

Relocation of the Etobicoke Civic Centre - Update and Next Steps

Date: November 15, 2019
To: Board of Directors
From: Chief Executive Officer, CreateTO
Wards: 1, 2, 3, 5, 7

SUMMARY

The purpose of this report is to inform the Board of Directors of CreateTO (the "Board") and City Council regarding the results of the work completed for Phase Two of the Major Capital Project Approval Process and to request City Council approval to proceed with Phase Three at a cost of \$26.13 million, including Detail Design, Contract Documents and Tender. Upon receipt of a positive recommendation by the Board, this report will be transmitted to City Council for approval.

This report seeks to reinforce the Board and City Councils commitment to relocate the existing, outdated Etobicoke Civic Centre ("ECC") to the Westwood Theatre Lands ("WTL") as an integral City Building initiative. The establishment of this new civic centre will provide much needed services for a growing West District and act as a catalyst for revitalization of the Etobicoke City Centre. Additional social, economic, and financial benefits include:

- New civic and community infrastructure, including a recreation centre, library, childcare, and public square;
- Replacement of the existing old, functionally obsolete and costly ECC facility;
- Positioning of municipal services at a transit hub, improving access for residents, staff and visitors;
- Improved public realm through internationally renowned, state of the art design;
- Support for TransformTO by building a Net-Zero community and incorporation of district energy systems;
- Support for ModernTO with efficient municipal office spaces and redistribution of jobs to Etobicoke;
- Prudent financial plan with significant funding contributed from unlocking underutilized City-owned land in the West District.

In November 2017, City Council accepted the selection of the winning design for the new ECC and directed staff to proceed with Phase Two of the Major Capital Project Approval Process ("Phase Two"). Completed Phase Two activities include stakeholder

consultations, detailed building program, site investigation, schematic design, class C cost estimates and updated project budget schedule. Details respecting these activities are provided in this report.

If approved by Council, CreateTO, in consultation with City staff, will proceed to Phase Three of the Major Capital Project Approval Process ("Phase Three"), which includes Detail Design, Contract Documents and Tender. Staff will report back to the Board and City Council in Q4 2021 with the results of the Phase Three work, including tendered cost estimates, proposed funding model, and final business case for the overall project with the recommended contract award.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board of Directors of CreateTO:

1. Request City Council authorize CreateTO to proceed with Phase Three of the Major Capital Project Approval Process, including Detail Design, Contract Documents and Tender, in consultation with the Deputy City Manager, Corporate Services.
2. Request City Council to direct the Deputy City Manager, Corporate Services, the Chief Financial Officer and Treasurer, and CreateTO to review opportunities to address the projected capital funding gap through future year budget processes, including the following options:
 - a) Exchange the use of unplanned office space in the new Etobicoke Civic Centre to the Toronto District School Board in return for the Toronto District School Board lands adjacent to the existing Etobicoke Civic Centre;
 - b) Identify third-party tenants to occupy unplanned office space in new Etobicoke Civic Centre and the potential to use such revenue sources to secure recoverable debt;
 - c) Identify other sources of capital including grants and financing programs available from the Provincial and Federal Governments; and
 - d) Maximize density opportunities within the appropriate City Planning context on City-owned property at Bloor/Islington, Westwood Theatre Lands, and current Etobicoke Civic Centre.
3. Request City Council to direct the Deputy City Manager, Corporate Services, in collaboration with CreateTO, to apply ModernTO standards in planning office space requirements at the new Etobicoke Civic Centre.
4. Request City Council to direct the Deputy City Manager, Corporate Services and CreateTO to consult with relevant stakeholders regarding the Etobicoke Civic Centre relocation initiative, including members of the Etobicoke-York Community Council and impacted City Divisions, Agencies and Corporations.

5. Request City Council to direct CreateTO, in consultation with the Deputy City Manager, Corporate Services, to report back to the CreateTO Board and City Council in Q4 2021 on the results of the Phase Three work, including tendered cost estimates, proposed funding model, and final business case including complete financials for the overall project with the recommended contract award.

FINANCIAL IMPACT

This report recommends proceeding to Phase Three for the potential relocation of the ECC in order to achieve a range of City building benefits and policy objectives. The funding required for this phase of the initiative will allow CreateTO, in consultation with the Deputy City Manager, Corporate Services, to undertake the work outlined below.

