

**REPORT FOR ACTION****Lease Agreements with the Scarborough Rouge Hospital and the YMCA of Greater Toronto for the Development of the Bridletowne Community Hub**

**Date:** October 12, 2017

**To:** Executive Committee

**From:** Deputy City Manager, Internal Corporate Services

**Wards:** Ward 40

**SUMMARY**

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The purpose of this report is to obtain authority to proceed with a revised project proposal for the development of the Bridletowne Neighbourhood Centre (the "Community Hub"), to be situated on the northerly portion of 1251 Bridletowne Circle (the "Property"). The terms of the original project proposal adopted by City Council at its meeting of September 21 and 22, 2011 have lapsed and the circumstances of the stakeholders have subsequently changed, and as such a new project proposal has been devised.

This report recommends that the City enter into a forty (40) year nominal ground lease with the Scarborough Rouge Hospital ("SRH") for a portion of the Property as identified as area A in Attachment 1 of this report for the construction and operation of a health services facility (the "Health Services Space"), and that the City enter into a four (4) year lease with the YMCA of Greater Toronto (the "YMCA") for a portion of the Property as identified as area B in Attachment 1 of this report for the purposes of the construction of community-based services space (the "Community-Based Services Space"). The YMCA leased portion of the Property is intended to eventually be transferred to the YMCA upon meeting specific milestones pertaining to the development of the Community-Based Services Space.

**RECOMMENDATIONS**

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**The Deputy City Manager, Internal Corporate Services recommends that:**

1. City Council authorize severally the Deputy City Manager, Internal Corporate Services and the Director of Real Estate Services, to execute on behalf of the City a forty (40) year ground lease with the Scarborough Rouge Hospital substantially on the terms outlined in Attachment 2 to this report and on such other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services and the Director, Real Estate Services, in a form acceptable to the City Solicitor.

2. City Council authorize severally the Deputy City Manager, Internal Corporate Services and the Director of Real Estate Services, to negotiate and to execute on behalf of the City a four (4) year lease with the YMCA of Greater Toronto substantially on the terms and conditions set out in Attachment 3 to this report and on such other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services and the Director, Real Estate Services, in a form acceptable to the City Solicitor.

## **FINANCIAL IMPACT**

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City Council directed that the 2011 Council Approved Capital Budget for Facilities, Real Estate, Environment & Energy (FREEE) be increased by \$5.942 million, funded from the Land Acquisition Reserve Fund ("LARF") (XR1012) for the acquisition of the Property in 2012.

As per City practice, the opportunity costs of below market rent agreements are to be determined and reported to City Council. The opportunity cost of charging market rent on this buildable land is 0.5 million per annum, or \$19.5 million over forty (40) years.

Children Services has included funding for the Bridletown Community Centre of \$3.9 million in the 2017 Council Approved Capital Budget and Plan, with budgeted cash flows of \$2.0 million in 2017; \$1.220 million in 2018; and \$0.680 million in 2019 for the construction of the Bridletown Child Care Centre. Once construction has been completed and a licensed operator has been chosen, the centre will provide an additional 62 child care spaces to the community.

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

## **DECISION HISTORY**

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At its meeting of August 25, 26 and 27, 2010, City Council approved the acquisition of the Property from the Toronto Lands Corporation (a subsidiary of the Toronto District School Board) for use as a community hub.

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

At its meeting of September 21 and 22, 2011, City Council authorized the City to enter into an Offer to Sell with the Toronto District School Board to acquire the Property at a purchase price of \$5,742,000 plus applicable taxes and registration fees, estimated at \$0.2 million. City Council directed that the 2011 Approved Capital Budget for Real Estate Services be increased by \$5.942 million gross, \$0 net, funded from the LARF to fund the acquisition.

