



MANAGEMENT CONSULTANTS

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February 16, 2021

CreateTO

200 King Street West, Suite 200
Toronto, Ontario, Canada
M5H 3T4

Attention: Steven Trumper
Chief Executive Officer
strumper@createto.ca

Subject: Fairness Opinion – Leased Property Development

Dear Steven,

Further to our prior discussion, I understand the City is the owner of a freehold parcel of leased land and the existing tenant of the property has come forward with a proposal to redevelop the property on the basis that the City would agree to a long-term lease extension. The current lease has about 10 years remaining in the term and the tenant has control of the land and the property until expiry of the lease.

The question is whether there are other options available to redevelop the property rather than dealing only with the existing tenant, such as issuing an open Request for Proposals to other Developers.

Unless the tenant has violated a condition that would trigger early termination, the only opportunity to initiate an open procurement for redevelopment of the property during the existing term of the lease is for the City to assume control of the land and acquire the property by exercising whatever buy-out options are available or can be negotiated for an early termination. In the absence of that action, agreeing to the redevelopment should be considered analogous to a “sole source” situation, i.e. a procurement where only one vendor is capable of providing an item or service and therefore it is not possible to obtain competitive bids. The only other alternative is to wait for the expiry of the lease and assume control of the property by not agreeing to a renewal. At that point, the City could conduct an open proposal call for the redevelopment.

If the City wishes to proceed with negotiating the redevelopment with the existing tenant, it is my opinion that the lack of an open and competitive procurement should not be considered a fairness issue per se, as there is no legal alternative available, except as noted above.



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Let me know if you would like to discuss further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Greg Dadd', with a horizontal line underneath.

Greg Dadd

Principal, Procurement and Fairness Advisory Services

Optimus SBR

greg.dadd@optimussbr.com

Cell: (416) 770-4295

Attachment 4 -



Gregg Lintern
MCIP, RPP
Chief Planner and
Executive Director

City Planning

City Hall
100 Queen Street West
12th Floor, East Tower
Toronto, Ontario M5H 2N2

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February 19, 2021

Chair and Members of the CreateTO Board
200 King Street West, Suite 200
Toronto, ON
M5H 3T4

Dear Mr. Carcini and Members of the CreateTO Board,

RE: 11 Bay St., Proposed Transaction - Project Update. Report for Information

As part of CreateTO's consideration of the above noted site, at its March 8th, 2021, board meeting, this letter reaffirms City Planning's commitment to working with the applicants of the 11 Bay Street redevelopment proposal. The applicants QuadReal and Barney River have proposed to replace the existing convention facility located on municipally-owned land with a 54 storey office tower atop a new conference centre and retail uses within the base building. City Planning is supportive of the proposed non-residential uses for this site, contingent on the application proceeding in a manner that supports the City's Official Plan and mandate for design excellence on public land.

Over the last decade, employment growth in the Greater Toronto Area has become increasingly focused on PATH-connected buildings in proximity to Union Station. This growth has been partially supported by continued investments in the GO Transit network, Union Station, and capacity increases on the Yonge-University subway line. This pattern is described in the 2018 report "Planning the next GGH" by the Neptis Institute as a "hyper-concentration of economic activity in and around downtown Toronto". Over the 10 year period reviewed by the authors, Downtown Toronto accommodated 89% of new jobs related to tradable services or goods.

After taking into account the development pipeline of approved and under review projects, there are limited remaining development sites that have the potential to be connected into the PATH network. Consistent with the PATH Master Plan this site offers the opportunity for a below grade connection to the PATH network. The location of 11 Bay Street in close proximity to Union Station allows not only for access to the GO Transit and TTC Subway network, but also connectivity to both Toronto Pearson Airport and Billy Bishop Toronto

City Airport. In addition, the site also has the ability to directly integrate with a future Queens Quay and Bay Station as part of the proposed East Bayfront LRT.

To support the creation of the Downtown Plan (TOcore), City Planning worked with a consulting team to project future employment and develop corresponding policy recommendations.

Between 2016 and 2041, under a continuation of current patterns, the Downtown area would need to accommodate approximately 2,940,000 square metres of new office space to meet demand. A land capacity analysis, which included 11 Bay Street as a soft site, determined there would be significantly more demand for office space over the coming decades within and adjacent to the Financial District than can be accommodated. In response, the Downtown Plan contained policies that prioritizes non-residential uses within an expanded Financial District boundary. The 11 Bay Street site is contained within this expanded Financial District boundary.

