



TO: GENERAL COMMITTEE

SUBJECT: ALLANDALE TRAIN STATION – STRATEGIC ADVICE FOR LEASING THE STATION BUILDINGS AND A TRANSIT MOBILITY HUB UPDATE

WARD: ALL WARDS

PREPARED BY AND KEY CONTACT: J. FOSTER, BAA, MCIP, RPP
CITY CENTRE REVITALIZATION COORDINATOR, EXT. 4517
D. BURTON 

SUBMITTED BY: C. LADD, CHIEF ADMINISTRATIVE OFFICER

CHIEF ADMINISTRATIVE OFFICER APPROVAL: C. LADD, CHIEF ADMINISTRATIVE OFFICER 

RECOMMENDED MOTION

1. That Parcel B as identified in Appendix A to staff report INV001-14 be retained for uses associated with the lease of the train station buildings.
2. That staff be directed to advise Metrolinx of the City's decision to preserve the available parcels in their entirety on the Allandale Station lands for future development opportunities.
3. That a Broker/Advisory firm be engaged to provide advice on a leasing structure for the Allandale Train Station buildings and to undertake a Request for Offers to Lease process to secure a Head Lessee/Property Manager for the site.
4. That staff report back to General Committee on the remuneration for the Broker/Advisor once the submissions to the RFP have been received and evaluated.

PURPOSE & BACKGROUND

Report Overview

5. This report will outline the considerations taken as part of the Mobility Hub study being completed in partnership with Metrolinx as well makes recommendations surrounding the future of this study based on its impact on the developable lands at Allandale Station.
6. This report also recommends the engagement of a Broker/Advisor to provide advice on leasing options available for the Allandale Train Station Buildings and to undertake a Request for Offers to Lease (RFO) process.

Background

Transit Mobility Hub

7. As part of the Plan for Transit Motion 12-G-052 authorized staff to undertake a Mobility Hub study in partnership with Metrolinx. The intent of this study was to investigate the merits and outcomes of creating a centralized mobility hub on the Allandale station lands joining Barrie Transit, GO Rail and Bus, and inter-city carriers on one site location reducing the reliance on the Downtown Terminal. This study was to take into consideration shared spaces including single ticket sales,

driver amenities, passenger amenities, and general operations elements such as parking, kiss & ride, and bus platform spaces.

8. In spring 2013 Metrolinx retained the services of AECOM Consulting to undertake the study, which included several technical working group sessions with each of the various representatives. These technical sessions began to analyse the needs and requirements of a mobility hub including a review of joint operational opportunities and synergies for consideration.

Allandale Train Station Lease

9. Subsequently, Motion 13-G-275 authorized staff to retain consulting services that would provide strategic real estate advice on a number of City owned, city centre properties, including the Allandale Station lands and buildings. Deloitte Real Estate was retained in November 2013. The terms of engagement specific to the train station buildings included an opinion on potential uses of the asset and the associated lands immediately to the south; how to package the real estate/partnership opportunity including procurement options; and best method to market and attract lease opportunities.
10. On March 7, 2014, Deloitte provided a report entitled "Strategic Assessment of Downtown Parking Lots, The Allandale Lands". Excerpts of the report can be found in Appendix B. The entire report is available in the Councillor's Lounge. Recommendations for the Allandale Lands and Buildings include:
 - a) Retaining Parcel B as it would be best utilized for surface parking associated with the train station buildings;
 - b) Retain a Broker/Advisor to undertake an RFO process for the lease of the train station buildings. The remainder of the Allandale lands would be best served as part of a mixed use commercial development and the sale of Parcels A, C and D should be pursued through individual disposition of the separate parcels, see Appendix A; and

