



STAFF REPORT ACTION REQUIRED

Transfer of 497 Richmond Street West to Build Toronto

Date:	June 3, 2013
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 20
Reference Number:	P:\2013\Internal Services\Re\Gm13014re – (AFS 17722)

SUMMARY

This report recommends the terms of transfer to Build Toronto of 497 Richmond Street West (shown as Part 1 on Sketch PS – 2011-099, "the Property") which was declared surplus for this purpose by City Council on November 29, 30 and December 1, 2011. The Property is developed with buildings around its perimeter and an interior courtyard and has a number of convenience addresses: 505 and 511 Richmond Street West, 60 Brant Street and 17 Maud Street.

The Property is being reported on independently due to the complexities associated with its transfer and the timing of the relocation of Eva's Initiatives for Homeless Youth from 11 and 25 Ordnance Street to the 60 Brant Street portion of the Property (also known as Building D), as provided for in GM9.10a approved by City Council on November 29, 30 and December 1, 2011.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council grant authority to enter into an agreement to transfer a stratified portion of the property municipally known as 497 Richmond Street West 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, in a form satisfactory to the City Solicitor.

2. City Council grant authority to enter into a lease agreement with Eva's Initiatives for Homeless Youth (Eva's), for a portion of the Property referred to as 60 Brant Street being approximately 1,500 m² (16,151 ft²) in lot area, substantially on terms and conditions outlined in Appendix 3, and on such other and amended terms and conditions as may be approved by the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
3. City Council grant authority to enter into a Relocation Agreement with Build Toronto, Whitecastle New Urban Fund, L. P. and Build Toronto Holdings (Ordinance) Inc. and Eva's regarding the arrangements for relocating Eva's and renovating the 60 Brant Street portion, substantially on terms and conditions outlined in Appendix 4, and on such other and amended terms and conditions as may be approved by the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
4. City Council authorize the City to enter into a Reciprocal Agreement with Build Toronto for the joint use of the identified portions of the Property, substantially on terms and conditions outlined in Appendix 5, and on such other and amended terms and conditions as may be approved by the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
5. City Council direct that the authority granted in Recommendations 1 be subject to compliance with Section 12 of Ontario Regulation 609/06.
6. City Council grant authority to the Chief Corporate Officer to permit Build Toronto to engage in licensing and leasing activities in respect of the Property that is or becomes the subject matter of an executed transfer agreement, during the period prior to the closing of the transfer transaction, on terms and conditions as may be approved by the Chief Corporate Officer, in a form satisfactory to the City Solicitor.
7. City Council grant authority to fund the City's outstanding expenses related to the Property from the Approved Operating Budget for Facilities Management and Real Estate (FM&RE), 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&RE's Approved Operating Budget, as necessary, through subsequent Quarterly Variance Reports.
8. City Council direct the appropriate City staff to make the requisite budget adjustments for any budgetary impacts arising from the transfer of this property to Build Toronto, to be effective at the earliest opportunity following the date of transfer to Build Toronto.
9. City Council authorize severally each of the Chief Corporate Officer and the Director of Real Estate Services to execute the transaction documents and agreements required to implement the Recommendations in this report on behalf of the City, including the execution of any required consents, approvals or permissions.

10. 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.
11. City Council authorize and direct the appropriate City officials to introduce in Council any Bills necessary to give effect to the foregoing.

Financial Impact

Recommendations in this report will defer the receipt of proceeds from the disposition of this property 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 property is being transferred to Build Toronto for nominal consideration, no revenue will be available to cover the expenses of affecting the transfer, 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 the property is not known at this time, it is recommended that these expenses be accommodated within FM&RE's 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&RE's Approved Operating Budget, as necessary, funded from the LARF through subsequent Quarterly Variance Reports, are also recommended.

Build Toronto will be responsible for the costs of relocating the staff and equipment of City divisions occupying the Property to alternative facilities, including moving costs and fit-out (both design and construction) of the replacement premises as per the budget to be agreed between Build Toronto and the City.

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

DECISION HISTORY

On November 29, 30 and December 1, 2011, City Council adopted GM9.10, as amended, and among other matters, granted authority to enter into an agreement to transfer the property known as 45 Strachan Avenue, 10 Ordnance Street, 11 and 25 Ordnance Street to Build Toronto with terms that provided for the relocation of Eva's Phoenix to a new long-term facility (Appendices 1 & 2). In addition, City Council declared 497 Richmond Street West surplus with the intended manner of disposal to be by way of a transfer to Build Toronto, (Appendix 4(i)), and in respect of the 60 Brant Street portion, by way of a long term lease to Eva's Phoenix for a term of twenty years plus four renewal terms of five years each, subject to the City's right to terminate the lease during any of the renewal terms on three year's notice.

