

Acquisition of Northerly Portion of 1251 Bridletowne Circle to Create a North Scarborough Community Hub

Date:	September 1, 2011
To:	Executive Committee
From:	Executive Director, Social Development, Finance & Administration
Wards:	Ward 40
Reference Number:	AFS 14334

SUMMARY

The purpose of this report is to obtain authority to acquire the northerly portion of 1251 Bridletowne Circle (the Property) from the Toronto Lands Corporation (TLC) for the development of a multi-service community hub in the underserved neighbourhood of Steeles-L'Amoreaux in northern Scarborough. The subject Property is to the north of the Timothy Eaton Business and Technical Institute which the Toronto District School Board declared surplus to its needs in August 2010.

This report recommends that the City acquire 5.22 acres of land as part of a Public Sector-Community Sector Initiative between the City of Toronto, the YMCA of Greater Toronto (YMCA) and United Way Toronto. The City would then declare the Property surplus transfers the land to the YMCA as a grant to purpose-build an approximate 100,000 square foot multi-service facility that will house (1) the YMCA (2) rental space for community-based agencies that provide social services (Agency Rental Space), and (3) rental space to The Scarborough Hospital for health services. The YMCA will construct, own, and operate this new facility. In exchange for the land, as property owner and project manager for the new facility, the YMCA will direct \$2 million (approximately one-third of the land value) towards construction of the Agency Rental Space. The YMCA will recover this amount in rent from The Scarborough Hospital for the portion of the land the Hospital will occupy. As part of their Community Hub Strategy, United Way Toronto will contribute an additional \$3 million towards the construction of the Agency Rental Space pending the United Way's final internal review and approval.

As the landlord, the YMCA will ensure that the the Agency Rental Space is available for 20 years. The square footage and build out of the Agency Rental Space will commensurate with the value of the City and United Way's combined contributions.

This new Public Sector-Community Sector collaboration will result in the creation of a large new community infrastructure in Scarborough. The cost of the Property is \$5.942 million which was previously approved by City Council. Having the YMCA act as the project lead eliminates construction and operating costs for the City.

RECOMMENDATIONS

The Executive Director of the Social Development, Finance and Administration Division recommend that City Council authorize:

1. The City to enter into an Offer to Sell with the Toronto District School Board to acquire approximately 5.2 acres of the northerly portion of the property municipally known as 1251 Bridletowne Circle at a purchase price of \$5,742,000 plus applicable taxes and registration fees, estimated at \$200,000.00 substantially on the terms outlined in Appendix "A" to this report and on such other terms and conditions as may be acceptable to the Chief Corporate Officer and in a form satisfactory to the City Solicitor;
2. The 2011 Approved Capital Budget for Real Estate Services be increased by \$5.942 million gross, \$0 net, funded from the Land Acquisition Reserve Fund (LARF) (XR-1012) for the acquisition of the Property;
3. The Chief Corporate Officer and the Director of Real Estate Services, be severally authorized to execute the Offer to Sell on behalf of the City;
4. The Chief Corporate Officer (i) declare the Property as surplus to the City's needs, and (ii) take all necessary steps to comply with the City's real estate disposal process, as set out in Chapter 213 of the City of Toronto Municipal Code;
5. The City Manager or his designate to negotiate and to execute on behalf of the City a servicing agreement and ancillary documentation (the Servicing Agreement) with the YMCA of Greater Toronto for the operation of the facility based substantially on the terms and conditions sent out in Appendix "C", and on other terms and conditions deemed appropriate by the City Manager, in a form acceptable to the City Solicitor;
6. The Chief Corporate Officer and/or Director of Real Estate Services to negotiate and execute on behalf of the City an agreement to transfer the Property to the YMCA, for no consideration, as a grant and ancillary documentation (The Grant Agreement) on execution of the Servicing Agreement, based substantially on the terms and conditions set out in Appendix "D", and on other terms and conditions deemed appropriate by the Chief Corporate Officer and/or Director of Real Estate Services, in a form acceptable to the City Solicitor;

7. The City Solicitor be authorized to complete the transactions contemplated in the Offer to Sell (as set out in Recommendation #1), Servicing Agreement (as set out in Recommendation #5) and Grant Agreement (as set out in Recommendation #6) on behalf of the City, including paying any necessary expenses, amending the closing, due diligence and other dates, and amending and waiving terms and conditions, on such terms as she considers reasonable;
8. The transaction contemplated by the Grant Agreement as set out in Recommendation #6 be confirmed to be for the purposes of a community hub for the Steeles-L'Amoreaux neighbourhood, and this be deemed to be in the interest of the City of Toronto; and
9. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

FINANCIAL IMPACT

Funding in the amount of \$5.942 million is available in the Land Acquisition Reserve Fund for this purchase.