ANALYSIS

Transit Mobility Hub

11. Through the progression of the mobility hub study staff, as part of the larger technical steering committee, began reviewing preliminary functional programs, operational concepts, and site plan alternatives. As part of this process the steering committee challenged all elements of the design to reduce both the requirements and the site alternatives from six (6) to two (2) options for public presentation.
12. Upon receipt of the two final site alternatives prepared by AECOM, staff quickly identified that in order to achieve the remaining programmatic site elements for the mobility hub creation it would require significant impact on the developable parcels on the Allandale station lands.
13. Staff immediately felt that the two independent analyses being completed on the subject lands needed to merge together in order to ensure a full functional analysis of the lands could be considered. Staff met in December 2013 with representatives from Deloitte, AECOM, and Metrolinx to present the two site alternatives and their impact on the strategic land assessment.
14. Preliminary feedback from Deloitte indicated that the impacts on the developable land outlined within both alternatives would prove significant and inhibit future development opportunities for the Allandale Station Lands. As a result, this report is recommending that these lands be left available for future development and that no further action be taken on the comprehensive mobility hub proposal for Allandale Station. However, this does not preclude future options for a

smaller mobility hub that may include inter-city carriers within the current or slightly expanded bus platform area.

Parcel B – Immediately south of the Train Station Buildings

15. Staff are recommending that the approximate 0.4ha (1 acre), Parcel B, identified in Appendix A, not be included as part of the lands to be sold but be maintained for the programming needs and future uses of the train station buildings.
16. The train station buildings will require parking, loading/unloading areas, garbage storage and removal areas. Given future GO ridership and commercial development on the balance of the lands, parking will need to be accommodated on-site specific to the intended uses of the train station buildings and may also serve to support some of the surrounding uses. By not selling Parcel B at this time, the City retains options for parking and accommodating the needs of the future on-site and adjacent uses. Should the City not require Parcel B or a portion thereof, at the time the surrounding lands are developed, sale of that portion can be reconsidered at a later date.
17. Staff are also recommending that the City pursue the development of Parcel B for interim parking. The suggestion for interim parking would not preclude an alternate arrangement for permanent parking in the longer term which may include a partnership with adjacent development. Given the potential temporary nature of parking on Parcel B in the short term, it is suggested that alternate standards be considered for development which may include a formalized gravel parking lot.

Allandale Train Station Lease

18. Staff are recommending pursuing a long term “head lease” arrangement for the train station buildings. This would result in a “Head Lessee/Property Manager” being responsible for the lease of all three buildings rather than the City securing leases individually.
19. It is recommended that the best approach to securing a “Head Lessee/Property Manager” for this lease arrangement is through the retention of a Broker/Advisor to undertake a Request For Offers (RFO) process. An RFO is similar to a Request for Proposal (RFP) in that it would allow for a transparent and binding process; include City objectives and criteria for desired lease options and tenancy; include terms and conditions, and an evaluation process. Such a process would ensure broad market exposure while maximizing competition through a structured process. It would leverage expertise in crafting the RFO document, including submission requirements, evaluation criteria and leverage market expertise in negotiations with interested proponents. The Broker/Advisor will be selected through an RFP issued by staff.
20. The train station buildings have been restored to a base building design which includes exterior renovations as well as interior reinforcement of the building foundation, replacement of the sub-floors and partial restoration of the interior walls to include insulation and vapour barrier, base mechanical and electrical systems and site services. Additional interior renovations called fit-out are required to suit building tenant uses which include drywall, non-structural walls and floor finishing. Costs associated with the fit-out can be extensive and are above and beyond the costs of normal leasehold improvements specific to tenant occupancy. There are two options to address the completion of the building fit-out which include completion of the work by the City or completion by the head lessee with provisions in the lease to compensate the lessee for these capital improvements.
21. In addition to conducting the RFO process, the Broker/Advisor will also provide the City with advice on how to best structure a head lease that secures the City’s interests in realizing compatible and desired train station tenants, that maintains public space for community uses in

the no-build zone, that allow for the possibility of a public facility for washroom use and options available to address the costs associated with completing the building fit-out.

