



TO: Planning and Budget Committee

SPONSOR: Nadeem Shabbar, Chief Real Estate Officer

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DATE: December 19, 2008 for January 21, 2009

AGENDA ITEM: 5

ITEM IDENTIFICATION:

Declaration of Property as Surplus to University Requirements: 245 College Street, Toronto.

JURISDICTIONAL INFORMATION:

Business Board approval of the disposal of University property requires the “concurrence of the Academic Board is required, on the recommendation of the Planning and Budget Committee, to indicate that the property is surplus to University requirements.”

PREVIOUS ACTION TAKEN:

Business Board has approved the transaction, subject to the declaration of the property as surplus.

HIGHLIGHTS:

The University acquired 245 College Street in 2007 as part of the strategic acquisition for future development site. Concurrent with our interest in the building a third party had made an offer to purchase the building. The University exercised its right to purchase the property on March 6, 2008 under a previous lease arrangement..

The third party owns the property abutting the building at 247 College Street. The third party has approached the University with a proposal for a 30 storey student residence development to be constructed on the footprint comprised of 245 College Street and 247 College Street. The University’s contribution to the residence development would be 245 College Street in the form of a long-term ground lease in favour of the third party. In return, the University would receive a to-be negotiated rent level based on the greater of minimum rent indexed to inflation, or a participating rent related to a percentage of the cash flows of the development.

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The rent as received under the ground lease will have the greatest level of security, sitting senior to both the equity and the debt of the overall development project. The ground lease will set out certain terms and conditions whereby the University can control the prescribed use of the lands and building as well as operational covenants and approvals.

The University's Housing Committee published a report in August, 2008 concluding that the current compliment of student housing on the St. George campus is not sufficient to meet the demand, not only currently, but also in the context of the 2030 enrollment projections. Currently 17% of undergraduate students live in residences, compared to 3% of graduate students. Only 40% of residence spaces are available to upper year students.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The University will receive land lease rent from this transaction. In the event of default the University will have several remedies to ensure that the real estate asset is protected.

RECOMMENDATION:

Be it recommended to the Academic Board:

THAT the 245 College Street, property be declared surplus to University requirements.