City Council approved a School Lands Acquisition Framework in May 2010, setting aside \$7 million in 2011, \$5 million in 2012 and \$3 million in 2013, funded from the LARF. The purchase of the Property is consistent with the Framework and will use \$5.942 million of the \$7 million provided for in 2011.

After the purchase of the Property, the City will negotiate the Servicing Agreement in preparation for transferring the Property over to the YMCA further to the Grant Agreement. The facility to be built by the YMCA on the Property will house Agency Rental Space which shall be financed by the YMCA and United Way Toronto. Should this initiative not proceed for any reason, the land will be retained by the City to dispose of at market rates.

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

DECISION HISTORY

At its meeting of May 11 and 12, 2010, City Council approved a School Lands Acquisition Framework and authorized funding from the LARF in the amount of \$7 million, \$5 million and \$3 million in each of the years 2011, 2012 and 2013 respectively, which will serve as part of the funding strategy for future school land acquisitions. The Framework and funding strategy were outlined in a report to Executive Committee (EX43.2 School Lands Property Acquisition Framework and Funding Strategy).

See: <http://www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-05-11-cc49-dd.htm>

<http://www.toronto.ca/legdocs/mmis/2010/ex/bgrd/backgroundfile-29044.pdf>

At its meeting of August 25, 26 and 27, 2010, City Council approved the School Lands

Acquisition Framework and Funding Strategy Follow Up Report which included a recommendation authorizing the City Manager to submit an offer to purchase the former Timothy Eaton Business and Technical Institute at 1251 Bridletowne Circle from the Toronto Lands Corporation (a subsidiary of the Toronto District School Board) for use as a community hub.

See: <http://www.toronto.ca/legdocs/mmis/2010/ex/bgrd/backgroundfile-32904.pdf>

Social Development, Finance & Administration submitted the report, Update Report on the Acquisition of School Lands, to the June 20, 2011 meeting of Executive Committee that was deferred to its September 6, 2011 meeting. The report identified the development costs as prohibitive and recommended that the acquisition not proceed.

See: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX7.10>

This current report, prepared by Social Development, Finance & Administration, in consultation with Real Estate Services, City Legal, City Planning, and Financial Planning, recommends a new model that resolves the earlier prohibitive development costs for the City.

ISSUE BACKGROUND

Since 2006, all orders of government and key funders have identified the development of community service hubs as a critical place-based strategy to deliver services and programs more efficiently and effectively to local residents. These hubs are intended to co-locate services in areas that have traditionally been underserved. City Council has also recognized the desirability of keeping public assets such as school lands in the public domain.

In May 2010, City Council approved the School Lands Acquisition Framework and Funding Strategy as a coherent and coordinated approach to the acquisition of school properties. The report laid out the process by which corporate acquisition priorities would be identified. Among the key acquisition criteria is potential use as a community hub. In August 2010, Council approved negotiating the purchase portion of the Timothy Eaton Business and Technical Institute site, a surplus TDSB school, for the creation of a multi-service community hub in Steeles-L'Amoreaux.

COMMENTS

The Need for a Community Hub

In August 2010, City Council adopted the Finch Warden Area Revitalization Study. This community led initiative was produced in consultation with City staff to create a vision for the renewal and enhancement of the area. The vision is intended to guide development and encourage private and public reinvestment for the neighbourhood. Through the study it was determined that the area was underserved in terms of community services and facilities, including hospital services. The community working group identified the creation of a community hub, possibly at the Bridletowne Circle site, as one potential measure to address the lack of services in the neighbourhood. The creation of a hub

would help to meet the demand for community facilities and services in this underserved area.

Community hubs are neighbourhood-based facilities that offer multiple services in one location – a "one-stop-shop" for residents. With support from the City of Toronto and United Way Toronto, the YMCA of Greater Toronto will create a new multi-service community hub in northern Scarborough that will offer a range of services and opportunities to area residents, including community recreation, employment, children, youth, seniors, food security, and health programs to area residents. This new Steeles-L'Amoreaux community hub complements United Way Toronto's Community Hub Strategy and the YMCA's new Centres of Community approach to building community infrastructure whereby a multi-service centre is anchored by a YMCA but with a mix of other community-based service providers.

Table 1.1: Tenure of the Steeles-L'Amoreaux Community Hub

TENURE		SIZE	PURPOSE
YMCA	Owner Property Administrator	Up to 40,000 sq. ft.	Community Recreation
Community Agencies	Renter	GFA* = \$5.0M worth of space at the time of construction	Community Services
Scarborough Hospital	Renter	Up to 40,000 sq. ft.	Health Services

*GFA- Gross Floor Area

The YMCA will directly operate its own community recreation services from approximately 1/3rd of the facility. A range of non-profit community agencies (see Appendix D) will directly operate community-based social services in a 2nd section of the facility. The Scarborough Hospital is anticipated to operate a regional dialysis clinic and other preventative health services in the remaining section of the new facility. While separate funding arrangements will be made for the capital and operating of each of these three sections, the YMCA will design the facility to support service integration and more efficient use of common amenities like meeting rooms and auditoriums.