The existing convention centre space at 11 Bay Street has played an important role in Toronto's Meetings, Convention and Incentive Travel (MCIT) market, and has helped maintain the viability of the attached Westin Harbour Hotel. As noted in the November 2017 report "Ensuring a Robust Hotel Supply to Strengthen Tourism" to the Economic Development Committee, net increases in rooms within Toronto have stagnated since 2000 despite increasing visitors. While some hotels have been added over this time period, others have been converted to other uses. This trend has raised a number of concerns regarding the future health of the local MCIT market. The report identifies that prioritizing non-residential uses within the Financial District will support the hotel sector and reduce conversion pressures. The proposal to replace the existing convention centre space and maintain connectivity with the attached hotel is a critical component of the project.

Currently, Toronto is responding to the COVID-19 pandemic which has had significant economic repercussions for the Downtown. In particular, work-from-home and mandated lockdowns have disproportionately impacted the retail, hotel, and office sectors. While it is challenging to comprehend the long term impacts at this stage, preliminary data from the 2020 Toronto Employment Survey suggests that employment levels in the finance and technology sectors have seen flat or even positive growth. Despite the serious challenges documented in the recent report "Assessing the Impact of COVID restrictions on Toronto's Downtown Economy", Strategic Regional Research Associates' emphasize that over the long term it is likely fundamental positive demand drivers remain largely unchanged. In the current context of high uncertainty, the importance of following long term plans and committing to the multi-decade vision set out in the Downtown Plan is more critical than ever.

Toronto's waterfront is subject to a strong planning policy framework and a multi-decade history of landmark revitalization initiatives. The 2006 Central Waterfront Secondary Plan identified the pursuit of building and public realm design excellence as a unifying


characteristic of the great city waterfronts of the world. This priority has continued to be reflected in more recent policies, including the Downtown Plan, which emphasizes built form and urban design objectives that create comfortable, vibrant, diverse, and safe environments. These objectives were further reinforced through the adoption of updated Official Plan public realm and built form policies. The Downtown Plan also designated the site as part of the Shoreline Stitch area which seeks to increase waterfront access through public realm improvements on north-south corridors such as wide sidewalks, landscaping, and active uses at grade.

The importance of urban design and building form has been recognized as a key city building priority through the Mayor and Council's Urban Design Initiative, adopted by Council on October 29, 2019. CreateTO and City Planning have worked together to advance these concepts on the 11 Bay Street application by facilitating a Design Partner competition. Through this process, Daoust Lestage Lizotte + Stecker was retained in November 2020 and is currently working with the applicant to refine the public realm and building design.

The application for 11 Bay Street is currently in the development review process. The Preliminary Report to Toronto and East York Community Council on December 14, 2020, described the details of the application, applicable policies, and issues to be resolved. While City Planning is supportive of the proposed uses and the objective of partially funding the Jack Layton Ferry Terminal, it is necessary that we work together collectively with the applicant to resolve key outstanding issues including challenges related to public realm and built form, design excellence, sustainability, and PATH connections.

Through these steps, there is a unique opportunity to shape the 11 Bay Street application into a flagship development that meets key city building and economic development objectives. As a municipally owned site in an area that has seen significant public investment from all three levels of government, there is an obligation to deliver a high level of public benefit that has sustained positive outcomes for Toronto over the course of the land lease period. We look forward to our continued collaboration on this project as we work towards achieving these objectives.

Regards,

A handwritten signature in black ink, appearing to read "G. Lintern".

Gregg Lintern, MCIP, RPP
Chief Planner and Executive Director
City Planning Division

Attachment 5 -



Board of Directors, Create TO
City Hall, Committee Room 1
100 Queen Street West
Toronto ON, M5H 2N2

Re: Proposal for Long Term Land Lease - 11 Bay Street, Toronto

Dear Directors,

I am writing today to confirm Barney River’s long-term commitment to the Westin Harbour Castle Hotel & Convention Centre, and our high degree of conviction towards our joint proposal with Quadreal Property Group to redevelop the 11 Bay Street site into a world class mixed-use office and convention centre project.

Barney River is a Toronto-based private real estate investment and management company with substantial holdings of approximately \$2 billion. Our holdings are primarily focused in the hospitality and residential apartment sector in core Canadian markets. As the owners of both the 977-room Westin Harbour Castle and the 600-room Hilton Toronto, we represent over 10% of the downtown Toronto hotel room inventory. We consider both hotels to be generational, legacy assets for my family and our investors. As such, we have a vested interest in the long-term vibrancy of the City’s convention and tourism sector.

The Westin Harbour Castle plays an integral role in attracting and hosting large meetings and conventions within the City of Toronto. With over 50% of the hotel’s meeting space, including our two largest ballrooms, located in the Westin Harbour Castle Convention Centre, the viability of the 977-room hotel is directly tied to the continuation of the convention centre use on the 11 Bay site.

