



STAFF REPORT ACTION REQUIRED

Transfer to Build Toronto 45 Strachan Avenue, 10, 11 and 25 Ordinance Street

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| Date: | November 25, 2011 |
| To: | City Council |
| From: | Chief Corporate Officer |
| Wards: | 19 – Trinity-Spadina |
| Reference Number: | P:\2011\Internal Services\Re\CC11036re – AFS #14861 |

SUMMARY

Item GM9.10 as amended by Government Management Committee at its meeting of November 9, 2011, directed that the Chief Corporate Officer report to City Council on the terms and conditions of transfer to Build Toronto of 45 Strachan Avenue, 10, 11 and 25 Ordinance Street.

Government Management Committee's direction provided for time for negotiations to continue to reach an agreement between Build Toronto and Eva's Initiatives (Eva's) that would ensure the viable long term operation of Eva's Phoenix. Build Toronto, with the assistance of Real Estate Services, have reviewed a number of options and Build Toronto has agreed with Eva's that relocation to 497 Richmond Street West (also known as 505 Richmond Street West) would be Eva's preferred alternative. 497 Richmond Street is one of the properties recommended to be declared surplus for transfer to Build Toronto in Item GM9.10.

The agreement respecting the relocation of Eva's will allow for the monetization of the Ordinance quadrant and will clarify the redevelopment potential of 497 Richmond Street while achieving the City's cultural and heritage objectives for this site.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council grant authority to enter into an agreement to transfer the property municipally known as 45 Strachan Avenue, 10, 11 and 25 Ordinance Street, more particularly described in Appendix 2, including any agreements related thereto, to Build Toronto, substantially on the terms and conditions set out in Appendices 1 and 2 attached, and on such other and amended terms and conditions as may be approved by the Chief Corporate Officer (CCO), in a form satisfactory to the City Solicitor.
2. City Council grant authority to the CCO to permit Build Toronto to engage in licensing and leasing activities in respect of the properties in this report that are or become the subject matter of executed transfer agreements, during the period prior to the closing of the transfer transactions, on terms and conditions as may be approved by the CCO, in a form satisfactory to the City Solicitor.
3. City Council grant authority to fund the City's outstanding expenses related to the properties in this report from the Approved Operating Budget for Facilities Management and Real Estate Services (FM&RES), in the year(s) that the expenses are incurred, as necessary, and, once these expenses are known, to transfer the funding for these expenses from the Land Acquisition Reserve Fund (LARF), with appropriate adjustments to FM&RES' Approved Operating Budget, as necessary, through subsequent Quarterly Variance Reports.
4. City Council authorize each of the CCO and the Director of Real Estate Services severally to execute the transaction documents required to implement the Recommendations in this report on behalf of the City, including the execution of any required consents, approvals or permissions.
5. City Council authorize the City Solicitor to complete the transactions provided for in this report on behalf of the City, including making payment of any necessary expenses, amending the closing and other dates to such earlier or later date(s), and amending or waiving the terms and conditions, as she may from time to time consider reasonable.
6. City Council authorize and direct the appropriate City officials to introduce in Council any Bills necessary to give effect to the foregoing, including the rescission of any relevant by-laws.

Financial Impact

The transfer of the properties that are the subject of this report to Build Toronto will defer the receipt of proceeds from the disposition of the properties during Build Toronto's development process. However, the transfer will optimize benefits to the City as a whole and achieve potentially greater returns over time.

As the properties to be transferred to Build Toronto are being transferred for nominal consideration, no revenue will be available to cover the expenses of effecting the transfers, such as registration charges that would normally be for the account of the vendor in a transaction of purchase and sale, survey fees, appraisal fees, etc. As the total of the expenses related to these properties is not known at this time, it is recommended that these expenses be accommodated within FM&RES' Approved Operating Budget, in the year(s) that the expenses are incurred, as necessary, and that, once these expenses are known, funds be provided from the LARF. Budget transfers to adjust FM&RES' Approved Operating Budget, as necessary, funded from the LARF through subsequent Quarterly Variance Reports, are also recommended.

This report contemplates that Build Toronto and its potential development partner will make a cash contribution of up to \$5,000,000 to Eva's in the form of construction draws (see Appendix 3).

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On May 17, 18 and 19, 2011, City Council adopted GM3.21, as amended, and approved: the terms of transfer of eight properties to Build Toronto; the declaration of surplus of three properties for turnover of Build Toronto, including 45 Strachan Avenue and 10 Ordinance Street; and a master planning process by Build Toronto of three other properties. With this decision City Council directed Build Toronto to undertake master planning of the Strachan/Ordinance area.

(April 14, 2011) Report from the CCO on Transfer of Properties to Build Toronto and Declaration of Surplus - Second Quarter 2011

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-37549.pdf>)

Appendices 1-11 to the report (April 14, 2011) from the Chief Corporate Officer

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-37550.pdf>)

On October 24 and 25, 2011, City Council declared surplus 45 Strachan Avenue, 10, 11 and 25 Ordinance Street for transfer to Build Toronto with the adoption of GM8.4.

