



GACCTO Lease Expiry and Proposed Transfer of 610 Bay Street and 130 Elizabeth Street

Date: June 16, 2021

To: Toronto Coach Terminal Inc. Board of Directors

From: TTC Chief Capital Officer

Summary

The lease between Toronto Coach Terminal Inc. (TCTI) and Greyhound and Coach Canada Toronto Operations Ltd. (GACCTO) for the use by GACCTO of the 610 Bay Street and 130 Elizabeth Street properties expires on July 7, 2021. This report seeks the Board's authorization to transfer operational management of the properties to the City of Toronto upon expiry of the lease including addressing all financial, environmental and maintenance obligations.

Recommendations

It is recommended that the Toronto Coach Terminal Inc. Board of Directors:

1. Approve the transfer, upon the expiry of the Toronto Coach Terminal Inc.- Greyhound and Coach Canada Toronto Operations Ltd. lease, of operational management of the 610 Bay Street and 130 Elizabeth Street properties to the City of Toronto, in accordance with City of Toronto processes respecting transfers of operational management, on the following terms and conditions, to the satisfaction of the TTC's General Counsel:
 - i. The City of Toronto is responsible for all obligations, liabilities and rewards with respect to the properties, including the management of the tenancies (including carrying out all landlord obligations as required under the leases and the collection of rent), payment of property taxes, and carrying out the security, maintenance, repair and replacement of the properties.
 - ii. The City of Toronto is responsible for all environmental liability both on and off the properties.
 - iii. The City of Toronto will pay to Toronto Coach Terminal Inc. \$4.2 million upon the occurrence of the earlier of, (A) the sale of one or both of the properties; (B) the execution of any agreement between the City of Toronto and a third party in respect of the development of one or both of the properties; and (C) the approval by City of Toronto Council of an application by the City of Toronto to rezone one or both of the properties.

- iv. The City of Toronto is responsible for all tax liabilities related to the sale of one or both of the properties.
2. Authorize the TTC, on behalf of Toronto Coach Terminal Inc. to enter into any necessary agreements with the City of Toronto in respect of paragraph 1 of recommendation 1, to the satisfaction of the TTC's General Counsel.
3. Authorize the TTC, on behalf of Toronto Coach Terminal Inc, to enter into any necessary agreements and/or complete and submit any applications, to the satisfaction of the TTC's General Counsel, required to facilitate, (i) the sale of one or both of the properties; (ii) the execution of any agreement between the City of Toronto and a third party in respect of the development of one or both of the properties; or (iii) the approval by City of Toronto Council of an application by the City of Toronto to rezone one or both of the properties.

Financial Summary

Rent payments from GACCTO for the lease of the 610 Bay Street and 130 Elizabeth Street (the "properties") are currently the only source of revenue of TCTI, which will cease as of July 7, 2021. On July 7, 2021, TCTI will have insufficient financial assets to repay or offset the remaining loan balance received from the TTC. To provide the required funds, a payment in the amount of \$4.2 million is incorporated into the property transfer arrangement. This amount assumes GACCTO will make all rent payments under the lease to the expiration of the lease.

The combined \$4.2 million is a small portion of the 2019 City of Toronto valuation of the properties, which significantly exceeds this amount. It should be noted that, in accordance with the new City of Toronto real estate model, the City of Toronto is the beneficiary of proceeds of property dispositions.

Combined with TCTI's expected cash position, the amount of \$4.2 million represents the estimated amount of funds required by TCTI for the following:

1. To repay a remaining loan balance due to the TTC. The original loan value was \$13.6 million and was advanced on December 17, 1991 to fund the final dividend declared by Metro Toronto Coach Terminal Incorporated (renamed in 1998 to TCTI) to TTC. Periodic payments have been made since the loan was advanced and monthly interest accrues at the prime rate.
2. To ensure that TCTI will have sufficient funds on hand to maintain and fund required advances to its subsidiary, the Toronto Transit Commission Insurance Company Limited (TTCICL). In accordance with TTCICL's license, TTCICL is required to maintain at all times cash or securities in an amount not less than one month's claims and operating expenses. Currently, a \$2.6 million advance is in place between TCTI and TTCICL to meet this requirement. In 2021, TTCICL coverage will extend cover to the City of Toronto's automobile risks, so the amount required to have one month's claims and operating expenses on hand is expected to increase over time.

Given that there is likely to be a period of time between the transfer of operational management of the properties from TCTI to the City of Toronto and the payment of the \$4.2 million by the City of Toronto to TCTI, TCTI will seek approval from the TTC, at a future TTC Board meeting, to convert the existing interest bearing loan from the TTC to TCTI to a non-interest bearing loan.

The TCTI Treasurer has reviewed this report and agrees with the financial impact information.

Equity/Accessibility Matters

Upon the expiration of the TCTI-GACCTO lease (July 8, 2021), GACCTO's inter-city bus services will be moved to the new Metrolinx bus facility on Bay Street, which is designed to meet Metrolinx's equity and accessibility standards.