Our joint proposal with Quadreal Property Group for the redevelopment of the 11 Bay site is the catalyst that underpins significant future investments into the Westin Harbour Castle. In addition to the substantial investment into the 11 Bay project to create a new world class convention centre, other planned investments include extensive renovations to our guestrooms, fitness areas, public spaces, restaurants and bars. In combination with the advancement of the Waterfront East LRT and the new Jack Layton Ferry Terminal we are excited to participate in the transformation of the Central Waterfront.

Despite the devastating impact the Covid-19 pandemic has had on Toronto’s hotel sector, we are confident that Toronto’s strong economic fundamentals will support a robust recovery when the health aspects of the current crisis are resolved. With this in mind, we have already expended significant capital and resources to advance design and entitlements and are committed to delivering a market leading convention centre in anticipation of a recovery of the hospitality sector and to support the overall economic recovery efforts for the City.

Sincerely,

Salim A. Manji
President
Barney River



QuadReal Property Group
199 Bay Street, Suite 4900
PO Box 373
Toronto, ON M5L 1G2
Canada
T 416-673-7444
www.quadreal.com

February 22, 2021

Board of Directors, Create TO
City Hall, Committee Room 1
100 Queen Street West
Toronto ON, M5H 2N2

Dear Directors,

Re: Proposal for Long Term Land lease - 11 Bay Street, Toronto

I am writing to confirm QuadReal's strong level of conviction in the proposed vision to redevelop the 11 Bay site into a world-class mixed-use office and convention centre project. Our enthusiasm for the project vision is driven from our strong belief in the Toronto office market and the South Core / Central Waterfront district as a dynamic office node. We also share in Barney River and the City's view that the convention centre use and the Westin Harbour Castle Hotel are critically important to the City's convention and tourism infrastructure.

QuadReal Property Group is a global real estate investor, wholly owned by BCI, one of the largest public sector pension funds in Canada (AUM of \$170 billion). Having made our first investment in Toronto almost 30 years ago, we have since grown into one of the largest owner-developer-operators in the country. Currently, our portfolio in Toronto is in excess of \$5 Billion, with almost 5 million sf of office in the CBD including a number of recognizable properties such as Commerce Court and South Financial Centre (see Appendix A for featured office properties developed by QuadReal).

A key area of continued focus for QuadReal is developing well-located Class A office in global cities such as Toronto. Our belief is that urban downtown cores will continue to be highly sought after by major office tenants who seek locations that are well-accessed by higher order transit and within close proximity to retail amenities and high-density residential nodes. This belief has been reinforced by our portfolio's strong performance through the ongoing pandemic.

QuadReal's business plan for the project pursues an aggressive timeline to complete entitlements which would allow us to have meaningful discussions with potential anchor tenants for the office use, while meeting Barney River's requirements to deliver a new generation convention centre in time for an economic recovery in the hospitality sector. QuadReal's sizeable office holdings consisting of almost 20 million sf in Canada (with over 700 tenants), ranks it as a top 5 landlord in each of the Toronto, Ottawa, Calgary, Edmonton, and Vancouver office markets and puts us in a unique position to secure key tenancies for the 11 Bay project.

Our level of commitment is evidenced by the significant design process already undertaken with the City to advance our rezoning application and our willingness to significantly increase ground lease payments

in the event that the project does not commence within the initial 10 years of the lease. With our expenditures to date exceeding \$7 million, we plan to continue driving the design and entitlement process forward subject to the continued support of the City through the lease extension process.

We appreciate your support of this project and look forward to creating a transformation vision for the South Core / Central Waterfront.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Daal', written in a cursive style.

Remco Daal
President, Canadian Real Estate
QuadReal Property Group LP

Attachment 7 -

7



Economic Development & Culture

City Hall, 100 Queen St. W.
8th Floor, East Tower
Toronto, Ontario M5H 2N2

Cheryl Blackman
Acting General Manager

Tel: 416-397-9135
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February 19, 2021

Steven Trumper
Interim CEO
CreateTO
200 King Street West, Suite 200
Toronto, Ontario
M5H 3T4

Mr. Trumper,

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

I am writing in support of the proposed uses that are currently part of lease negotiations for the City owned property located at 11 Bay Street with QuadReal Property Group Limited Partnership ("QuadReal") and Barney River Investments Limited ("Barney River"). The proposed long-term lease for an office/conference centre development will support Toronto's tourism and hospitality sector, provide needed office space and promote overall economic development thereby meeting important city building objectives.