The Phase Three gross expenditure of \$26.13 million, as seen in Table 1, is included in the 2019-2028 Council Approved Capital Budget and Plan for Facilities, Real Estate, Environment & Energy. Revised cash flows of \$12.46 million in 2020 and \$13.67 million in 2021 will be updated through the City's 2020 Budget process as part of CREM's 2020 Capital Budget and 2021-2029 Capital Plan submission for Council consideration.

Table 1: Phase Three Council Approved Capital Budget in millions

Project Item	2020	2021	Gross Cost
Building Architectural, engineering and other consultants <ul style="list-style-type: none"> • Design development • The first part of construction documents • Value engineering 	\$10.21	\$8.82	\$18.37
City Planning fees	\$1.12	\$1.7	\$2.82
Development fees (2019 to 2021)	\$0.79	\$0.39	\$1.18
Environmental investigation and approvals	\$0.34	\$0.38	\$0.72
Insurance and Legal	\$0	\$0.37	\$0.37
Site Servicing	\$0	\$2.01	\$2.01
Total Costs	\$12.46	\$13.67	\$26.13

Outcomes of the Phase Three work will be included in a report back to the Board and City Council in Q4 2021. The report will include tendered cost estimates, a proposed funding model to address the current funding gap, a final business case for the overall project and the recommended contract award for City Council approval.

The City's Chief Financial Officer and Treasurer has been provided with the financial impacts associated with this report for review as part of the 2020 budget process.

DECISION HISTORY

At its meeting of July 12-15, 2016, City Council adopted a report entitled "*Etobicoke Civic Centre Relocation*", supporting the WTL as the preferred location for the relocated ECC. The report directed City staff to work with CreateTO and carry out a design

competition for a new ECC on the WTL; establish a building program to inform the design competition; undertake a feasibility and business case analysis for a new ECC at the WTL; examine costs and potential revenue/funding sources with the sale of three (3) city assets; and to examine the opportunities for affordable housing and report back to City Council in Q3 2017 with the results.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.22>

At its meeting of November 07, 2017, City Council adopted a report entitled "*Update and Next Steps on the Potential Relocation of the Etobicoke Civic Centre*", which adopted the decision of the ECC Building Design Competition jury's selection of Adamson Associates Architects, Henning Larsen Architects and PMA Landscape Architects as the winning submission of the ECC Design Competition and directed CreateTO, in consultation with City staff, to proceed with Phase Two of the Major Capital Project Approval Process and report back to Council on such results.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.12>

COMMENTS

Construction of the current ECC was completed in 1958 and has served City staff and community stakeholders for the past 62 years. The facility has reached the end of its physical and economic life and has a total backlog of \$54.0 million in deferred maintenance.

In November 2017, City Council accepted the selection of the winning design for the potential new ECC and preliminary financial analysis comparing the renovation of the existing ECC to the construction of a new ECC at the Westwood Theatre Lands. The analysis demonstrated that over a 30 year period, a new ECC would have similar costs compared to the status quo. City Council directed staff to proceed with Phase Two of the Major Capital Project Approval Process.

The relocation of the ECC to the WTL is an integral component to set the future direction of City-owned lands in the West District and has been anticipated in City planning documents for over a decade. The establishment of this new civic centre will provide much needed services for the expanding West District and act as a catalyst for revitalization of the six points area. The proposed new development will integrate modern municipal offices, a community recreation centre, a large outdoor civic square, and a district library branch while creating a transit accessible civic precinct in the heart of Etobicoke.

Business Case Update

The business case for building a new ECC at the Westwood Theatre Lands remains strong relative to the cost of retrofitting and operating the existing ECC facility (i.e. the "Status Quo" scenario). As seen in Table 2, constructing and operating a new ECC will cost an additional \$25.0 million over 30 years as compared to the Status Quo option. While slightly more capital intensive, the new ECC will achieve a range of City building benefits and policy objectives for a comparable cost, which makes the new ECC scenario a prudent City investment compared to the Status Quo.