The TTC's Design and Wayfinding staff have been advised of this for the purpose of the development of a signage/communication strategy for impacted TTC customers.

Decision History

In May 2012, the TCTI Board approved TCTI entering into the TCTI-GACCTO lease.

[http://www.ttc.ca/About the TTC/Subsidiaries/Toronto Coach Terminal Inc/2012/May 30 2012/Meeting of Directors May 30 2012/Reports/Toronto Coach Termin.pdf](http://www.ttc.ca/About%20the%20TTC/Subsidiaries/Toronto%20Coach%20Terminal%20Inc/2012/May%2030%202012/Meeting%20of%20Directors%20May%2030%202012/Reports/Toronto%20Coach%20Termin.pdf)

In September 2016, the TTC Board received a report on the TTC's review of potential surplus properties with development potential (Surplus Land Review).

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2016/September 28/Reports/9 TTC Surplus Land Review.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2016/September%2028/Reports/9%20TTC%20Surplus%20Land%20Review.pdf)

In January 2017, the TCTI Board approved the extension of the TCTI-GACCTO.

[http://www.ttc.ca/About the TTC/Subsidiaries/Toronto Coach Terminal Inc/2017/Wednesday January 18/Meeting of Directors/Reports/4 GACCTO Lease Exten.pdf](http://www.ttc.ca/About%20the%20TTC/Subsidiaries/Toronto%20Coach%20Terminal%20Inc/2017/Wednesday%20January%2018/Meeting%20of%20Directors/Reports/4%20GACCTO%20Lease%20Exten.pdf)

In May 2017, the TTC Board received a report containing supplemental information on additional properties that were not in the September 2016 report.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2017/May 18/Reports/11 Surplus Land Review Additional Properties List.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/May%2018/Reports/11%20Surplus%20Land%20Review%20Additional%20Properties%20List.pdf)

In March 2018, the TTC Board received an update to the Surplus Land Review (Phase 2), which outlined costs associated with studying and protecting properties identified as having redevelopment potential.

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2018/March_20/Reports/6_Surplus_Property_Review_Phase_2_Update.pdf

The October 2019 report to City of Toronto Council identified the properties as potential for redevelopment.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.2>

In its February 2021 meeting, the TCTI Board received the TCTI financial account and financial report for the accounting period ending December 31, 2020.

http://www.ttc.ca/About_the_TTC/Subsidiaries/Toronto_Coach_Terminal_Inc/2021/Feb_10_2021/Meeting_of_Directors/Reports/1_Financial_Report_for_TCTI_for_the_Accounting_Period_Ended_.pdf

Issue Background

On July 8, 2012, TCTI entered into a lease with GACCTO for the use by GACCTO of the properties as a bus terminal. The TCTI-GACCTO lease term will expire on July 7, 2021.

GACCTO has advised that it will not be occupying the properties after the lease expiration. Neither TCTI nor the TTC has any current or future operations plans for the properties.

In a report to the TTC Board in September 2016, the properties were included in a Surplus Land Review, which identified properties owned by the TTC and its subsidiaries, but not occupied by the TTC or its subsidiaries for operational purposes, and described as having redevelopment potential.

In a subsequent report in March 2018, the TTC Board received an update to the Surplus Land Review (Phase 2). The report outlined the costs associated with studying the properties identified as having redevelopment potential and, again, included the properties. The report also advised that, with the establishment of CreateTO, properties previously held in title by the TTC or its subsidiaries are to be considered a City of Toronto asset to be administered or disposed of by CreateTO.

In October 2019, the City of Toronto identified the properties as underutilized and, as such, provides an opportunity for the City of Toronto to address specific needs and building objectives, such as affordable housing, employment uses, and community infrastructure.

Comments

TTC, on behalf of TCTI, is currently in discussions with the City of Toronto respecting the arrangements for the transfer of operational management of the properties to the City of Toronto in accordance with the City of Toronto's processes respecting transfer of operational management of properties to the City of Toronto. It is proposed that, as of

July 8, 2021, a City agency, board or department will temporarily occupy the properties until the approvals for the sale of one or both of the properties is finalized, or there is an agreement between the City of Toronto and a third party respecting the development of one, or both of the properties, or Council approves an application by the City of Toronto to rezone one or both of the properties.

TCTI and the TTC support the transfer of operational management of the properties to the City of Toronto to address the City of Toronto's needs and building objectives. However, the transfer must include the release of TCTI from all obligations regarding the properties, including environmental liabilities (both on and off site), security and maintenance of the properties, payment of all applicable taxes, and the management of tenants. The transfer must also include payment to TCTI. Details regarding this payment are included in the Financial Summary of this report. The proposed terms and conditions for the transfer of operational management are detailed in Recommendation 1 of this report.

It has not yet been determined whether there will be a transfer of title upon the transfer of operational management of the properties to the City of Toronto. The recommendations in this report provide TCTI the ability, as owner to enter into any necessary agreements or applications respecting the properties to implement Council approvals if TCTI's release of obligation have been addressed.

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Signature



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