(August 31, 2011) Staff Report - Declaration of Surplus for Transfer to Build Toronto - 10, 11 and 25 Ordinance Street and 45 Strachan Avenue

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-41275.pdf>)

Appendix 1- 11 and 25 Ordinance Street

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-41336.pdf>)

Appendix 2 - 10 Ordinance Street and 45 Strachan Avenue

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-41337.pdf>)

The following additional reports were requested by Government Management Committee for its meeting of October 12, 2011 from the CCO in consultation with the General Manager of Transportation Services and the Waterfront Secretariat on the funding, design and timing associated with the inclusion of a pedestrian bridge on the Ordnance properties. A report on "a viable solution for the relocation of Eva's Phoenix to a facility that meets their operational needs in a sustainable way" was requested from Build Toronto.

(September 27, 2011) Staff Report - Status of Bridge Connection Within the Ordnance Lands (indicates this matter will be reported to the November 3, 2011 Public Works and Infrastructure Committee)

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-41346.pdf>)

(October 5, 2011) Staff Report - Ordnance Lands - Response to GM 7.4 Report (Build Toronto)

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-41484.pdf>)

On November 2, 2011, Toronto and East York Community Council (TEYCC) adopted Item TE11.84 on consideration of a letter from Councillor Layton, to the effect that TEYCC request:

In the event that Council does not provide direction on the Fort York Pedestrian Bridge and the Master Planning of the Ordnance Triangle at its November 29, 2011 meeting, the Director of Community Planning, Toronto and East York District, provide notice of the statutory public meeting and bring forward to the January 10, 2012 meeting of TEYCC a final report on the rezoning application for the property at 30 Ordnance Street.

(November 2, 2011) Letter from Councillor Layton - 30 Ordnance Street

(<http://www.toronto.ca/legdocs/mmis/2011/te/bgrd/backgroundfile-42142.pdf>)

On November 9, 2011, Government Management Committee approved Item GM9.10 as amended, which recommended to City Council terms of transfer for one property and the declaration of surplus of a number of properties for transfer and/or turnover to Build Toronto. With the adoption of Item GM9.10, Government Management Committee requested:

1. Build Toronto enter into an agreement with Eva's Initiatives prior to the November 29 and 30, 2011, meeting of Toronto City Council which will ensure the viable long-term operation of Eva's Phoenix.
2. The CCO report directly to City Council for its meeting scheduled on November 29 and 30, 2011 on
 - a. the terms of transfer to Build Toronto of 45 Strachan Avenue, 10 Ordnance Street and 11 and 25 Ordnance Street, more particularly described in Appendix 2, in the report (October 26, 2011) from the Chief Corporate Officer; and

- b. whether an agreement has been reached between Build Toronto and Eva's Initiatives which is acceptable to Eva's Initiatives.

(October 26, 2011) report from the CCO on the Transfer of Properties to Build Toronto and Declaration of Surplus - Fourth Quarter 2011

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-42091.pdf>)

(October 26, 2011) Appendix 1 - Terms & Conditions for All Transfer Agreements

Appendix 2 - 45 Strachan Avenue, 10 Ordnance Street, 11 and 25 Ordnance Street

Appendix 3 - Terms & Conditions for Transfer - South of Wilson Avenue and West of Tippet Road

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-42092.pdf>)

(October 26, 2011) Appendix 4 from 4a to 4k - Properties to be Declared Surplus for Transfer

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-42093.pdf>)

(October 26, 2011) Appendix 5 from 5a to 5c – Terms & Conditions for All Turnover Agreements - Properties to be Declared Surplus for Turnover

(<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-42094.pdf>)

COMMENTS

As the terms of transfer for the properties that are the subject of this report had not been finalized for inclusion in a report to the November 9, 2011 Government Management Committee, it was recommended that the CCO report directly to City Council. This report discusses the issues that must be addressed by the terms and conditions of transfer to Build Toronto and sets out the recommended terms and conditions of transfer in Appendices 1 and 2.

The City-owned properties east of Strachan Avenue and fronting on Ordnance Street: 45 Strachan Avenue, 10, 11 and 25 Ordnance Street, have been declared surplus for transfer to Build Toronto to facilitate the comprehensive development of this tract in conjunction with a privately-owned 30 Ordnance Street property. The timing and substance of the terms and conditions of transfer of these properties are critical to deriving the optimum value for the City properties and achieving a number of City objectives for the lands and surrounding community.

Fort York Pedestrian and Cycle Bridge and Park Facility

10 Ordnance Street is currently vacant but was proposed to be used for construction of a pier support of the Fort York Pedestrian and Cycle Bridge and to accommodate the alignment of the bridge crossing over a new park facility. On April 26, 2011, the Public Works and Infrastructure Committee (PWIC) referred Item PW3.13 to staff to review and recommend a lower cost alternative for the original bridge design between Wellington Street and Fort York. On November 3, 2011, PWIC adopted Item PW9.12 and recommended the construction of the Fort York Pedestrian and Cycle Bridge with a design consistent with Alternative A1, A2, and A5 as set out in PW9.12, but at reduced cost. PWIC further recommended that City staff work with Build Toronto and its

development partners to incorporate the design and construction of a pedestrian bridge, on behalf of the City, in conjunction with the Strachan/Ordinance area redevelopment. PWIC also recommended that Section 37 funds raised through development within this area be used to offset the costs of the Fort York Pedestrian and Cycle Bridge. These recommendations are to be considered by City Council at its meeting of November 29, 2011.