Table 2: NPV 2019 Capital and operating costs over 30 years in millions (2025 to 2054)

	Status Quo	New ECC (proposed)
Capital Costs:		
Base Building (Municipal Office Towers)	(\$180)	(\$246)
Recreation Centre	(\$42)	(\$42)
Library	(\$24)	(\$24)
Child care ^[1]	(\$0)	(\$8)
Civic Square	(\$28)	(\$28)
Basement / TPA Parking ^[2]	(\$14)	(\$73)
<i>Total Capital Costs</i>	<i>(\$288)</i>	<i>(\$421)</i>
Operating Costs:		
Base Building (Municipal Office Towers)	(\$159)	(\$98)
Recreation Centre / Library / Civic Square	(\$131)	(\$131)
Basement / Parking (TPA Costs)	(\$0)	(\$0)
<i>Total Operating Costs</i>	<i>(\$290)</i>	<i>(\$229)</i>
Development Sales/Revenue:		
Sale of New ECC Site (WTL - Block 4) ^[3]	\$31	
Sale of Current ECC Site (399 The West Mall) ^[4]		\$65
Sale of Bloor/Kipling (WTL - Block 1, 2B, 3, 5, 6) ^[5]	\$94	\$94
Sale of Bloor/Islington Site ^[5]	\$44	\$44
Revenue from TPA Parking	\$6	\$18
<i>Net Sale/Operating Revenue</i>	<i>\$175</i>	<i>\$221</i>
Gross Total	(\$404)	(\$429)
Net Cash Flow	(\$25)	

[1] Cost for the Child Care Centre is included with Base building in the "status quo" scenario

[2] Parking Count: 132 spaces in the Status Quo Option; 431 spaces in the New ECC Option

[3] Assumes highest and best use value estimate, adjusted to reflect reallocation of land value to incorporate Recreation and Library space into new development which would still be required under the Status Quo option

[4] Assumes highest and best use value estimate

[5] Assumes highest and best use value estimate, adjusted to reflect reallocation of land value to Housing Now initiative

Updated Funding Model

The relocated ECC project has been uniquely designed to be primarily funded through strategic asset management decisions and development revenues. Table 3 summarizes the capital investment required to deliver a new ECC at the WTL and the potential funding sources available to offset these costs, with all values presented in 2019 dollars.

Table 3: NPV 2019 New ECC Capital Costs vs. Revenue and Funding Sources in millions

	Capital Cost	Revenue Funding
Base Building (Municipal Office Towers)	(\$246)	
Sale of Bloor/Kipling (WTL - Block 1, 2B, 3, 5, 6) ^[1]		\$94
Sale of Bloor/Islington ^[1]		\$44
Sale of Current ECC Site ^[2]		\$65
<i>Sub-Total Cost vs Revenue</i>	\$246	\$203
Civic Hub:		
Recreation Centre	(\$42)	\$31
Library	(\$24)	\$11
Child care	(\$8)	\$2
Civic Square	(\$28)	\$17
Section 37		\$14
Basement / TPA Parking (431 spaces)	(\$73)	\$18
Sub-Total Cost vs Funding Sources	\$175	\$93
Total	\$421	\$296
Current Net Funding Gap	(\$125)	

[1] Assumes highest and best use value estimate, adjusted to reflect reallocation of land value to Housing Now initiative

[2] Assumes highest and best use value estimate

Development Charges and Section 37

To the extent that any new facility (such as community recreation centres, public libraries, child care and civic improvements) are determined to benefit new development, eligible project costs can be recovered through development charges. In 2018, the City updated its development charges ("DC") bylaw and the DC Background Study included the following eligible components of the ECC for DCs:

- Community Recreation Centre \$31M
- Toronto Public Library \$11M
- Child Care Centre \$2M
- Civic Improvements \$17M

Total DC's of \$61.0 million have been reflected in the funding model for ECC, as described in Table 3, and is subject to change based on further analysis in Phase Three work.

Section 37 contributions also offer a potential funding source. The funding model provides a conservative estimate of potential Section 37 funds from key developments surrounding the WTL. This analysis assumes that Section 37 funds will not be levied against affordable rental units. Under these assumptions, Section 37 has the potential to generate \$14.0 million. The DCs and Section 37 funding in this report do not account for any future changes emerging from the Provincial Government's proposed Bill 108. Any impact to these funding sources will be evaluated as regulations are provided by the Provincial Government and updated through the Phase Three work.