22. There are potentially two payment methods available for compensating the Broker/Advisor under this engagement:
- a) A fixed fee: This fee would be established at the beginning of the engagement and would be a set fee for the provision of services that is agreed to by both parties.
 - b) A commission based fee: This fee is based on the value of the lease payments over the term of the lease. This would result in a percentage of the first years lease payments and a lesser percentage rate on the balance of the lease term. For example the broker could receive 6% of the first year lease payments and 3% of the balance of the years lease payments. These rates could be negotiated with the broker, however the rates are still based on the amount being paid by the Lessee over the term of the lease and would not be known until the City selects a "Head Lessee/Property Manager" and enters into the head lease agreement.
23. Retaining a Broker/Advisor and undertaking the RFO process is targeted to be underway by June 1, 2014 and will only include the train station buildings. Staff will be reporting in the near future on the results of the strategic advice from Deloitte on the balance of the City land inventory. At that time, staff will report on the sale of Parcels A, C and D as identified in Appendix A.

ENVIRONMENTAL MATTERS

24. There are no environmental matters resulting from the recommendation.

ALTERNATIVES

25. There are two alternatives available for consideration by General Committee.

Alternative #1

General Committee could choose not to retain a Broker to market the lease of the train station buildings but rather have staff issue a Request for Offers.

This alternative is not recommended as staff do not have the expertise in the design or delivery of Request for Offers. Issuance of an RFO by staff for lease of the buildings would minimize costs; however, it would not create the opportunity for obtaining expert leasing advice and may not lead to the maximization of the value of lease arrangement.

Alternative 2

General Committee could choose to have staff or the broker issue a Request for Proposal to market the lease of the train station buildings.

This alternative is not recommended as the process for the lease of the buildings as set out in this staff report has been recommend by external real estate advisors retained by the City. Methods such as Requests for Proposal, Request for Expressions of Interest, and "For Sale" signage have previously been undertaken for the sale and lease of the lands and buildings. While valuable information was retained from these processes, the desired results have not yet been realized. Issuance of an RFP by staff for lease of the buildings would minimize costs; however, it would not maximize market exposure, retain expertise in the field, and may not result in maximizing value of lease arrangement.

FINANCIAL

26. The RFP for the Broker/Advisor services will ask proponents to respond to proposed compensation by including pricing on both a commission based fee as well as a fixed fee for service.