The currently underutilized site with a two storey 8,594 square metre convention centre, built in 1974, is in need of modernization. The proposed development is an integrated 54-storey mixed-use conference facility and commercial tower. It consists of a 5-storey podium containing the conference facility, 8 storeys of mid- building office terraces, and a 41 storey office tower. The proposed development contains approximately 117,000 square metres of non-residential gross floor area, including 105,000 square metres of Class A office space, 9,580 square metres of conference space, and 2,580 square metres of retail space. The neighbourhood is on the edge of the downtown financial core with easy accessibility to Union Station, Harbourfront Centre and the Scotia Bank Arena. The proposal includes connections into the city's existing PATH network. The site is one of the few remaining City-owned development sites in downtown Toronto.



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Toronto's Visitor Economy

27.5 million people visit Toronto on an annual basis. The tourism sector sustains 4.6% of all jobs in Toronto. Visitor spending in 2018 was estimated at \$6.5 billion. Visitors support local businesses and the entire supply chain of goods and services including hotels, restaurants, attractions, and transportation. The visitor economy creates jobs, generates tax revenue, and drives growth in the overall economy

Need for Conference Space

The proposed conference centre will replace the existing conference centre. The new and modernized facilities will consist of a 1,900 square metre clear-span main ballroom, a 900 square metre clear-span junior ballroom, and 5,700 square metres of flexible meeting rooms, pre-function area, and back of house spaces. This conference centre has historically been an integral part of and mutually supportive to the nearby Westin Harbour Castle hotel. The conference centre in conjunction with the hotel attracts conventions to Toronto and ensures a higher level of hotel occupancy.

This is one of only three large, self-contained convention hotels in the downtown core offering more than 60,000 square feet of rentable function space in an already underserved market.

Meeting and convention space assist in providing consistent room demand. The Meetings, Convention and Incentive Travel (MCIT) market represents an important component of Toronto's tourist and business sectors. For example in 2018, 398,993 business delegates attended 113 major conferences and events in Toronto, generating \$858 million in economic impact. While the 11 Bay Street conference centre represents a relatively small part of that total, it remains an important part of the overall Toronto conference market.

Hotel Room Retention

In 2017 our Division brought the following report to Council: *Ensuring a Robust Hotel Supply to Strengthen Tourism*. This report states that in order to attract large business events the sector depends on a reliable supply of hotel rooms concentrated in close proximity to one another. The Westin Harbour Castle's 977 rooms represent a significant portion of the downtown hotel supply. The hotel and convention centre has

provided significant benefits to the City, employing 500 people, bringing in 20,000 non-local visitors annually, and hosting international and national association meetings (pre-COVID).

Further, many new downtown hotels are smaller “boutique” luxury product, and hotel conversions/demolitions are reducing the supply of mid-priced, convention-focused hotel inventory. The Westin Harbour Castle provides much needed large blocks of hotel rooms that are required to attract conventions to the city's core. The accommodation sector continues to provide a wide range of opportunities for those seeking entry level positions to long-term career opportunities. According to the Toronto Employment Survey (conducted by the City of Toronto's City Planning Division), in 2018, the accommodation sector employed 13,933 people, up from 13,501 in 2016.

Support for New Office Development

The prominent location of 11 Bay Street, with frontage on Queens Quay across from the Ferry Terminal in the heart of Toronto's waterfront, is a an opportunity to link the intensification of an underutilized City owned property with the an important city-building project. With approximately 600,000 people working in the downtown and a density of almost 24,000 jobs per km², downtown is the largest, most transit-accessible employment and institutional market in the Greater Toronto and Hamilton Area (GTHA). The financial services and business services, which represent 90% of all jobs in the Financial District, are expected to retain their predominance in the area.

COVID-19

The hospitality, lodging and travel industries have been hard hit by the economic shutdown due to the COVID-19 pandemic. There are predictions for a substantial recovery by 2023. It is difficult to predict what the lasting impacts, if any, will be to this sector in Toronto and how this may impact the hotel and convention business.

The downtown office sector is also expected to recover especially with the large institutional Finance, Insurance, Real Estate (FIRE) sector businesses that are overwhelmingly represented in the downtown area. There will be a period of readjustment in the office market as sublease space becomes available and firms



Economic Development & Culture

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determine the right balance of office space that incorporates a likely permanent increase in remote work.

City Planning Approvals

Economic Development and Culture Division's support for this development relies on, and assumes approval by the City of the Zoning By-law Amendment and Site Plan applications currently underway.

In summary, specific to the proposed uses, Economic Development and Culture supports the redevelopment of this site for a combined office and convention centre.

I respectfully recommend that the Board continue to pursue these negotiations for the uses as presented to a successful conclusion.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Blackman".

Cheryl Blackman
Acting General Manager



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