

TORONTO STAFF REPORT

June 24, 2005

To: Economic Development and Parks Committee

From: Sue Corke, Deputy City Manager
Joseph P. Pennachetti, Deputy City Manager and Chief Financial Officer

Subject: A Proposed Financing Model for the Bloor Street Transformation Project
Ward 27 - Toronto Centre-Rosedale

Purpose:

To approve a financing model for the Bloor Street Transformation Project which involves the City advance financing for the construction costs for the project and recovering all costs by way of a Business Improvement Area (BIA) levy on commercial property owners along Bloor Street. In order to implement the special charge, a new BIA is proposed to be created, which will encompass the commercial properties along Bloor Street that shall to benefit from the project. It is envisioned that this new BIA will exist solely to implement and allow for cost-recovery for the project. Properties within this newly formed BIA would continue to be a part of the Bloor Yorkville BIA.

Financial Implications and Impact Statement:

The proposed financing model is in keeping with Council's earlier direction to report on a multi-year plan to finance the Bloor Street Transformation Project which would minimize the financial implications to the City. All costs including interest charges and a maintenance reserve will be amortized over the 20 year recovery period and included in the BIA's yearly budget submission to Council.

Recommendations:

It is recommended that:

- (1) the appropriate City Officials be directed to take the necessary actions to create a BIA in the project area within the current Bloor Yorkville BIA including:
 - (i) holding a formal meeting in the area to confirm the boundaries and gauge support for the creation a new BIA;

- (ii) provided there is sufficient support for creating a new BIA, the City Clerk be directed to send notice of Council's intention to pass a by-law designating the area as a Business Improvement Area, in accordance with Section 210 of the Municipal Act;
 - (iii) subject to the City Clerk reporting favourably on the results of the poll, prepare a by-law designating the area as a Business Improvement Area, in accordance with Section 204 of the Municipal Act; and
 - (iv) the Executive Director of Technical Services be requested to prepare a legal description and maps of the proposed BIA area and to submit the description to the City Solicitor;
- (2) subject to the establishment of the new BIA within the Bloor Yorkville BIA, City Council support advanced financing of the capital costs for the Bloor Street Transformation Project, up to a maximum of \$25 million with \$20 million (plus interest and a maintenance reserve), being recovered, over a 20 year period, from benefiting property owners along Bloor Street within the new BIA, and the remaining \$5 million to being covered by the Bloor Street Transformation Reserve Fund which was established to accumulate funds acquired by the City through Section 37 contributions made in connection with area developments;
- (3) following establishment of the BIA, staff report back on the details of the financial and legal requirements to implement the recommended cost-recovery financing model;
- (4) the Acting General Manager of Transportation Services be directed to include the project for consideration in the 2006 and future year's capital budget, such that the project is phased over multiple years with the design work to be undertaken in 2006 and construction to commence in 2007;
- (5) this report be forwarded to Policy & Finance Committee for consideration; and
- (6) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto, including the introduction of any necessary bills.

Background:

At its meeting of February 4, 5 and 6, 2003, City Council adopted Clause No. 31, Report No. 1 of the Policy and Finance Committee headed "Financial and Operational Implications of the Bloor Street Transformation Project. This report responds to Council's recommendation to report on a multi-year plan to finance the Bloor Street Transformation Project which would minimize the financial implications to the City.

Comments:

The Project:

Bloor Street is one of Canada's pre-eminent retail addresses. However, its success is threatened by competition from high-end districts in other cities and its appearance is not in keeping with the image that its store owners wish to convey. In response to this concern, the Bloor Yorkville BIA has proposed an ambitious streetscape improvement plan to reinforce Bloor Street's status as a pedestrian-oriented, premier shopping destination. The Bloor Street Transformation Project would involve the reconstruction of Bloor Street between Avenue Road and Church Street to provide:

- granite sidewalks which will be widened by approximately 1.2 metres on each side of Bloor Street;
- decorative street lighting;
- new street furnishings;
- trees, shrubs and flowers in raised, irrigated planting beds;
- public art; and
- new parking lay-bys;

While there are technical design considerations to be addressed, Transportation Services have agreed in principle with the current proposal from a traffic operations perspective. The detailed engineering drawings will be completed in 2006 so that construction can begin in 2007. Every effort will be made to coordinate the project construction with other public works required in the area in order to achieve cost efficiencies and minimize disruption resulting from construction. In order to achieve these construction efficiencies and properly coordinate construction, it is recommended that Transportation Services be responsible for the administration of this project and include the costs for consideration as part of their 2006 and future year's capital budgets, at a net zero cost to the Division.

The Importance of Bloor Street:

The Bloor Street corridor between Avenue Road and Church Street is the premier shopping district in Canada. The area contains over 1.5 million square feet of retail and service space housing over 325 retail stores and services including The Bay, Swarovski Crystal, Nike, the GAP, Tommy Bahama, Roots, Eddie Bauer, Williams Sonoma and many more.

The area also boasts many fashion houses, including leading brand boutiques from around the world such as Gucci, Chanel, Cartier, Mont Blanc, Hermes, Prada, and Tiffany and Company.