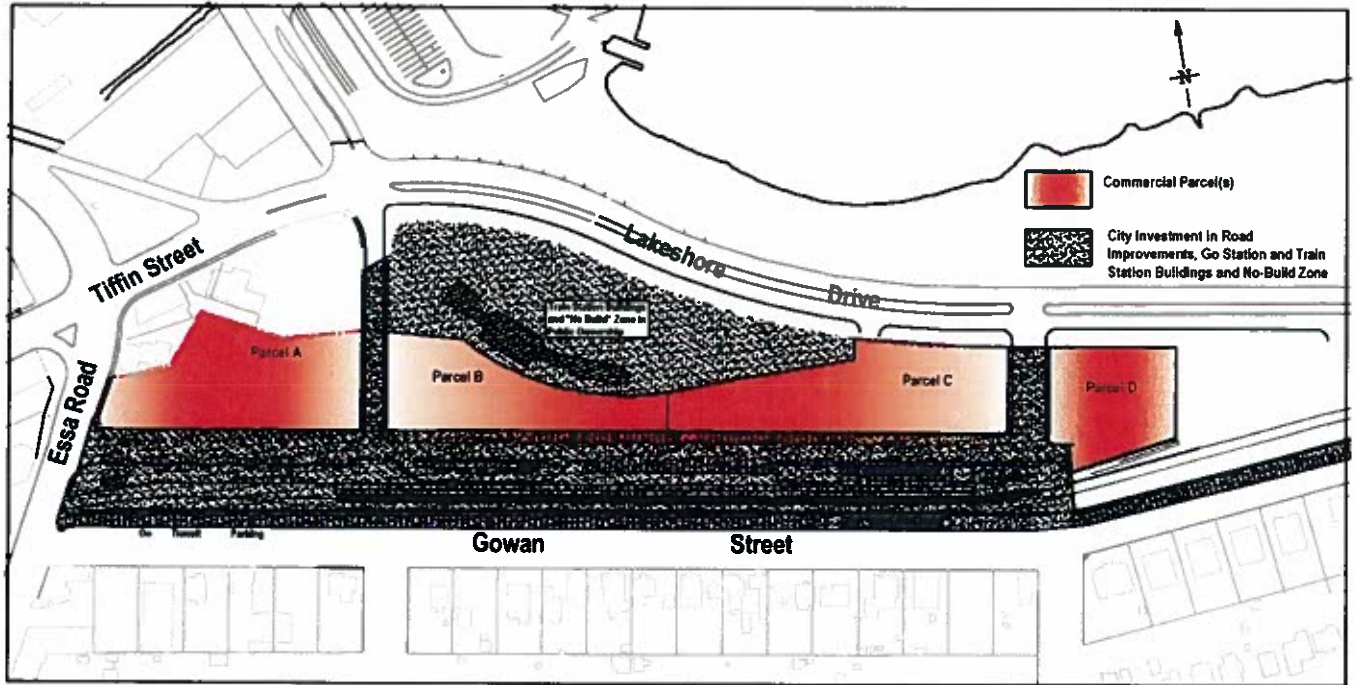
LINKAGE TO 2010-2014 COUNCIL STRATEGIC PLAN

27. The recommendations included in this Staff Report support the following goals identified in the 2010-2014 City Council Strategic Plan:
- Create a Vibrant and Healthy City Centre
 - Strengthen Barrie's Financial Condition
28. Key public investment have been made in the Allandale lands and buildings, namely the restoration of the historic train station buildings, the operation of the GO Train Station and infrastructure improvements of roads and services. A long term lease of the train station buildings allows for the completion of the buildings and provide for commercial occupancy which in turn would attract consumers, animate the area and stimulate further redevelopment opportunities. In doing so, the City would realize some revenue flow and return on the public investment made on the asset. The remaining commercial lands will be sold and redeveloped in the future to compliment and be integrated with the site design, assisting and promoting in the implementation of a vibrant and healthy City Centre, bringing more people to the area for employment, shopping, dining and entertainment.

Attachments: Appendix A – Allandale Station Lands
Appendix B – Excerpts from the Deloitte Report, dated March 7, 2014

Appendix "A"

Allandale Station Lands



Appendix "B"

Excerpt from Deloitte Report, March 7, 2014

City of Barrie
Strategic assessment of
downtown parking lots
The Allandale Lands



07 March 2014

Strategic assessment of Downtown City-owned parking lots

Allandale Lands – Highest & Best Use: Allandale Station

- It is considered that the theoretical appeal of the former train station buildings in general is not in question, however the following points will have significant impact on the viability of the lettability of the subjects.

Uncertainty

- Lack of an existing critical mass of occupiers means potential tenants will be concerned that a) they could be the only tenant secured or be located on a building site for years to come and b) that other tenants may not be complimentary to their business or may directly compete.
- **Unless the City wished to occupy the space itself, master-planning the buildings as part of a single project in tandem with the lands as previously pursued, would alleviate the uncertainty.**

Suitability

- The buildings themselves are attractive and the heritage element is attractive to some occupiers, however an inherent feature of restoring this type of property is their relative inefficiency for many uses compared to purpose-built assets.
- **To maximise value and with the aim of creating a stable asset, it makes sense to focus tenant efforts on securing a mix of local office occupiers and engaging with established national restaurant chains, of a quality commensurate with the City's aspirations for the location.**

Amenity vs. Financial Return

- There is a fundamental disparity between the provision of public amenity space as opposed to attracting a commercially viable tenant. In this case, the location and heritage nature of the buildings would appear to lend themselves best to public amenity such as a tourism office, in combination with a meeting space/gallery/wedding venue.
- **We have made the assumption that the focus of the City will be on maximising value over creating public amenity however and that a private sector tenant would be preferable.**

On the basis the City of Barrie has a preference for **maximising value over provision of public amenity**; the highest and best use of these buildings would be for mixed commercial purposes, most likely a combination of local office occupiers for the buildings to the east and west, with the central building utilised by an established restaurant operator of strong covenant.