Background Information (Committee)

(October 26, 2011) report from the Chief Corporate Officer 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) Appendices 1, 2 and 3 - Terms & Conditions of Transfer

(<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 Turnover

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

Background Information (City Council)

(November 25, 2011) Supplementary Report from the Chief Corporate Officer on the transfer of 45 Strachan Avenue, 10, 11 and 25 Ordance Street to Build Toronto (GM9.10a)

(<http://www.toronto.ca/legdocs/mmis/2011/cc/bgrd/backgroundfile-42566.pdf>)

Appendix 1 - Terms and Conditions of Transfer for all properties

(<http://www.toronto.ca/legdocs/mmis/2011/cc/bgrd/backgroundfile-42567.pdf>)

Appendix 2 - Terms and Conditions of Transfer, 45 Strachan Avenue, 10, 11 and 25 Ordance Street

(<http://www.toronto.ca/legdocs/mmis/2011/cc/bgrd/backgroundfile-42568.pdf>)

Appendix 3 - Letter Agreement between Build Toronto, Whitecastle New Urban Fund and Eva's Initiatives

(<http://www.toronto.ca/legdocs/mmis/2011/cc/bgrd/backgroundfile-42569.pdf>)

(February 6, 2013) from the Chief Corporate Officer on the Enhanced Process for Property Transfers to Build Toronto

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM20.6>

COMMENTS

Title

The Crown granted the lands know as the St Andrews Market Block to the City in 1837 for the purpose of establishing and keeping a public market. The original grant included a condition that if the land was sold or put to other uses, ownership would return to the Crown. In 1911, the Province of Ontario released the City from the original restrictions, but required that the southern portion of the block continue to be used as a public playground. In 1934, portions of the surrounding streets on all four sides of the block were closed and integrated with the land that was originally received from the Crown. This combined block became the site of the Waterworks building complex constructed for Toronto Water in the 1930's and St Andrews Playground.

Ownership of the northerly and southerly portions of the former St Andrews block will be divided as a result of the transfer referenced in this report. As a result, Build Toronto has asked the Province to amend the 1911 documents to clarify that title to the land being transferred to Build Toronto is not connected to the City's obligation to maintain a park to the south. The Province has recently confirmed that this request has been approved in principle and that the Province is now engaged in the process of implementing the change.

Stratification

At its meeting on May 8 and 9, 2012, City Council by its adoption of GM13.7 directed the Director of Real Estate Services to consult with the Chief Planner and Executive Director and the local Councillor on a property by property basis to consider if the conveyance of a stratified portion of the land is appropriate in the circumstances and consistent with the Official Plan. The City may create a strata to divide the land vertically so that portions or strata may be transacted independently.

Planning Consultation:

Official Plan: Regeneration Areas
Zoning: RA - Reinvestment Area with an existing height limit of 23 m.

The Property is within the King-Spadina Secondary Plan which identifies the northern edge of the property as an *Existing View Terminus* and the southern edge as within an *Area of Special Identity* with respect to the adjacent St Andrews Playground. City Planning staff has advised that the maximum height typically recommended is approximately 35 m for development applications in this area. If a strata is appropriate, up to 40 m above grade would be acceptable inclusive of any mechanical equipment.

Local Councillor Consultation: The Ward Councillor requests a strata limit of 47.5 m above grade be applied to the Property to give clarity to the community with regard to future development potential.

On this Property, a strata level of 40 m above grade could generally be interpreted to accommodate approximately 12 to 13 storeys of mixed use development and a strata level of 47.5 m above grade could generally be interpreted to accommodate approximately 14 to 15 storeys of mixed use development.

On the basis of consultation with City Planning, the Ward Councillor and Build Toronto, the Director of Real Estate Services recommends that the City retain a strata above an elevation of 47.5 m above grade over the Property (see Appendix 2). Any development proposal for the Property will be subject to the City's established planning approvals process.

