued impacts of the COVID-19 impacts. Although the financial parameters of the proposed parking management agreement are expected to result in modest returns for TPA, the continued management of this location will support the local commercial retail sector as well as TPA's business relationship with WDL.

The terms and conditions of the proposed parking management arrangement, including the results of a financial analysis, are outlined in *Confidential Attachment 1*.

DECISION HISTORY

At its meetings of November 17, 2016 (*TPA Board Minute No.: 16-174*), the TPA Board of Directors approved a ratification of a Poll of Directors conducted on November 14, 2016 approving a staff memorandum dated November 11, 2016 regarding a parking management agreement for municipal parking purposes. The confidential memorandum detailed a four and a half (4.5) month term parking management agreement with CBRE, to operate approximately 1,040 parking spaces on Subject Property as well as additional lands located at 125 Mill Street. The report is included in Appendix A and includes a detailed overview of terms and conditions.

At its meeting of October 23, 2017 (*PA4.*1)*,* the TPA Board of Directors approved a two (2) month term parking management agreement with CBRE, to operate the same 1,040 parking spaces at both the Subject Property and 125 Mill Street:
http://www.toronto.ca/legdocs/mmis/2017/pa/bgrd/backgroundfile-107690.pdf

At its meeting of December 19, 2017 (*PA6.7*), the TPA Board of Directors approved a three (3) month Parking Services Extension Agreement with CBRE, to manage 450 parking spaces at 373 Front Street East, with the option to extend the agreement for a further period of up to twelve (12) months:
http://www.toronto.ca/legdocs/mmis/2017/pa/bgrd/backgroundfile-109988.pdf

At its meeting of September 24, 2018 (*PA 14.1*), the TPA Board of Directors approved a Parking Management Agreement with WDL 3/4/7 LP (WDL), with a two (2) year, term with an option to renew the term for one (1) further term of two (2) years for the 450-space surface parking lot at 373 Front Street East. Additional information is available here:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PA14.1

COMMENTS

The Subject Property is under the ownership of a partnership formally known as WDL 3/4/7 LP, which is comprised of the following parties (i) Dream Asset Management Corporation and Dream Alternatives Master LP, (ii) KD Infrastructure LP, and (iii) Tricon Capital Group. TPA has operated the parking facility on behalf of WDL under a two (2) year parking management agreement, which came into effect on November 14, 2018.

Under the terms of the agreement, TPA had an option to extend the parking management agreement by a further two (2) years. TPA did not exercise the option due to the Owner's plans to redevelop the site and ongoing uncertainties related to the COVID-19 pandemic, including the planned cancellation of seasonal events at the Distillery District.

Notwithstanding, WDL has requested that TPA continue to provide parking management services through the Spring of 2021 until redevelopment of the site begins. TPA's continued presence at this location will support local commercial-retail establishments and support the business relationship it has with WDL at this location, as well as, other parking facilities managed by TPA on behalf of WDL.

As a result of the short timeline, TPA is proposing a 6-month management agreement with a retroactive start date of November 14, 2020. The proposed agreement would include an option for a further six (6)-month period that can be terminated with 30 days notice by either party. Essentially the terms of the proposed agreement remain consistent with the previous agreement with minor modifications to the term, as well as the parking layout, to reflect the particulars of the site location and modifications to parking demand; as well as resulting administrative changes, including minor modifications to the rates charged.

Site Location and Particulars

The Subject Property is located at 373 Front Street East. The site forms part of the 32-acre West Don Lands area in the downtown east district of Toronto and is the location of a master-planned neighbourhood which is being transformed into a mixed-use

community. Over the last number of years, the area immediately to the east of the Subject Property has undergone a significant transformation into to a mixed-use area known as the Canary District. To the south, the Subject Property is located in close proximity to the Distillery District.

Parking Supply and Demand

Demands for parking at this facility are typically driven by events as well as retail and commercial establishments located within the Distillery District. During the Christmas Market, which typically runs from mid-November to the end of December, thousands of visitors are drawn to the event ranking it among the top ten (10) holiday markets in the world.

As these events have been cancelled in 2020 due to the COVID-19 pandemic, parking demands at Car Park 289 are anticipated to be lower than usual for the foreseeable future. Although the Subject Property has the capacity for 450 parking spaces at grade, WDL has requested that the parking area be reduced in size to include only 196 spaces.

Summary of the Terms and Conditions - Parking Management Agreement

A summary of the terms and conditions of the parking management agreement can be found in *Confidential Attachment 1*.