Strategic assessment of Downtown City-owned parking lots

Allandale Lands – Site Overview

Description & Constraints

- As can be seen from the plan, these four land parcels lie adjacent to each other, parcels A-D running east to west over largely level ground.
- Some parcels are narrow in character which presents difficulties as to what can be achieved on site. The lands although having prominence and aspects over the waterfront, will require to obtain access from the internal road network rather than Lakeshore Drive.
- The immediate area is under-developed and lacks a core critical mass of occupiers at present, although the lands do lie in excellent proximity to the new GO station and in time are ideally positioned to take advantage of increasing pedestrian flow at this location.
- We have been advised the land is fully serviced.

Parcel A

- This irregularly-shaped parcel lies within an area that has seen limited development on adjacent lots to the immediate north and benefits from occupying a corner site with return frontages on two sides, albeit onto minor service roads.

Positives

- ✓ Prominent corner site with dual return frontage, one of these onto the Essa Road
- ✓ Provides one of the deeper sites which allows for maximising developable area
- ✓ Likely benefit from increased pedestrian flow from GO station

Negatives

- × Lack of lake view aspect
- × Irregularly-shaped meaning not all of site will be developable
- × No frontage onto Lakeshore Drive

Strategic assessment of Downtown City-owned parking lots

Allandale Lands – Site Overview

Parcel B

- Comprises an L-shaped site with an excess of 50% of site likely incapable of any meaningful development and dominated by the former train station buildings, which impede any lake view.

Positives

- ✓ Benefits from a large return frontage, albeit both sides are onto minor service roads
- ✓ Likely benefit from increased pedestrian flow to / from GO station
- ✓ Well-suited to tying in with the former train station buildings, most likely as a source of surface parking stalls

Negatives

- × Lack of frontage onto main road reducing prominence and potentially detracting to the appeal for retailers and restaurateurs.
- × Predominantly narrow site means only western portion likely developable
- × Lacks a lakeshore aspect

Parcel C

- The third parcel presents a relatively uniform shape and is considered viable development, although due to the specifics outlined below, would not be considered a prime site.

Positives

- ✓ Benefits from dual aspect including lakeshore view which will increase its appeal, albeit the greater proportion of the frontage faces south
- ✓ Likely benefit from increased pedestrian flow to / from GO station
- ✓ Even site configuration should allow maximization of site utilization

Negatives

- × The site narrows substantially to the western side which will limit developable area and thus appeal.

Strategic assessment of Downtown City-owned parking lots

Allandale Lands – Site Overview

Parcel D

- Parcel D comprises perhaps the easiest site to develop, being the most well-configured and uniform site of the four.

Positives

- ✓ Regularly shaped site that will facilitate the most intensive site coverage possible for development and enhance appeal to commercial developers.
- ✓ Benefits from an extensive lakeshore aspect that will maximize the site's appeal to commercial developers
- ✓ Likely benefit from increased pedestrian flow to / from GO station

Negatives

- × Furthest from existing development and from existing critical mass of development, such as it is at present.
- × Set-back requirements from the rail-line will restrict development on site.