Bloor Street also contains over 4.4 million square feet of commercial office space and is home to the Canadian Head offices of Manulife Financial, Molson's, Alliance Atlantis, Famous Players, Estee Lauder, Gap, Harry Rosen, Holt Renfrew, The Alan Cherry Group, William Ashley, and the Retail Council of Canada.

Bloor Street is also an important and well known tourist district attracting over 500,000 visitors per year. Seven hotels are located in close proximity to Bloor Street and the area is surrounded by many cultural institutions such as the Royal Ontario Museum, the Gardiner Museum of Ceramic Art, the Royal Conservatory of Music, the University of Toronto, 25 local art galleries. The area also hosts many world renowned festivals including the Toronto International Film. From an economic perspective the Bloor Street corridor generates almost \$50 million in property taxes and employs 2900 retail and service employees, roughly 2% of all retail employees in the City. Over-all, the Bloor Yorkville area contains over 26,000 employees.

The planned improvements to Bloor Street would complement the significant investments being made to Royal Ontario Museum, Gardiner Museum and Varsity Stadium and will reinforce Bloor Street as a shopping and cultural corridor and premier tourist destination.

Financing Strategy:

Cost consultants Hanscomb Limited were retained by the Bloor Yorkville BIA to conduct an analysis of the project and have estimated the total cost at \$25 million. As previously reported to Council, this amount is beyond the scope of the Economic Development BIA Capital Cost-Share Program, which provides matching funds to capital improvements to the public realm in BIAs. It would be difficult for the City to justify exceeding its affordability targets by financing this project alone while so many other areas of the City are in need of improvements.

Recognizing this, the Bloor Yorkville BIA has come forward to the City with a request for the City to front-end the construction costs of \$25 million, consisting of \$20 million of debt and \$5 million of City reserve fund monies, and recover the costs over a 20-year period, including interest and annual contributions to a maintenance reserve, by way of a special levy on benefiting property owners. The City would contribute \$5 million from the Bloor Street Transformation Reserve Fund which was established to accumulate funds acquired by the City through Section 37 contributions made in connection with area developments.

Staff from Economic Development, Legal, and Finance discussed various financing options available under the Municipal Act. After careful review, it was determined that Section 208(2)(a) (BIA Special Charge) is the only section that would allow the City to recover costs for the types of improvements proposed, without complicated changes to Provincial Regulations, which may or may not be approved by the Province. Section 208(7) also provides additional financial protection to the City in that any charges levied shall have priority lien status and be added to the tax roll.

To facilitate the cost-recovery, the existing Bloor Yorkville BIA could simply include the repayment of financing and contribution to maintenance costs in their annual budget and the City could annually levy a benefiting assessment special charge under Section 208(2)(b) of the Municipal Act for the properties on Bloor Street. The Bloor Street properties would be charged the annual charge to recover the financing costs for the project and the normal BIA special charge, while other properties in the existing BIA would be levied the normal, lower BIA special charge under Section 208(2)(a) of the Municipal Act. However, as benefiting assessment special charges under Section 208(2)(b) require the City to give annual notice of the intention to pass such a by-law, the risk exists that, in a future year of the BIA's 20 year commitment to repay the

City, sufficient objections would be received so as to prevent the City from levying the benefiting assessment special charge. The City's recourse would then be to levy the costs against all rateable properties within the existing BIA, not only the benefiting Bloor Street properties.

In order to address this concern, it is proposed to establish a separate BIA consisting of only the benefiting Bloor Street property owners. This "BIA within a BIA" would exist solely to implement the project and could be dissolved following payment of all costs to the City. Property owners in this new BIA would continue to be part of the Bloor Yorkville BIA and pay their portion of the Bloor Yorkville BIA levy, as well as the annual charge owing to the City for the project. In the event that the new BIA fails to include the annual payment owing to the City in their annual budget, the costs owing to the City would be added to the tax roll to Bloor Street properties in the project area. In this manner, risk to the City is minimized, and non-benefiting property owners will not be compromised.

Property owners in the project area would have the opportunity to vote on the proposed financing model, as part of the normal polling process for creating a BIA. It is also proposed that, in accordance with the Municipal Code requirements for creating a BIA, a public meeting be held to discuss the proposal and gauge initial support prior to a formal poll. Financing for the project will not proceed, in the event the initial poll to establish the BIA fails (i.e. if one-third of those entitled to notice and representing one-third of the total assessment object to the new BIA).

Staff will report further on the specific financial implementation strategies and the requirement to develop a written agreement between the City and the BIA, following the creation of the new BIA.

Conclusions:

The Bloor Street Transformation Project is an important private sector initiative that will help beautify the City, complement the significant investments being made to various cultural institutions in the area, and reinforce Bloor Street as a shopping and cultural corridor and premier tourist destination.

The proposed financing model is in keeping with Council's earlier direction to report on a multi-year plan to finance the Bloor Street Transformation Project which would minimize the financial implications to the City. Establishing a new BIA along Bloor Street will allow the City to recover all costs (including interest and a maintenance reserve) over a 20 year period. This financing model is premised on the belief that those property owners who will benefit directly from the project should bear the significant share of the costs.

Staff from Revenue Services, Financial Planning, Transportation Services, and Legal Services have reviewed this report and concur with the recommendations.

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