Heritage Designation and Easement

The Property was listed on the City of Toronto Inventory of Heritage Properties in 1983. On June 6, 7 and 8, 2012, City Council approved TE16.8 stating its intention to designate 497 Richmond Street West and St Andrews Playground under Part IV, Section 29 of the Ontario Heritage Act. City Council also granted authority for the execution of a Heritage Easement Agreement with the owners under Section 37 of the Ontario Heritage Act. The bills have not yet been adopted by City Council. Build Toronto will be required to enter into the Heritage Easement Agreement prior to registration of the transfer.

The background to the designation is set out in TE16.8 (2012). The original market buildings were destroyed by fire in 1860 and the character of the area changed to an employment district. In 1909, the City dedicated the south area of the property as the first supervised playground for children. In 1932 a building permit was issued for a new facility for the City's Water Works department, known as the Waterworks Building, designed by City Architect, James John Woolnough in an Art Deco style.

Existing Occupancies and Relocation Plans

The majority of the Property is currently occupied by City divisions:

- IT has 10 workstations on the 2nd floor of 505 Richmond St and is to be relocated by July 1, 2013 to Metro Hall;
- Solid Waste occupies the Maud portion of the buildings and office space in the 505 Richmond St West building. It is to relocate to the Ingram yard by July 1, 2013;
- Purchasing and Materials Management (PMMD) occupies the 60 Brant Street building and is to be relocated as soon as possible to 799 Islington Avenue when this facility is vacated by Toronto Police Service and will consolidate with other PMMD units in this new facility;
- Policy, Planning, Finance & Administration formerly occupied space on the second floor of 505 Richmond Street West and relocated to Metro Hall in 2012.
- Toronto Water and Security have IT infrastructure and some miscellaneous equipment which must be relocated before the transfer is registered, or otherwise accommodated after the transfer, and plans are underway for this work.

In the 511 Richmond Street West building there are market and below-market rent (BMR) tenancies:

- Westside Montessori School occupies 2,187 ft² of rentable space plus 720 ft² of ground floor playground and 2,012 ft² of roof playground at market rent and has a lease term ending August 2013. It will be given an extension by the City to the end of the year. Although this lease will be assumed by Build Toronto on the transfer of the property, Westside Montessori plans to relocate to another City property within the ward in early 2014.
- Youth Employment Services YES is a Below Market Rent (BMR) tenant occupying 1,845 ft² of the second floor of the building at a rent of \$2.00 per year plus HST and operating costs. The lease term ends June 30, 2015. This lease will be assumed by Build Toronto on transfer of the Property.

- Riverside Foundation is a BMR tenant occupying 880 ft² of the main floor of the building at a rent of \$2.00 per year plus HST and operating costs. The lease term ends June 30, 2015. This lease will be assumed by Build Toronto on transfer of the Property.

Build Toronto will be responsible for the costs of relocating City divisions from this Property. Accommodation plans are underway and costs of relocation are being budgeted for the required time frames and Build Toronto is fully engaged in the planning and budgeting of these relocations. For the BMR tenants, Build Toronto may allow the lease terms to be completed or provide notice of early termination as allowed under the leases.

The protection of the quiet enjoyment of the remaining tenants and City staff during Eva's construction phase is an important issue to be provided for in the terms of transfer and the agreements between the parties.

When the City divisions are relocated from the Property, the parking area on the east side of Maud Street north of Adelaide Street West will no longer be required. At that time, the parking area will be transferred back to the operational management of PF&R and will be converted back to park use drawing on some of the Section 37 funds from this and surrounding developments.

Eva's Relocation to 60 Brant Street

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. City Council on November 29, 30 and December 1, 2011, by its adoption of GM9.10, gave authority to transfer the City's Strachan/Ordnance properties to Build Toronto, and this conveyance was registered on April 12, 2012. A term of the transfer required Build Toronto and its partners 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 and its partners in the redevelopment of the Strachan/Ordnance properties have agreed to contribute \$5 million to Eva's for the renovation of its replacement facility.

Eva's has undertaken a due diligence review of and has advised it is prepared to convert the 60 Brant Street portion of 497 Richmond Street West (also known as Building D) for Eva's future use. This renovation project would be funded by Eva's and Build Toronto. The Property, subject to the conditions set out in Appendix 2, will be transferred to Build Toronto and then the fixturing of 60 Brant Street will be undertaken by Eva's to its specifications under a licence agreement with Build Toronto. Eva's renovation project is anticipated to draw upon all of the funding commitment by Build Toronto and its partners. Eva's has applied for site plan approval for its proposed use and retrofit of 60 Brant Street. The timing of this retrofit activity is very critical for Eva's to be able to relocate when its lease of the Ordnance properties expires, however, Build Toronto has provided for an extension to Eva's occupancy to December 31, 2015, if required.