Also at its meeting of September 21 and 22, 2011, Council approved the transfer of the Property to the YMCA at nominal consideration to purpose-build an approximately 100,000 square-foot multi-service facility that would house: (1) the YMCA; (2) rental space for community-based agencies; and (3) rental space for the SRH and for other health services. The transfer was contingent upon, among other things, the YMCA reaching certain funding targets. City Council confirmed that the transaction was deemed to be in the interest of the City. City Council adopted the following recommendation contained in the report (September 15, 2011) from the City Manager [EX9.16a]: Major Terms and Conditions of the Grant Agreement between the City of Toronto and the Y.M.C.A.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX9.16>

On June 10, 2014, City Council adopted a zoning amendment to amend L'Amoreaux Community (South) Zoning By-law No. 12466, by adding Exception 73, permitting a 4-storey building with a maximum gross floor area of 150,000 square feet with additional permitted uses including Community center up to 60,000 square feet, medical clinic up to 40,000 square feet, offices up to 20,000 square feet and ancillary retail up to 30,000 square feet.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.SC32.21>

Despite the best efforts of the YMCA, it was not able to secure the required project funding within the timeframes contained in the transfer agreement. As a final attempt to collectively secure the resources required to deliver the original vision of a Bridletowne Community Hub, on October 5, 2016 City Council adopted a motion to reinstate the conditions of the original Bridletowne servicing agreement until June 30, 2017, and authorized that a revised project proposal be submitted for Council consideration no later than December 2017 should the funding requirements specified in the agreement not be secured by June 30, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.MM21.42>

## **COMMENTS**

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### **Background:**

The original intention of the acquisition of the Property was for the development of a community hub. The YMCA was to fundraise in order to obtain the funds necessary to construct an approximately 100,000 square-foot multi-service facility (the "Facility") that would house (1) the YMCA, (2) SRH and certain health agencies, and (3) other community-based agencies. Upon the YMCA achieving requisite targets, the City had agreed to transfer the Property to the YMCA at nominal consideration.

The YMCA's original 2011 estimated cost to construct the Facility was \$29 million (excluding SRH's portion). The particulars of the funding structure were as follows:

(1) the YMCA was responsible for the construction costs of the YMCA space within the Facility, estimated to be \$24 million (excluding the Hospital portion);

(2) SRH was to contribute to the YMCA the value of the area that it would occupy, estimated to be one third of the value of the Property, being \$2 million, and the YMCA was to pass on said amount to the development costs of the community-based agencies space and was also to pay to the YMCA, as rent, the cost to construct the SRH space in the Facility; and

(3) the United Way Toronto was to contribute \$3 million to the YMCA for the construction of the community-based agencies space.

The YMCA has not able to secure the funding necessary to complete the development of the Facility. Over the six-year period since the YMCA and the City entered into the transfer agreement in respect of the Property, the YMCA has raised \$1.5 million; consequently, there remains a significant funding shortfall.

Real Estate Services ("RES") has prepared a revised project proposal to attempt to achieve the realization of the Community Hub by proposing to divide the Property into two parcels (see Attachment 1 for further details). One parcel will be retained by the City and leased to SRH (the "SRH Lands"), and the second parcel (the "YMCA Lands") will be leased to the YMCA in the short-term and transferred to the YMCA if the event certain conditions are met. Specifically, the Deputy City Manager, Internal Corporate Services, is seeking authority from Council to negotiate nominal leases with (1) SRH for a term of 40 years (30 years plus two 5 year renewal options) for the SRH Lands, and (2) the YMCA for a term of four years for the YMCA Lands, with eventual subleases to the community agencies. The YMCA lease will provide that the YMCA Lands shall be transferred to the YMCA upon the YMCA meeting milestones such as financing and building permits. SRH and the YMCA will be required to enter into a Reciprocal Rights Agreement to govern the operation of the Community Hub (see Attachment 2 and Attachment 3 for further information regarding the major terms and conditions).

From a funding perspective, the cost of the development of the Community Hub as set out in the revised project proposal is estimated to be \$85.4 million. The total square footage of the revised proposal has increased the Community Hub to approximately 146,200, slightly below 150,000 square feet as permitted by current zoning. The particulars of the funding structure are as follows:

(1) the YMCA shall be responsible for the development of the Community-Based Services Space, estimated to be \$22.5 million;

(2) SRH shall be responsible for the Health Services Space, estimated to be \$44.4 million;

(3) as part of United Way Toronto's Community Hub Strategy, the United Way will remain committed to contributing \$3 million for the Community-Based Services Space, and the City's Children Services' Division has committed up to \$3.9 million to the Community-Based Services Space;

(4) an MOHLTC funding application has been submitted for the Health Services Space for the funding shortfall.