Summary

- The Allandale lands undoubtedly occupy what will be a key location on the new transport node for the City. In this respect, the lands benefit from the presence of the heritage train station buildings, a lakeshore setting, and improving traffic flow through the new GO station.
- Unfortunately these benefits are reduced to a great extent by the unconventional site configuration's; shallow site depth reducing developable area; lack of useful / prominent frontage onto the lakeshore; and simply the fact that the area is relatively unestablished at present.
- On balance there is an opportunity and, we have identified the most likely uses for each as follows:

Strategic assessment of Downtown City-owned parking lots

Allandale Lands – Site Overview

Allandale Lands: Probable Uses

- We have outlined below what we believe are the most appropriate uses of each site, in view of the particular characteristics of each, including depth, configuration, frontage etc.



Parcel A: The development potential would be greatly enhanced if combined with the frontage to the north. While the existing parcel does not have a lake view, it benefits from corner exposure.

Low / mid-rise residential is possible; however, site is also suitable for mixed commercial including retail at grade and offices above.

Parcel B: Development opportunity is restricted by the narrowness of site and proximity to the station buildings.

This parcel would hold very little appeal to developers except in conjunction with the station buildings, either as parking or with a small retail 'pad' possible on the western side of the site.

Parcel C: Benefits from a corner location and partial lake view; however, the western portion of the depth, shape and constraints to u/g parking limit potential density, thus lowering overall value.

A developer would most likely seek to utilise the eastern section for retail use, with the western element given over to parking.

Parcel D: Comprises the most straightforward site of the four. Parcel D fronts onto the lake and benefits from corner exposure/access.

The site would provide an excellent location for a retail pad, although given its advantages, mixed retail / offices could also be feasible.

Mixed Commercial / Residential	Surface Parking	Retail / Leisure	Leisure / Mixed Commercial
--------------------------------	-----------------	------------------	----------------------------

Strategic assessment of Downtown City-owned parking lots

Disposal Strategy – Allandale Station Buildings & Surrounding Lands

	Initiate process to lease existing station buildings	Combined RFP to lease station and develop surrounding lands	Concurrent RFP to lease station and develop surrounding lands
Description	<ul style="list-style-type: none"> City initiates process to lease the renovated train station buildings prior to moving forward with an RFP process for the adjoining parcels. 	<ul style="list-style-type: none"> City issues an RFP to lease the train station buildings and develop the surrounding parcels at the Allandale site. 	<ul style="list-style-type: none"> City issues an RFP to develop the surrounding parcels at the Allandale site either concurrently or in advance of leasing the train station buildings.
Strengths	<ul style="list-style-type: none"> Leasing can be undertaken immediately. Realize income and recuperate restoration costs sooner. 	<ul style="list-style-type: none"> Could provide for a more coordinated/themed development. 	<ul style="list-style-type: none"> The train station buildings may be more marketable once a development proposal is in place.
Weaknesses	<ul style="list-style-type: none"> May not be as marketable as if the surrounding parcels were developed. Construction on surrounding lands may be disruptive to tenants. 	<ul style="list-style-type: none"> Will take time to run an RFP process which will delay occupancy of the train station buildings . Many developers would not have an interest in leasing the buildings. 	<ul style="list-style-type: none"> If leasing is linked to the timing of the RFP process for the balance of the property, occupancy and associated cash flow will be delayed significantly.
Recommendation and Rationale	<ul style="list-style-type: none"> Most desirable. The process to undertake an RFP and develop adjoining lands could potentially take up to five (5) years vs. a lease term of five (5) to (10) years. 	<ul style="list-style-type: none"> Least desirable. Results in a significant delay in occupancy of the train station and not clear that inclusion of the train station would enhance the marketability of the offering. 	

