

Proposal for Long-Term Land Lease - City Owned Property at 11 Bay Street

Date: February 27, 2020
To: CreateTO Board of Directors
From: Chief Executive Officer
Wards: 10 Spadina - Fort York

SUMMARY

The purpose of this report is to provide an update to the Board of CreateTO on the ongoing conversations between staff of CreateTO and QuadReal Property Group Limited Partnership ("QuadReal") and Barney River Investments Limited ("Barney River"), the managers acting on behalf for the tenant, on a proposed long-term lease renewal/new lease agreement and redevelopment of the City owned property at 11 Bay Street (the "Subject Property"). QuadReal and Barney River have proposed a complete redevelopment of the Subject Property which will result in a new office tower and rebuilt convention centre at grade.

As part of this proposed lease agreement, CreateTO has been working with the City's Parks, Forestry and Recreation, Community Planning and Economic Development divisions to understand the opportunities that exist within this proposal for the Subject Property itself, and within the broader public realm in the Central Waterfront. Along with a new office tower and rebuilt convention centre, there is an opportunity to leverage the City owned asset to partially fund the redevelopment of the Jack Layton Ferry Terminal ("JLFT"), along with negotiating into the lease agreement, obligations for design excellence, sustainability and connectivity along with ground level activation. CreateTO and Community Planning have identified this redevelopment of the Subject Property as an excellent candidate to help advance the City's Urban Design Initiative which could see an open and international design competition for this major and transformational project.

The current term of the existing ground lease between the City of Toronto, as landlord ("City") and SCG Aquarius Toronto Hotel, Inc., as tenant and SCG Aquarius Toronto Hotel, Inc., in its capacity as General Partner for SWA Toronto L.P., as beneficial tenant (collectively the "Tenant") for 11 Bay Street expires on May 31, 2030, with the option of two subsequent 5 year renewal terms. These options may be exercised by the Tenant in accordance with the terms of the ground lease, but the City's retained the absolute discretion on whether or not to grant the renewal options. At the end of the lease term,

Long Term Lease - 11 Bay Street

the Tenant is required to surrender the Subject Property and all buildings and improvements thereon to the City.

RECOMMENDATIONS

The Chief Executive Officer, CreateTO recommends that:

1. The Board of CreateTO direct the Chief Executive Officer in consultation with the Executive Director, Corporate Real Estate Management, General Manager of Economic Development & Culture, Chief Planner and Executive Director of City Planning along with the General Manager, Parks, Forestry and Recreation to negotiate the terms and conditions of a long-term fair market-value lease agreement with SCG Aquarius Toronto Hotel, Inc., as tenant and SCG Aquarius Toronto Hotel, Inc., in its capacity as General Partner for SWA Toronto L.P., as beneficial tenant, to design, build, finance and operate a new office building and convention centre and other complementary facilities at 11 Bay Street and to report back to the Board of CreateTO on the results of the negotiations.

FINANCIAL IMPACT

There is no financial impact for the adoption of this report.

DECISION HISTORY

City Council on May 17, 18, and 19, 2011 authorized Build Toronto to undertake a master planning process for the properties municipally known as 11 Bay Street.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM3.21>

COMMENTS

The Subject Property is subject to a ground lease, expiring May 31, 2030, with the potential of two further options to renew of five years each, has an effective lease for the primary use as a convention centre, serving the Toronto Westin Harbour Castle Hotel located directly to the south across Queens Quay East. Although the convention centre serves an important economic and tourism function, the property could accommodate additional development.

Currently QuadReal and Barney River, are working with both CreateTO to advance options around a new long-term land lease agreement while concurrently engaging in pre-application discussions with City Planning respecting a potential rezoning and site plan application.

Long Term Lease - 11 Bay Street

The rezoning and site plan application are contingent on a new lease agreement being agreed to by all parties. Both QuadReal and Barney River are aware that resources, financial or otherwise, allocated to this project are at their own risk, and that any proposed redevelopment and lease agreement are contingent on all requisite approvals and authorities, including City Council.

The potential rent that will be derived off this new lease agreement provides a real opportunity to advance a significant public realm and city building opportunity in the redevelopment of the JLFT which is directly adjacent to the Weston Harbour Castle Hotel. In 2014, Waterfront Toronto and Parks, Forestry and Recreation undertook an international design competition to develop a new, inspiring vision for the JLFT and adjacent Harbour Square Park. Phase 1 of that project has been implemented, but there has not been any further advancement. The opportunity to direct revenue off of any potential land lease of 11 Bay Street could serve as a catalyst to help realise subsequent phases of this important civic project.

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Site Profile