### Summary of original and new proposed funding structure:

Bridletowne Funding Structure							
Original 2011 Proposed Facility				New 2017 Proposed Facility			
Facility Space	Contributor	SQ FT	Construction Contribution	Facility Space	Contributor	SQ FT	Construction Contribution
(1) YMCA	YMCA	60,000	\$24 M	(1) YMCA	YMCA	48,000	\$22.5 M
(2) Lease to SRH (YMCA to SRH)	SRH agreed to rent at a rate sufficient to amortize the YMCA's capital investment in the hospital space with construction contribution of \$2,000,000 towards agency space	40,000	Undisclosed at the time of report in 2011	(2) Lease to SRH (City to SRH)	SRH	55,200	\$44.4 M
(3) Lease to Health and Community Agencies (YMCA to Lead agency)	United Way and \$2,000,000 from SRH Lease as 1/3 of land value transferred by YMCA towards the agency space	20,000	\$5 M	(3) Lease to Health and Community Agencies (YMCA to Lead Agency; Agincourt Community Services)	United Way (\$3M), Children Services (up to \$3.9M), and MOHLTC application for 3 health agencies	43,000	\$18.5 M
<b>Total</b>		<b>120,000</b>	<b>\$29 M</b>	<b>Total</b>		<b>146,200</b>	<b>\$85.4 M</b>

### Conclusion:

The \$2 million that the YMCA was to direct towards the construction of the agency space in the original structure was intended to be recovered from the SRH's \$2 million contribution; however, currently there is no formal commitment in the 2017 funding structure, as SRH will be taking the lead role in the development of the SRH Land and spending a larger amount in capital construction costs. SRH has indicated that further funding could be available for the Health Agency Space through the Minister of Health and Long-Term Care.

From a City perspective, the revised project proposal grants SRH the ability to develop the SRH Land while affording the YMCA additional time to meet their funding obligations in order to proceed with the development on the YMCA Lands for the development of the Bridletowne Neighbourhood Centre. The City also has the opportunity to re-evaluate the arrangement with the YMCA and community-based services agencies when the term of the YMCA lease expires.

## **CONTACT**

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[jcasali@toronto.ca](mailto:jcasali@toronto.ca)

## **SIGNATURE**

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Josie Scioli  
Deputy City Manager, Internal Corporate Services

## **ATTACHMENTS**

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Attachment 1: Bridletowne Community Hub Site Plan  
Attachment 2: Scarborough Rouge Hospital Term Sheet  
Attachment 3: YMCA Term Sheet

# Attachment 1: Bridletowne Circle Community Hub Site Plan



**MAJOR TERMS & CONDITIONS**  
**CITY OF TORONTO LEASE TO SCARBOROUGH ROUGE HOSPITAL**

**1. Parties**

- (a) City of Toronto (the "City") and Scarborough Rouge Hospital ("SRH").

**2. Preconditions**

Ground lease (the "Lease") between City as landlord and SRH as tenant shall be subject to the following preconditions:

- (a) City will review with SRH their plan for the delivery of healthcare services and ancillary uses, including the proposed Chronic Kidney Disease program within the approximate area identified as **Area A** in "Appendix A" (concept only).
- (b) SRH will provide a comprehensive site plan for approval by the City's Deputy City Manager, Internal Corporate Services and to City Planning by November 30th, 2019, and if approval is not obtained by said date the lease may be terminated by the City at the discretion of the Deputy City Manager, Internal Corporate Services (DCM-ICS).
- (c) The approximate location of the leased property shall be on the Eastern portion of the lands, as described in "Appendix B" (the "Property").

**3. Access Agreement**

- (a) The City will grant SRH an access agreement to the Property as identified in **Area C** in Appendix A for ingress and egress to the Property which access shall be coterminous with the Term.