CONTACT

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SIGNATURE

Robin Oliphant, Acting President
Toronto Parking Authority

ATTACHMENTS

Confidential Attachment 1 – Proposed Terms and Conditions and Financial Analysis for Parking Management Agreement: 373 Front Street East (Car Park 289)

Appendix A – In-Camera Board Memorandum dated November 11, 2016 - Minute Number 16-174 (Authorized for public release by the Acting President, Toronto Parking Authority, on November 29, 2020)

Appendix B - Parking Layout Plan (Car Park 289)

APPENDIX A

IN-CAMERA BOARD MEMORANDUM DATED NOVEMBER 11, 2016 – MINUTE NUMBER 16-174 (AUTHORIZED FOR PUBLIC RELEASE BY THE ACTING PRESIDENT, TORONTO PARKING AUTORITY, ON NOVEMBER 29, 2020)

5.5

BOARD MEMORANDUM

IN-CAMERA

TO:	Lorne Persiko	FILE NO:	1151-00
FROM:	Marie Casista / Vin Madan	DATE:	November 11, 2016

SUBJECT: **PARKING MANAGEMENT AGREEMENT**
CBRE (acting on behalf of Infrastructure Ontario)
West Don Lands Parking Lots
WARD 28 – Toronto Centre-Rosedale

MEETING	MINUTE
November 17/2016	16-174

Board ratified the results of a Poll of Directors conducted on November 14/2016 approving the staff memorandum. [initials]

MEETING DATE: **November 17, 2016**

RECOMMENDATION:

It is recommended that the Board of Directors of the Toronto Parking Authority (the "TPA") authorize staff to enter into a four and a half (4.5) month ("Term") parking management agreement ("Short Term agreement") with CBRE Limited ("CBRE"), acting on behalf of Infrastructure Ontario ("IO") to operate municipal parking under the terms and conditions as outlined in the body of this report. The subject property consists of approximately 900 spaces located in two separate surface parking lots (the "Parking Facilities") located within the West Don Lands area.

Purpose:

The purpose of this report is to obtain TPA Board approval to enter into a four and a half (4.5) month parking management agreement with CBRE, acting on behalf of IO to operate a total of approximately 900 commercial parking spaces located in two separate properties (*Blocks 3W & 4W – approx. 450 spaces, Blocks 8 & 20 – approx. 450 spaces*) located within the West Don Lands area (the "Parking Facilities") (refer to *Appendix 'A' – Parking Facilities)*.

Background:

Over the past several Christmas seasons, Distillery District management has requested TPA manage the Parking Facilities for the annual Christmas Market. The Christmas Market typically runs from mid-November to mid-December and is ranked as one of the top 10 holiday markets in the world attracting thousands of visitors from the surrounding area and internationally. In previous years, we have been unable to reach an agreement for several reasons including the short term nature of the proposed parking management agreement and the poor condition of the un-striped, gravel parking lot. The 2016 Christmas Market runs from November 18th to December 22nd and is reliant on the availability of a significant number of parking spaces in the surrounding area.

This year, IO, the legal owner of the Parking Facilities, had retained CBRE to identify a suitable operator for the Parking Facilities. Currently, the Parking Facilities are not zoned for commercial parking uses and, as such, the TPA is the only operator that can operate the Parking Facilities without a zoning change due to its exemption under current municipality by-laws. As a result, in mid-October of this year, CBRE requested a proposal from the TPA to manage the commercial parking spaces for a term of five (5) years.

CBRE and the TPA agreed that a short term agreement (as opposed the proposed five (5) year term) for a period of four and a half months (4.5), with the intent to negotiate a longer agreement, was most suitable given the time constraints with the understanding that the short term agreement would facilitate:

1) The Christmas Market's near-term need for parking;
2) A better understanding of the market by entering into a 'pilot' project, for the period three and a half (3.5) months following the Christmas Market in order to determine market factors such as community demand, supply absorption and pricing. As a result, staff would be in a better position to negotiate the financial terms of any longer term agreement; and
3) The continuing negotiations relating to IO's preferred deal structure which contemplates that the operator pay for all operating expenses and property tax expenses with no maximum limit. This transfers all future increases in expenses to the operator. Staff are currently negotiating and developing a more informed opinion on such matters.

The proposed terms and conditions of the TPA and CBRE short term agreement are outlined in Appendix '*B*' – Summary of the Terms and Conditions – Property Management Agreement.

Comments:

Site Location and Particulars

The Parking Facilities are situated within the 32-acre West Don Lands area in the downtown east district of Toronto. In the north, the Parking Facilities are adjacent to one of the newest urban villages in Toronto known as the Canary District and on the south, they are adjacent to the national historic site known as the Distillery District (refer to attached *Appendix 'C' – Preliminary Parking Layout Plans*).