Building Program Validation & Stakeholder Engagement

A robust consultation process was undertaken to examine, assess and validate the unique program requirements and future occupants for the new ECC. Consultations began in January 2018, led by the ECC Design Team, with validation broken down into three parts: Office Tower, Civic and Community Hub, and Below Grade Parking. Over the following six month period, representatives from eighteen City divisions were engaged through multiple workshops where staff were given the opportunity to express their unique aspirations and concerns for the new ECC building. Divisions were also provided with questionnaires to complete for the identification of the number of full time employees, typical workflow, and relationships with other divisions/programs which would be incorporated into the design of the building.

The Building Program Validation process concluded in June 2018, with a program to accommodate 1,080 FTE's in the Office Tower portion. Guiding principles for the Civic and Community Hub (i.e. Community Recreation Centre, Library, and Child Care) and Below Grade Parking (i.e. Toronto Parking Authority) portion of the development were also established during this stage. CreateTO, in consultation with City staff, will undertake additional stakeholder consultation during upcoming Phase Three work.

Schematic Design

The Schematic Design phase translates the building program into dimensioned drawings. These drawings show the relationships of the required building spaces/components, identify themes for proposed interior and exterior finishes, and describe the building systems. The Schematic Design was informed based on output from the program validation and stakeholder engagement process. Additional workshops were undertaken with core user groups held between the months of September to December 2018. Input from these various stakeholders helped establish an updated Schematic Design, inclusive of a revised built form, massing, and building geometry for the ECC. Table 4 below shows the summary of changes to the Gross Floor Area. ("GFA") based off the updated 2019 Schematic Design.

Table 4: ECC Built Form GFA - 2017 vs. 2019

Building Program	Gross Floor Area (2017)	Gross floor Area (2019)
Above Grade GFA	487,121	474,699
Office Space (sf)	260,000	257,042
Civic and Community Space (sf)	91,550	82,979
Library (sf)	22,647	26,210
Recreation Centre (sf)	70,008	56,360
Childcare (sf)	8,611	9,343
Support Space (sf)	34,305	42,765
Below Grade GFA	198,561	291,993
Parking/Other (sf)	198,561	272,620
District Energy (sf)	n/a	19,373
Total GFA	685,682	766,692
Outdoor Civic Square (sf)	37,000	38,354

Project Cost Update - Class C Capital Cost Estimates

The financial analysis reported to City Council in 2017 has been updated and informed by the Schematic Design and a Class C cost estimate provided by Finnegan Marshall and Altus Consulting Group, dated April 2019. As seen in Table 3, the updated 2019 capital cost estimate to construct the new ECC is \$421.0 million. This compares to an estimated capital cost of \$320.0 million in 2017. The \$101.0 million increase in estimated costs are due to the following factors:

- **\$38M - Larger Building Program and Design Changes:** The Schematic Design process concluded with a 12% increase in program area primarily attributed to the incorporation of loading below grade, additional parking space, and inclusion of the district energy system.
- **\$63M - Construction Cost Inflation:** Construction prices have increased significantly in the last two years due to various economic factors such as increased demand for labour and higher material costs which have correspondingly resulted in increased soft costs.

The increases in projected costs are considered to be fair and reasonable considering the current economic environment and are subject to further revisions based on circumstances closer to the construction period.

Housing Now Initiative & Revenue from Surplus Lands in the West District

In 2017, City Council directed the consideration of land sales from three properties in the West District to support the new ECC capital project. Development concepts were established, in consultation with City Planning, for each of the properties which informed a Residual Land Value ("RLV") analysis. The three properties (the "Properties") include:

- Bloor/Kipling Lands (WTL Blocks 1, 2B, 3, 5 and 6)
- Bloor/Islington Lands; and
- Current ECC Lands

In December 2018, City Council approved the Housing Now initiative intended to activate 11 City-owned sites for the development of affordable housing within mixed-income, mixed-use, transit-oriented communities. The Bloor/Kipling and Bloor/Islington lands are subject to the Housing Now initiative. Between these two sites, the initiative aims to deliver a total target of 3,550 new residential units to the market, including 2,379 rental units, of which 1,190 will be affordable.

Reallocation of land value from the Bloor/Kipling and Bloor/Islington sites to Housing Now has reduced the land value funding available for the capital costs of the new ECC by approximately \$95 million and is reflected as such in the updated ECC Funding Model in Table 3. This report requests the Deputy City Manager, Corporate Services and the Chief Financial Officer to work with CreateTO to address the funding gap through a range of mechanisms, including the City's capital budget process.