**4. Term**

- (a) The term of the Lease (the "Term") shall be 30 years plus two (2) 5 year renewal options, unless terminated earlier. The Term shall commence on January 1<sup>st</sup>, 2018 and end on December 31<sup>st</sup>, 2047.
- (b) Further renewal options may be negotiated between the City and SRH prior to expiry of the Term or any extension thereof, subject to City authorities.
- (c) Upon early termination of the Lease, or termination upon expiry of the Term or any extension thereof, SRH at its own expense shall remove any of its installations and facilities from the Property and restore the Property to a condition satisfactory to the City, unless notified in writing by the City to the contrary. If the City provides such written notice to the SRH, all improvements to the Property shall become the property of the City, without any compensation whatsoever to the SRH.



5. **Rent**

- (a) Basic rent shall be nominal.
- (b) SRH shall be responsible for all additional rent including any realty taxes which are payable in respect of the Leased Premises.
- (c) SRH acknowledges and agrees that this Lease is a completely carefree lease to the Landlord, that the landlord is not responsible during the Term for any costs, charges, and outlays of any nature whatsoever arising from or relating to the demised lands and SRH's use and occupancy thereof.

6. **Use**

- (a) The Property can only be used by SRH as a dialysis centre and related functions.

7. **"As is" Condition**

- (a) SRH acknowledges that is has examined the Property, is familiar with the condition and the permitted uses thereof and accepts the Property in an "as is, where is" condition, and shall not require the City to pay for or do any work.

8. **Construction**

- (a) SRH agrees that the City will not be responsible for any costs whatsoever associated with the cost of construction of the Dialysis Centre.
- (b) In the event the SRH commences and discontinues the construction of the Dialysis Centre, SRH will be responsible for the cost of the removal of all construction, demolition of all structures and removal of all debris.
- (c) The City, at any time during the Term, shall have the right to be delivered a clean, unconditional, irrevocable and transferable letter of credit that is in a form that is reasonably satisfactory to the City.

9. **Maintenance and Repairs**

- (a) SRH shall be responsible at its sole cost for all repairs, maintenance and replacements of all equipment and infrastructure comprising the Dialysis Centre.

10. **Alterations/Improvements**

- (a) SRH shall not make or erect in or on the Property any installations, alterations, additions or partitions without first submitting drawings and specifications to the City and obtaining the City's written consent, which consent shall not be unreasonable withheld.

**11. Assignment and Transfers**

- (a) SRH shall not effect any assignment, sublease or other dealing with the Lease or the Property at any time during the Term.

**12. Administration and Management**

- (a) The DCM-ICS, his/her successor or designate shall administer and manage the Lease, including the provision of any consents, approvals, waivers, notices and notices of termination provided that the DCM-ICS may, at any time, refer consideration of such matter (including their content) to City Council for its determination and direction.
- (b) SRH shall pay administration fees as set by City Council from time to time for amendments or renewals of the lease documentation.

**13. General Obligations**

- (a) SRH is responsible for all zoning and site plan approvals;
- (b) SRH is to construct parking spaces in compliance with zoning requirements;
- (c) Provided that the YMCA enters into the lease agreement with the City, a Reciprocal Rights Agreement is to be completed between the SRH and the YMCA for common areas, including, but not limited to:
  - (i) shared green spaces;
  - (ii) parking;
  - (iii) maintenance and operations; and,
  - (iv) security.

**14. Good Faith**

- (a) Provided that the YMCA enters a lease agreement with the City for the adjoining lands, SRH agrees to do all things necessary and to execute all further documents necessary and appropriate with the YMCA to carry out and produce the Community Hub.

**15. Insurance and Indemnity**

- (a) SRH shall indemnify and save the City harmless from all claims whatsoever arising from its use and occupancy of the Property, and shall provide proof of insurance of a type and amount satisfactory to the City in its sole discretion.

**16. Early Termination**

The lease shall automatically terminate if:

- (a) a comprehensive site plan for the Property is not obtained by November 30th, 2019;
- (b) the funding for the construction of the Dialysis Centre is not secured by June 1st, 2019;
- (c) construction of the Dialysis Centre does not commence by March 31st, 2021; or,
- (d) substantial completion of the Dialysis Centre is not achieved by October 31st, 2023.

**17. Approval**

- (a) This proposal is conditional upon the approval of the Lease by relevant City authorities. This proposal shall remain open for acceptance until December 29th, 2017, failing which it shall become null and void.

