



Loan Agreement to Toronto Coach Terminal Inc.

Date: September 15, 2021
To: TTC Board
From: Interim Chief Financial Officer

Summary

This report provides background on the loan from the Toronto Transit Commission (TTC) to its subsidiary, the Toronto Coach Terminal Inc. (TCTI), and recommends waiving interest payable on the loan by converting the remaining \$4.5 million loan from an interest-bearing loan to an interest-free loan, effective July 8, 2021 following the expiry date of the TCTI-Greyhound Canada and Coach Terminal Operations Limited (GACCTO) lease, and that the loan agreement between the TTC and TCTI be amended accordingly.

With the loss of TCTI's revenue stream due to the expiry of the TCTI-GACCTO lease, TCTI does not have the financial capacity at this time to repay the remaining loan of \$4.5 million owed to the TTC. It is expected that TCTI will repay the balance once a \$4.2 million payment from the City of Toronto is made as per the conditions of transfer of 610 Bay Street and 130 Elizabeth Street to the City.

Converting to an interest-free loan for the interim period will avoid any further increase in the loan value until payment from the City is received and the loan can be fully settled by TCTI.

Recommendations

It is recommended that the TTC Board:

1. Approve the waiver of interest payable on the remaining loan of \$4.5 million, with Toronto Coach Terminal Inc., dated December 30, 1991, by converting the loan to an interest-free loan effective July 8, 2021 and making the necessary amendment to the loan agreement between the TTC and its subsidiary, Toronto Coach Terminal Inc.

Financial Summary

With the loss of TCTI's revenue stream due to the expiry of the TCTI-GACCTO lease, TCTI does not have sufficient financial assets at this time to repay the remaining loan of \$4.5 million owed to the TTC, as TCTI's current cash balance is needed to support

advances to the TTC Insurance Company Limited (TTCICL), as required under the insurance company license.

It is expected that TCTI will be able to repay the balance when a \$4.2-million payment from the City of Toronto is made. As outlined in the June 16, 2021 report to the TCTI Board meeting entitled, "GACCTO Lease Expiry and Proposed Transfer of 610 Bay Street and 130 Elizabeth Street," the \$4.2-million payment is expected upon the earlier of:

- a) The sale of one of the properties or;
- b) Execution of an agreement to redevelop the properties or;
- c) The approval of a rezoning application.

The remaining loan balance will be paid from TCTI's working capital once all receivables and payables are settled.

Converting to an interest free-loan will avoid any further increase in the loan value until payment from the City is received. However, the TTC will no longer receive interest income from TCTI. Of the \$100,000 included in the 2021 Operating Budget, \$51,500 was received for the period of January 1, 2021 to July 7, 2021, and the TTC will forego interest income of \$48,500 in 2021 and approximately \$100,000 thereafter.

Equity/Accessibility Matters

With the expiry of the TCTI-GACCTO lease, GACCTO's intercity bus services have moved to the new Metrolinx bus facility on Bay Street, which is designed to meet equity and accessibility standards.

Decision History

On December 17, 1991, the TTC Board approved a loan to Metro Toronto Coach Terminal Inc. (now Toronto Coach Terminal Inc. or TCTI) in the amount of \$13.6 million, which accrues at monthly interest at the prime rate. The loan dated December 30, 1991 was used to fund the final dividend declared by TCTI to the TTC.

In May 2012, TCTI Board approved TCTI entering into the TCTI-GACCTO lease. The revenue from the lease became the source of income in paying off the loan.

[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_30_2012/Meeting_of_Directors_May_30_2012/Reports/Toronto_Coach_Termin.pdf)

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

[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_of_Directors/Reports/4_GACCTO_Lease_Exten.pdf)

The October 2019 report to City of Toronto Council identified the 610 Bay Street and 130 Elizabeth Street properties as potential for redevelopment.

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

At its June 2021 meeting, the TCTI Board approved the transfer of operational management of 610 Bay Street and 130 Elizabeth Street properties to the City of Toronto subject to terms and conditions, including a payment of \$4.2 million to TCTI. http://www.ttc.ca/About_the_TTC/Subsidiaries/Toronto_Coach_Terminal_Inc/2021/June_16_2021/Directors/Reports/2_GACCTO_Lease_Expiry_and_Proposed_Turnover_Agreement.pdf

Issue Background

On December 30, 1991, Metro Toronto Coach Terminal Inc. (now Toronto Coach Terminal Inc. or TCTI) obtained a loan in the amount of \$13.6 million, which accrues monthly interest at the prime rate. The loan was used to fund the final dividend declared by TCTI to the TTC. Since issuance of the loan, various repayments, including interest payments have been made. Currently a \$4.5-million loan balance remains.

On July 8, 2012, TCTI entered into a lease with GACCTO for the use by GACCTO of TCTI's 610 Bay Street and 130 Elizabeth Street properties (the "properties") as a bus terminal. The TCTI-GACCTO lease expired on July 7, 2021.