Zoning and Environmental

The Parking Facilities are currently zoned for high-density mixed-use developments that will form part of the revitalization of the West Don Lands area. The Parking Facilities are highly contaminated and have been issued a Certificate of Property Use ("CPU") from the Ministry of Environment and Climate Change ("MOECC") which addresses risk assessment measures. We have been advised that IO has spent a significant amount of money in establishing a hard cap surface for site containment which allows for a parking use as long as the hard cap surface is not penetrated. The TPA operating staff can deliver a surface parking lot that essentially meets TPA specifications without penetrating the hard cap surface.

Parking Supply and Demand

Information provided by Distillery District management identified that approximately 600 of the approximately 900 parking spaces on the Parking Facilities were available for the Christmas Market in 2015. These spaces generated approximately $500,000 over that time period, and Distillery District management noted that there was a noted lack of supply during the weekend days. There is no historical data on revenue from the Parking Facilities for the remaining 3.5 months of the Term.

Financial Analysis

The Parking Facility, containing approximately 900 spaces, will operate 24 hours a day, 7 days a week, as a 'Pay and Display' type of operation with eight (8) machines on each lot. The rate structure for the Christmas Market will be as follows:

Each Half Hour	$2.00
Day Max (rolling 6 hours):	$14.00

The rate structure for the remaining 3.5 months of the term has not been finalized. Monthly permits will be available for purchase for staff parking on the south side of Block 3W and 4W.

All Gross Revenues will be collected and retained by the TPA, out of which a fixed rent of $550,000 ("Fixed Rent") will be paid to CBRE for the Term, and the remaining proceeds will be used by TPA to fund direct operating expenses and capital costs related to the operations of the Parking Facility.

The table below summarizes the anticipated TPA Net Cash Flow over the Term:

Gross Revenue	**Amount**
Christmas Market [1]	$500,000
Balance of Term [2]	$580,000
Total Gross Revenues	$1,080,000
Less: Fixed Rent (paid to CBRE)	$550,000
Less: TPA Operating Expenses[3]	$250,000
Less: Capital Costs	$35,000
Total TPA Net Cash Flow	**$245,000**

Notes:

1. Based on 2015 Christmas Market actual amounts from Distillery District management Based on an average of $540/stall/month generated by comparable Green P lots in the area discounted to reflect the additional supply from the new lots; which results in an average of $184/stall/month
2. Based on expenses for leasing of P&D machines, labour for enforcement and attendants, temporary lighting expenses, utilities, snow clearing, administration costs

It is anticipated that there will be an increase in Gross Revenues in late January due to the Light Art Festival that is to be hosted by the Distillery District. Furthermore, we anticipate entering into an agreement with the Distillery District to cover approximately $50,000 of operating expenses that are expected to be incurred as a result of their customer service requirements for the Christmas Market. These factors have not been included in the financial summary above.

Upfront Capital costs related to line striping, installation of temporary lighting, fence modifications to allow for more drive and pedestrian entrances/exits, and signage are not expected to exceed $35,000.

Summary of Risk

The addition of 900 public parking spaces in the market area may be considered an over-supply in the market. These spaces have never been available in the market on non-event months. In order to mitigate this risk, the TPA prefers to enter into a four and a half (4.5) month agreement that limits TPA's downside risk to expense increases for a defined time period but also provides the time necessary to study the market dynamics and revenue generating capabilities of the Parking Facilities in order to determine an appropriate financial structure for the longer term agreement that is acceptable to both parties.

Conclusion:

This Short Term agreement satisfies the parking need for the 2016 Christmas Market and provides TPA with relevant information in order to further assess the factors that would impact TPA's decision to enter into a longer term management agreement with CBRE, acting as agent of IO.

Recommendation:

It is recommended that the Board of Directors of the Toronto Parking Authority (the "TPA") authorize staff to enter into a four and a half (4.5) month ("Term") parking management agreement ("Short Term agreement") with CBRE Limited ("CBRE"), acting on behalf of Infrastructure Ontario ("IO") to operate municipal parking under the terms and conditions as outlined in the body of this report. The subject property consists of approximately 900 spaces located in two separate surface parking lots (the "Parking Facilities") located within the West Don Lands area.