**MAJOR TERMS & CONDITIONS  
CITY OF TORONTO LEASE TO THE YMCA**

**1. Parties**

- (a) City of Toronto (the "City") and the YMCA

**2. Preconditions**

Ground lease (the "Lease") between City as landlord and YMCA as tenant shall be subject to the following preconditions:

- (a) City will review with YMCA their plan for the Bridletowne Community Hub (the "Community Hub") within the approximate area as identified as **Area B** in "Appendix A".
- (b) YMCA will provide a comprehensive site plan for approval by the City's Deputy City Manager, Internal Corporate Services and to City Planning by November 30th, 2019, and if approval is not obtained by said date the lease may be terminated by the City at the discretion of the Deputy City Manager, Internal Corporate Services (DCM-ICS).
- (c) The approximate location of the leased property shall be on the Southern portion of the lands, as described in "Appendix C" (the "Property").

**3. Access Agreement**

- (a) The City will grant the YMCA an access agreement as identified in **Area C** in Appendix A for ingress and egress to the Property.

**4. Term**

- (a) The term of the Lease (the "Term") shall be 4 years, unless terminated earlier. The Term shall commence on January 1<sup>st</sup>, 2018 and end on December 31<sup>st</sup>, 2021.

**5. Rent**

- (a) Basic rent shall be nominal.
- (b) YMCA shall be responsible for all additional rent including any realty taxes which are payable in respect of the Leased Premises.

**6. Early Termination**

The Lease shall automatically terminate if:

- (a) a certified cost consultant report is not obtained by June 1st, 2019;

- (b) the funding for construction of the Community Hub is not secured by October 31st, 2019;
- (c) a comprehensive site plan is not obtained by November 30th, 2019; or,
- (d) construction of the Community Hub does not commence by March 31st, 2021.

**7. Conveyance of the Land**

- (a) The Leased Property shall be conveyed to the YMCA upon proof of financing and issuance of above-grade building permit.

**8. Use**

- (a) The Leased Property will be exclusively used as a Community Hub comprised of health/community services. Capital responsibilities will remain the responsibility of the YMCA. The YMCA will charge the community agencies operating costs from the Community Hub and a contingency for capital maintenance and tenancy gaps but not profit rent.

**9. Good Faith**

- (a) Provided that the Scarborough Rouge Hospital (the "SRH") enters into a lease agreement with the City for adjoining lands, the YMCA agrees to do all things necessary and to execute all further documents necessary and appropriate with the Scarborough Rouge Hospital to carry out and produce the Community Hub.

**10. General Obligations**

- (a) Provided that the SRH enters into a lease agreement with the City for the adjoining lands, a Reciprocal Rights Agreement is to be completed between the SRH and the YMCA for common areas, including, but not limited to:
  - (i) shared green spaces;
  - (ii) parking;
  - (iii) maintenance and operations; and,
  - (iv) security.
- (b) The YMCA will honour the Reciprocal Rights Agreement after the conveyance of the Leased Property to the YMCA.

11. **"As is" Condition**

- (a) YMCA acknowledges that it has examined the Leased Property, is familiar with the condition and the permitted uses thereof and accepts the Leased Property in an "as is, where is" condition, and shall not require the City to pay for or do any work.

12. **Construction**

- (a) YMCA agrees that the City will not be responsible for any costs whatsoever associated with the cost of construction of the Community Hub.
- (b) YMCA shall be responsible for construction of all hydro and public utilities servicing the Leased Property.
- (c) In the event the YMCA commences and discontinues the construction of the Community Hub, the YMCA will be responsible for the cost of the removal of all construction debris and destruction of all structures.

13. **Assignment**

- (a) YMCA shall have no right to assign or transfer the Lease under any circumstances.

14. **Administration and Management**

- (a) The DCM-ICS, his/her successor or designate shall administer and manage the Lease, including the provision of any consents, approvals, waivers, notices and notices of termination provided that the DCM-ICS may, at any time, refer consideration of such matter (including their content) to City Council for its determination and direction.
- (b) YMCA shall pay administration fees as set by City Council from time to time for amendments or renewals of the lease documentation.

15. **Approval**

- (a) This proposal is conditional upon the approval of the Lease by relevant City authorities. This proposal shall remain open for acceptance until December 29th, 2017, failing which it shall become null and void.