GACCTO advised that it will not be occupying the properties after the lease's expiration. Neither TCTI nor the TTC have any current or future operational plans for the properties. As a result, the primary source of revenue for TCTI ceased as of July 7, 2021.

The TCTI Board approved the transfer of the properties to the City of Toronto upon the expiry of the TCTI-GACCTO lease, in accordance with City of Toronto processes respecting transfers of operational management, and subject to the satisfaction of the TTC's General Counsel.

One of the terms of the transfer is that the City of Toronto will pay TCTI \$4.2 million upon the occurrence of the earlier of:

- a) The sale of one or both of the properties; or
- 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; or
- c) The approval by City of Toronto Council of an application by the City of Toronto to rezone one or both of the properties.

Comments

To avoid an increase in the loan value until such time the City is able to make its \$4.2-million payment to TCTI as a condition of transfer of TCTI's properties at 610 Bay Street and 130 Elizabeth Street, it is recommended that the TTC Board waive the interest payable on the outstanding loan balance by converting the existing loan dated December 30, 1991 between the TTC and TCTI to a non-interest bearing loan, effective July 8, 2021 following the GACCTO lease expiry date, and that the loan agreement be amended accordingly.

Converting the loan from an interest-bearing to an interest-free loan will ensure that TCTI will have sufficient funds to meet its financial obligations to the TTC Insurance Company Limited (TTCICL), as required under the insurance company license and to fully repay the remaining loan balance, once the \$4.2-million payment has been received from the City.

Contact

Alex Cassar, Director – Budgets Costing and Financial Reporting
647-209-3917
alex.cassar@ttc.ca

Signature

Josie La Vita
Interim Chief Financial Officer

Attachments

Attachment 1 – TCTI and TTC Demand Note Agreement dated December 30, 1991
Attachment 2 – Amendment to the December 30, 1991 TTC and TCTI Demand Note Agreement

December 30, 1991

DEMAND NOTE

\$13,600,000.00

For value received, Metropolitan Toronto Coach Terminal Inc. promises to pay on demand to the order of the Toronto Transit Commission at its Head Office, 1900 Yonge Street, Toronto, the sum of Thirteen Million, Six Hundred Thousand Dollars in lawful money of Canada with interest thereon calculated on a daily basis and payable annually as well after as before demand of payment, and interest on overdue interest. Rate of interest at the rate per annum equal to the prime lending rate of the Canadian Imperial Bank of Commerce.

Provided and notwithstanding anything else herein contained, Metropolitan Toronto Coach Terminal Inc. shall have the privilege of paying all or any part of the monies secured on account of the principal sum at any time or times without giving any notice of paying any bonus.

In witness whereof Metropolitan Toronto Coach Terminal Inc. has hereunto affixed its seal by the proper officers on that behalf.

METROPOLITAN TORONTO COACH
TERMINAL INC.

APPROVED
AS TO FORM

W.S.D.
GENERAL COUNSEL

APPROVED
AS TO FINANCE

W.S.D.
DEPT.

APPROVED
AS TO ACCOUNTING

W.S.D.
GENERAL MANAGER
FINANCE

[Signature]

President

DEC 30 1991

[Signature]

General Secretary

July 8, 2021

Amendment to the Demand Note agreement dated December 30, 1991

This Amendment to the Demand Note agreement (the "Amendment") is made and entered into between the Toronto Coach Terminal Inc. or "TCTI" ("Borrower") and the Toronto Transit Commission or "TTC" ("Lender").

Recitals:

1. Borrower and Lender have entered into a Demand Note agreement dated December 30, 1991 (the "Demand Note").
2. Borrower and Lender desire to modify and amend the Demand Note as provided herein.

Amendments:

For consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower hereby agree and amend and modify the Demand Note as follows:

1. **Definitions and other terms.** Except as otherwise provided herein, terms defined in the Demand Note shall have the same meaning when used herein. Terms defined in the singular shall have the same meaning when used in the plural and vice versa.
2. **Amendments.** The Demand Note is hereby modified and amended as follows:
 - a. The "Metropolitan Toronto Coach Terminal Inc." be replaced by "Toronto Coach Terminal Inc." or "TCTI".
 - b. The "Demand Note" reference be replaced by "Loan Agreement".
 - c. The sum of lawful money outstanding as at July 7, 2021, is converted to a non-interest bearing loan effective July 8, 2021.
3. **Agreement Remains in Full Force and Effect.** The Demand Note is ratified and affirmed by Borrower and shall remain in full force and effect as modified hereby.
4. **Integrated Agreement; Amendment.** This Amendment, together with the Demand Note constitutes the entire agreement between Lender and Borrower concerning the subject matter hereof, and may not be altered or amended except by written agreement signed by Lender. All other prior and contemporaneous agreements, arrangements, and understandings between the parties hereto as to the subject matter hereof are, except as otherwise expressly provided herein, rescinded.

This Amendment and the Demand Note shall be read and interpreted together as one agreement.

In witness whereof Toronto Coach Terminal Inc. hereunto affixed its seal by the proper officers on that behalf.

President

Treasurer