Strategic assessment of Downtown City-owned parking lots Disposal Strategy – Allandale Station Buildings & Surrounding Lands

	Broker-led Marketing Process	Structured RFO led by advisor/broker	City-led RFP/RFO tender process
Overview	<ul style="list-style-type: none"> City retains broker to market property and solicit Letters of Intent. 	<ul style="list-style-type: none"> City retains an advisor/broker to run a tender process. 	<ul style="list-style-type: none"> City initiates a public tender process to identify/select tenant(s)
Document requirements	<ul style="list-style-type: none"> Property information sheet. 	<ul style="list-style-type: none"> Request for Offers to Lease (RFO) document. Template Lease Agreement (typically). 	<ul style="list-style-type: none"> Request for Proposals / Offers (RFP or RFO) through public tender.
Relevance to City's objectives	<ul style="list-style-type: none"> Ensures broad market exposure and competitive tension. 	<ul style="list-style-type: none"> Ensures broad market exposure and competitive tension. RFO will serve to identify tenants that best meet City objectives regarding use, covenant. 	<ul style="list-style-type: none"> RFP/RFO will serve to identify tenants that best meet City objectives regarding use, covenant.
Benefits	<ul style="list-style-type: none"> Leverage broker marketing and networking capabilities. Unstructured process for evaluating potential tenants. 	<ul style="list-style-type: none"> Leverage expertise in crafting the RFO, including submission requirements and evaluation criteria. Leverage market expertise in negotiations with shortlisted proponents. 	<ul style="list-style-type: none"> Minimizes transaction costs (but may not maximize value of the lease arrangement).

The leasing process should balance the City's objectives of maximizing value and identifying a tenant(s) that will animate the site. This could be achieved by having an advisor/broker to run a Request for Offers process that will ensure broad market exposure while maximizing competitive tension through a structured process and ensuring that tenants meet City requirements.

Strategic assessment of Downtown City-owned parking lots Disposal Strategy – Allandale Station Buildings & Surrounding Lands

RFO Section:	Section contents:
Transaction summary and business arrangement	<ul style="list-style-type: none"> • Property details • Lease structure / term
RFO submission process	<ul style="list-style-type: none"> • Schedule and deadlines
Submission requirements	<ul style="list-style-type: none"> • Form and Content • Submission Date and Location
Evaluation and selection	<ul style="list-style-type: none"> • Evaluation matrix
Technical submission requirements	<ul style="list-style-type: none"> • Proposed use • Tenant history / experience
Financial submission requirements	<ul style="list-style-type: none"> • Price proposal (base and percentage rent, if applicable) • Financial statements or other evidence of financial capability • Letter from lender
Legal submission requirements	<ul style="list-style-type: none"> • Template lease agreement (mark-up)

The table above provides an outline of a streamlined RFO document. Typical RFO contents would include details regarding the offering and preferred transaction structure, would identify technical, financial and legal submission requirements and provide stated evaluation criteria.

Strategic assessment of Downtown City-owned parking lots Disposal Strategy – Allandale Station Buildings & Surrounding Lands

Recommendations

- Given the size, shape and other constraints affecting each of the parcels, the overall development opportunity is unlikely to lend itself to residential development, which would usually be the highest value use.
- Parcel B is likely to attract little developer interest due to size and shape constraints, and would be best utilised, for surface parking, at least as an interim use. This would greatly enhance the appeal of the existing train station buildings to prospective tenants and could also enhance the appeal of the adjacent parcels.
- Having discounted residential use and in view of the area's **key strategic value** to the City's aspirations of becoming the 'gateway' for visitors to the City, the lands would be best served as part of a mixed use commercial development.
- There is a question as to how this be best effected, with the options realistically being either a) **separate disposal**, marketing each land parcel and building individually, beginning with the most appealing; or b) identify a commercial **development partner** to master-plan all land parcels as a single (likely multi-phase) project.
- While the land is of strategic importance to the City, the location, scale and configuration of the four parcels preclude large scale, high density development.

While it will be an objective of the City to achieve development and uses that are complementary at this location, we do not believe that the buildings should be packaged as part of a larger RFP (i.e. including the surrounding lands). The City's objectives would be best served by identifying and securing tenants for the station buildings immediately, while pursuing individual disposition of the separate land parcels, with Parcel A representing the most substantial opportunity.