Financial Contributions

The acquisition of the property will involve the transfer of the property from TLC to the City for a total all-in cost of \$5,942 million. Then the City will transfer the property to the YMCA as a grant. In exchange for the City's contribution of the land, the YMCA will make a financial contribution of approximately one-third of the land value, \$2 million, towards the construction and leasehold improvement costs to develop a multi-agency community rental space within the new facility. The YMCA is in discussions with The Scarborough Hospital about their tenancy in approximately 1/3rd of the facility.

United Way has been a strong leader in the 1251 Bridletowne Circle acquisition discussions as part of its Community Hubs Strategy. United Way's Strategy has led to the development of seven other community hubs in underserved neighbourhoods across the City. Pending final review and approval, United Way will contribute \$3 million towards construction of

the multi-agency rental space. As tenants, the community agencies will pay facility operating costs and contribute towards a contingency fund to help the YMCA manage the ongoing operating risks. As a proposed tenant in final 1/3rd of the facility, The Scarborough Hospital will pay its share of operating costs, construction costs and land value in the form of rent. Neither the City nor the YMCA will be subsidizing the land, construction or ongoing operations of the Hospital component of the new community facility.

Table 1.2: Financing

	LAND	BUILDING		OPERATING
		CONSTRUCTION	State of Good Repair	
City	\$5.942M	--	--	--
United Way	--	\$3.0M*	--	--
YMCA	--	\$24.0M	YES	YES
Scarborough Hospital	--	\$2.0M**	YES	YES

*Towards construction of the community agency rental space, pending final review and approval.

**In lieu of land costs; the Hospital will also pay their share of construction costs towards their portion of the space.

City of Toronto Act Requirements

Under the *City of Toronto Act, 2006* (the Act), the City must acknowledge the land transfer to the YMCA being proposed in this report as a grant because the business terms of the deal do not require that the City recover its full investment. The business terms of this Public Sector-Community Sector Initiative require the City to transfer the land to the YMCA in exchange for its financial commitment of approximately one-third of the land value towards the construction and leasehold improvement costs of the Agency Rental Space within the new facility and maintenance of that space for community agency use for a mutually agreed upon time frame. The YMCA will become the owner, project manager for construction and property administer for the new facility. Consequently, it is recommended (#6) that City Council declares the transfer as a grant which is deemed in the interest of the City under the Act.

Planning Considerations

The Toronto Official Plan designation for the site is "Neighbourhoods". It permits the development of low-scale, local institutions such as community centres, and cultural and recreational facilities. Any development application would be required to conform to the policies of the Official Plan.

In order to facilitate the creation of a community hub use on this site, an application to amend the existing L'Amoreaux Community Zoning By-law will be required. Currently, the property is zoned as "Institutional-Education (IE)" which only permits public and separate secondary schools, technical schools, private grade schools, and a day nursery. As the proposed uses found in Appendix C are not currently permitted, an application to allow these uses will be required. Additionally, an application for Site Plan approval will be required to deal with such matters as siting of the building, massing, and landscaping.

Risk Mitigation

This new Public Sector-Community Sector model will result in a purpose-built, multi-service community infrastructure at a total City investment of \$5,942 million, eliminating any construction and operating cost risks for the City.

The agreements with the YMCA will include the following three conditions to further minimize risk to the City and to protect the City investment:

1. Should the City and the YMCA fail to finalize the agreement within a specified time period, the City retains ownership of the land and can sell the asset for market value. This action would complement the TLC's intention to sell the southerly portion of the land for residential development.
2. Should there be any substantial challenges to amend the zoning to include the medical uses proposed by The Scarborough Hospital as a tenant within the facility and the YMCA's alternative proposals are not agreeable to the City, then the City retains ownership of the land and can sell the asset for market value.
3. Should the YMCA be unable to raise the estimated \$29,000,000 in construction capital needed to build the facility within a mutually agreeable time, then the City will not proceed with the deal.

In order to protect the City's interest in the Property, the City will retain ownership of the Property until such time as the Servicing and Grant Agreements are executed by both parties. After the agreements are executed, and further to the negotiated terms thereof, the Property will be placed into escrow and held until such times as the terms of Servicing and Grant Agreements have been fulfilled. Once those terms have been fulfilled, the Property will come out of escrow and will be transferred in title to the YMCA pursuant to the provisions of the Grant Agreement.

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SIGNATURE

Chris Brillinger
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ATTACHMENTS

Appendix “A” Major Terms & Conditions – TLC & City of Toronto

Appendix “B” Location Map

Appendix “C” Major Terms & Conditions – Servicing Agreement

Appendix “D” Major Terms & Conditions – Grant Agreement

Appendix “E” Service Provider List