If a revised design for the Fort York Pedestrian and Cycle Bridge is approved by City Council, portions of the bridge structure will need to be accommodated by Build Toronto on 10 Ordinance Street and an earth berm will need to be constructed on this property to implement bridge alternatives A1, A2 and A5. If environmentally acceptable materials from the demolition of buildings and excavation of soil from the redevelopment activity in the Strachan/Ordinance area can be used to construct the berm, there will be a synergy in the two development processes and potential cost savings to the bridge project. If other materials are required for the construction of the berm, the cost will be higher. The construction of the bridge cannot begin until the grade-separation work by Metrolinx on Strachan Avenue is completed, which is scheduled to be in 2014.

Build Toronto has indicated that a park will be developed and improved on the majority of the 10 Ordinance Street property to serve the proposed redevelopment and the wider community. Consequently, the rezoning of this property to (G) Park Land, as directed by City Council on January 26 and 27, 2010, with the adoption of TE30.42, should be deferred until the official plan and zoning policies for the Strachan/Ordinance area and the configuration of the park facility have been resolved to the satisfaction of City Planning and Parks, Forestry and Recreation.

The bridge and park construction will also be linked to the timing of the redevelopment activity of Build Toronto and its partners and/or successors on title in the Strachan/Ordinance area. If market conditions delay the redevelopment of Strachan/Ordinance, it may be necessary for the City to initiate the construction of the bridge and park independently. The proposed terms and conditions of transfer to Build Toronto provide for an easement in favour of the City over the 10 Ordinance Street property, more specifically Part 3 on Sketch No. PS-2011-031 (the "Sketch") as set out in Appendix 2, to provide access over it and to allow for the construction of the bridge, berm and related infrastructure by the City.

If a major source of funding for the bridge and park is proposed to be Section 37 funds and other development-related fees, the phasing of the receipt of such funding may not coincide with the desired time frame for the construction of the bridge and park to proceed. It may be necessary for the City to draw on alternative sources of funds, which would be reimbursed as the Section 37 and other development-related fees are received. The recommended terms of transfer would require the re-conveyance to the City by Build Toronto of an improved park on 10 Ordinance Street within not less than 5 years of the date of transfer of this property to Build Toronto. It should be noted that planning approvals may require an earlier time frame for park completion.

Relocation of Below Market Rent Tenants

Eva's operates a transitional housing facility for homeless youth at 11 Ordnance Street and a training facility and print shop employing these youths in a portion of 25 Ordnance Street. Eva's is recognized as an operator providing valuable services to the City and the community. In a report to Government Management Committee, Build Toronto indicated that Eva's would be able to continue its operations at these locations until 2014. On November 9, 2011, Government Management Committee recommended that in the terms of transfer Build Toronto be required to enter into an agreement to ensure the viable long-term operation of Eva's through the provision of funding and relocation assistance.

Build Toronto has delivered a copy of the agreement between Build Toronto, Whitecastle New Urban Fund and Eva's that is attached as Appendix 3. Given that a due diligence period of 90 days is contemplated for the parties to that agreement to permit them to satisfy themselves as to the feasibility of the conversion of the Building D portion of the 497 Richmond Street West property for Eva's use, it is appropriate that all of 497 Richmond Street West be declared surplus as set out in Recommendation 2 and Appendix 4(i) of GM9.10. At a later date, if a lease of Building D in favour of Eva's has been entered into, the Building D portion of the property will be transferred back to the City by Build Toronto or that portion will be undeclared surplus, if it has not been conveyed to Build Toronto.

A portion of the rear of the building at 25 Ordnance Street has been licensed to Clay and Paper Theatre, a Below Market Rent tenant, to use for storage. As this tenant has to date made limited financial investment in the premises, it is not considered necessary to provide for this tenant's relocation costs.

Relocation of Operating Divisions

Municipal Licensing and Standards staff occupy 45 Strachan Avenue, and the division has invested funds in the renovation and improvement of the building for its use. The division will be required to relocate to facilitate the optimization of the value of the City lands, and should be made whole. This report recommends that Build Toronto be required to finance the cost for MLS to relocate to an alternate facility. The City will work cooperatively with Build Toronto by assisting to mitigate the relocation costs through a review of alternative accommodations in another City-owned facility.

Conclusion

This report recommends the terms and conditions for transfer to Build Toronto of 45 Strachan Avenue, 10, 11 and 25 Ordnance Street.

CONTACT

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SIGNATURE

Bruce Bowes, P.Eng.
Chief Corporate Officer

ATTACHMENTS

- Appendix 1 Terms and Conditions of Transfer for All Properties
- Appendix 2 Terms and Conditions of Transfer – 45 Strachan Avenue, 10, 11 and 25 Ordnance Street
- Appendix 3 Letter Agreement between Build Toronto, Whitecastle New Urban Fund and Eva's Initiatives