A Relocation Agreement is proposed to be entered between the parties to provide for the obligations and responsibilities of the parties during the renovation phase of 60 Brant Street while Build Toronto is the owner of the Property and Eva's is managing its own renovation work. The major terms of the Relocation Agreement are set out in Appendix 4.

The major terms of the BMR lease between the City and Eva's for the future 60 Brant Street facility are set out in Appendix 3. City Council through its adoption of GM9.10 in 2011, established the term of the lease as 20 years plus four renewal terms of five years each, subject to the City's right to terminate the lease during any of the renewal terms on three years notice. This proposed lease otherwise reflects the majority of the terms set out in other existing BMR leases between Eva's and the City.

Although there is no parking area available on-site, Eva's may seek permission for boulevard parking along the Brant Street frontage.

Environmental Approvals

A Record of Site Condition (RSC) must be filed with the Ministry of the Environment for the Property due to the proposed change of use to include a transitional housing facility (Eva's) and Build Toronto's planned mixed use redevelopment. Build Toronto will coordinate the RSC for the Property and has already completed Phase I and Phase II Environmental Assessments. It is anticipated that some clean-up will be required in the courtyard area. It may be necessary to install a membrane along the western limit of 60 Brant Street to ensure there is no migration of contaminants into the soil beneath 60 Brant Street.

Eva's will assume the costs of asbestos removal as part of its renovation of the 60 Brant Street building. Eva's plans to dig a basement on the western portion of their space to accommodate the skills training and printing operations. Although environmental testing has not identified any issues with the soil beneath the existing slab, it has been agreed that Build Toronto would assume any incremental cost attributed to any contaminated soil disposal requirements, if any.

Reconveyance of Improved 60 Brant Street to City and Reciprocal Arrangements

When 60 Brant Street is renovated and fixtured for occupancy by Eva's, including the construction of a wall that will separate 60 Brant Street from the remainder of the Property, the 60 Brant Street portion will be conveyed back to the City. At that time, a new lease between the City and Eva's will commence. The 60 Brant Street facility will be assumed in a state of good repair, with an acceptable RSC and will be able to function independently from portion of the Property that will continue to be owned by Build Toronto. In order to address the interactions that will be required between the two owners and Eva's long-term leasehold interest, a Reciprocal Agreement will be entered into by the City and Build Toronto. This agreement will address easements for access, any shared service connections, under-pinning, crane swings, and minor encroachments that may result from the final design and construction of the Build Toronto site.

One major area of shared facility use by the parties will be the loading area south of the 60 Brant Street portion which will be required to serve the future users of Build Toronto redevelopment as well as Eva's and any future use by the City in the event that the lease with Eva's terminates for any reason. The City should retain an easement over the loading area to ensure continued access for loading purposes to serve 60 Brant Street. The major terms and conditions of the Reciprocal Agreement are summarized in Appendix 5.

When Eva's occupies 60 Brant Street it will have no parking available on-site and will probably seek the City's permission for boulevard parking along Brant Street. Build Toronto will be constructing an underground garage as part of its development and will be required to provide 3 parking spaces on a nominal basis for the future uses of the 60 Brant Street portion of the Property.

Ontario Regulation 609/06

Ontario Regulation 609/06 provides that if the City proposes to transfer an asset to a corporation and the province has contributed funds for the purchase or improvement of the asset, the City is required to give notice of the proposed transfer to every Minister that made a contribution on behalf of the Province and obtain a release of any provincial interest in the asset.

This report recommends the terms of transfer to Build Toronto of 497 Richmond Street West, the approval of the terms of the lease to Eva's Phoenix and the approval of the terms of the relocation agreement and the reciprocal agreement.

Implementation of the recommendations in this report will contribute to Build Toronto's portfolio of development properties and help to enhance and realize the value of the City's real estate holdings.

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SIGNATURE

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ATTACHMENTS

Appendix 1– Terms & Conditions for Transfer Agreement
Appendix 2 – 497 Richmond Street West
Appendix 3 – Lease Agreement Synopsis
Appendix 4 – Relocation Agreement Synopsis
Appendix 5 – Reciprocal Agreement Synopsis