Addressing the Funding Gap

As shown in Table 3, there is a projected funding gap of \$125.0 million (or 30%) to relocate the ECC to the WTL. This funding gap is attributed mainly to the larger building program, escalation in construction costs, and reallocation of land value to support the Housing Now initiative.

It is typical for projects of this nature to be funded through the Capital Budget process. However, land sale components are estimated to cover almost 50% of the total costs of the new ECC, providing significant financial support. Staff expect that the total funding gap of \$125.0 million can be addressed through a variety of sources, including Federal/Provincial grants (i.e. Investing in Canada Infrastructure Program), partnerships, revenue from future ECC third party tenants, and/or the City's capital budget. Staff will explore these options and recommend solutions in the updated funding model and business case to be reported to City Council in Q4 2021.

Toronto Parking Authority ("TPA")

TPA has been engaged regarding the design of the below grade parking structure. The parking garage has been designed to meet current TPA specifications and will be operated and maintained by TPA. TPA has confirmed a capital contribution of \$50,000/parking stall which will provide capital funding for a portion of the parking garage. Given the proposed parking count of 431 spaces, TPA's capital contribution is estimated at \$21.5 million gross. The funding model (Table 3) has included TPA's capital contribution discounted in 2019 dollars at \$18.0 million and has assumed the operating costs are TPA's obligation and parking revenue would flow to the TPA.

Alignment with ModernTO

In October 2019, City Council unanimously adopted ModernTO: City-Wide Real Estate Strategy and Office Portfolio Optimization plan. The ModernTO plan aims to modernize the City's office footprint through the consolidation of City staff into Civic Centres and Metro Hall. The ECC relocation to the WTL is a vital component to the ModernTO plan as it provides modern accommodation, transit-oriented office space (i.e. less car dependencies), integration with other City services and additional capacity for new jobs in Etobicoke.

Alignment to TransformTO - Incorporation of District Energy System

In July 2017, City Council adopted TransformTO and established a set of long-term, low carbon goals and strategies to reduce local greenhouse gas emissions and improve the City's health, economic growth and social equity. District Energy is a key component in this strategy and the City has identified more than 27 locations to support new District Energy systems. The new ECC and surrounding development blocks is one of several communities identified to be serviced by a District Energy network achieving the Tier 2 energy and greenhouse gas emissions targets of the Toronto Green Standard, Version 3. The district energy business model for the ECC precinct is currently being led by the City's Environment and Energy Division and Enwave, supported by FVB Energy Consultants and Deloitte Canada. The requirements for the initial district energy plant and geothermal field has been included in the Schematic Design drawings. CreateTO

will continue to work with the City and Enwave to refine the preliminary concept which will inform the Detail Design phase.

NEXT STEPS AND PHASE THREE WORK

In alignment with the City's Major Capital Approval Process, CreateTO, in collaboration with City staff, are following the below stage-gate approach to develop, and eventually construct the new Etobicoke Civic Centre. At the completion of each phase, City Council approval will be sought to proceed to the next stage.

Phase 1 – Feasibility and Conceptual Design – (Complete: 2017)

Phase 2 – Site Investigations, Program Validation, Schematic Design (Complete: 2019)

Phase 3 – Detailed Design, Contract Documents, and Tender (2020 to 2021)

Phase 4 – Construction Award (2022 to construction completion)

If this report is approved by Council, staff are prepared to proceed with Phase Three, including Detail Design, Contract Documents and Tender. Staff will report back to the Board and City Council in Q4 2021 with the results of the Phase Three work, including tendered cost estimates, proposed funding model, and the final business case for the overall project with the recommended contract award. The costs associated with the next steps for Phase Three are estimated at \$26.13 million and is included in the 2019-2028 Council Approved Capital Budget and Plan for Facilities, Real Estate, Environment & Energy.

The relocation of Etobicoke Civic Centre continues to be an important City Building initiative in the West District. The business case remains strong relative to the cost of retrofitting and operating the existing ECC facility. In addition, a new ECC will provide the City important social, economic and environmental benefits, including support for TransformTO and ModernTO, new community infrastructure, revitalization of the Etobicoke City Centre and improved services for residents on transit-oriented lands. Phase Three work will continue to reinforce the importance of this initiative with detailed costs and funding required to implement the project.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Schematic Design/Built Form Rendering
Attachment 2: Westwood Theatre Lands Block Plan