List of Attachments:

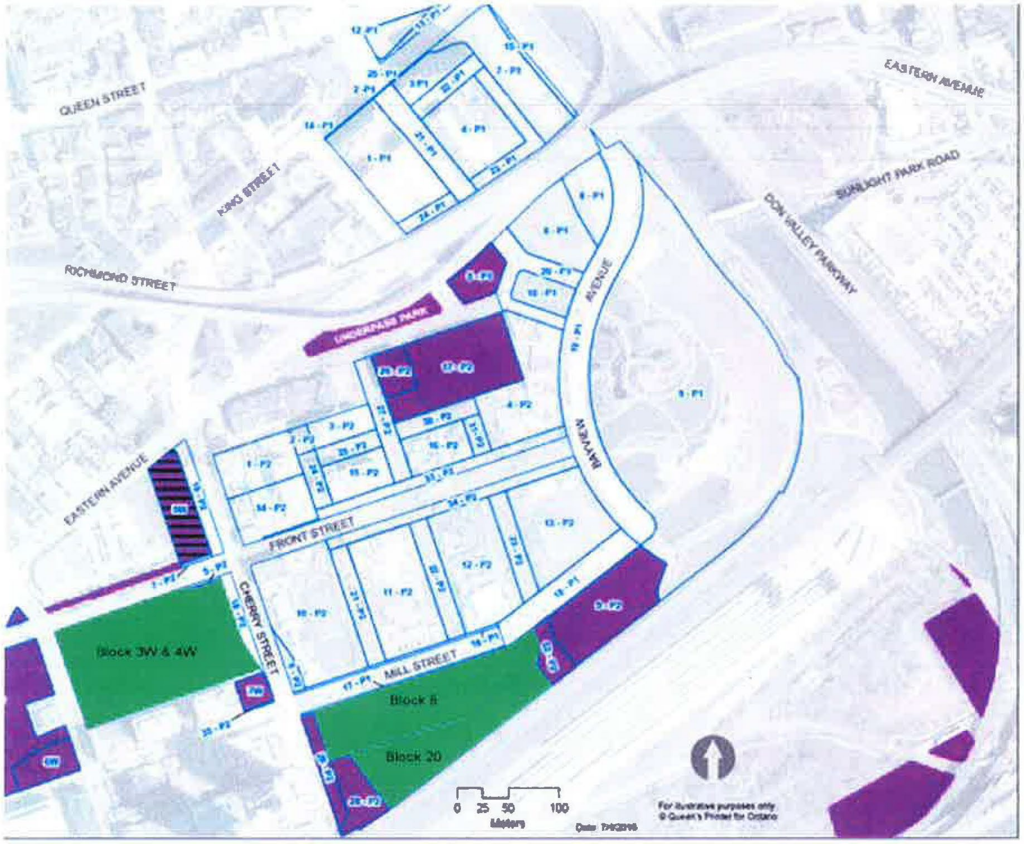
Appendix 'A' Parking Facilities

Appendix 'B' Summary of Terms and Conditions – Parking Management Agreement

Appendix 'C' Preliminary Parking Layout Plans

APPENDIX 'A'

Parking Facilities



APPENDIX 'B'

Summary of the Terms and Conditions – Parking Management Agreement

The following chart summarizes the salient terms and conditions of the proposed parking management agreement with CBRE:

Parking Facilities:	• Blocks 3W & 4W – 450 spaces and • Blocks 8 & 20 – 470 spaces
Commencement Date:	• November 14, 2016
Term:	• Four and a half (4.5) months
Fee Structure:	• TPA will receive the Gross Revenues from the operation of the Parking Facilities less a fixed fee payment of $550,000 (the "Fixed Rent") payable to CBRE. • During the 4.5 month operating period, the TPA and CBRE will use reasonable efforts to enter into a Fee arrangement that is commercially and financially viable for both Parties in the long term using the initial 4.5 months performance of the Parking Facilities as a guideline
Overhold Provision:	• Month-to-month exercised by written notice by either party no later than thirty (30) days prior to the expiry of the original Term
TPA Branded Signage	• TPA to supply TPA branded signage at the entrance and within the Parking Facilities as well as on-street within the vicinity
Equipment	• Total of sixteen (16) Pay and Display Machines (one meter located at each of the properties), Eight (8) on each surface lot.
Landlord Responsibility	• Property taxes, assessments and any other taxes
TPA Responsibility	• All direct operating expenses related to the operation of the Parking Facilities (*i.e. salaries / wages, enforcement, Pay and Display machines, credit card and coin collection, tickets, communication charges, business insurance, etc.)* • Electricity, water and other utilities and maintain same in good order and working condition • All other operating expenses related to the maintenance and upkeep of the Parking Facilities including security, property maintenance and snow clearing • Maintain "all risks" insurance
Long Term Agreement	• Both Parties to use reasonable efforts to enter into a long term agreement for five (5) years over the term of the contract

Other Terms	• The agreement includes other terms and conditions as appropriate including, but not limited to; Invoicing/Payment, Service Provider Qualification/Warranties, Force Majeure, Compliance with Laws, Assignment, Indemnification, and Freedom of Information (MFIPPA)

APPENDIX 'C'

Preliminary Parking Layout Plans – Blocks 3W & 4W

APPENDIX B

PARKING LAYOUT PLAN (CAR PARK 289)