



STAFF REPORT ACTION REQUIRED

East Bayfront Waterfront Innovation Centre

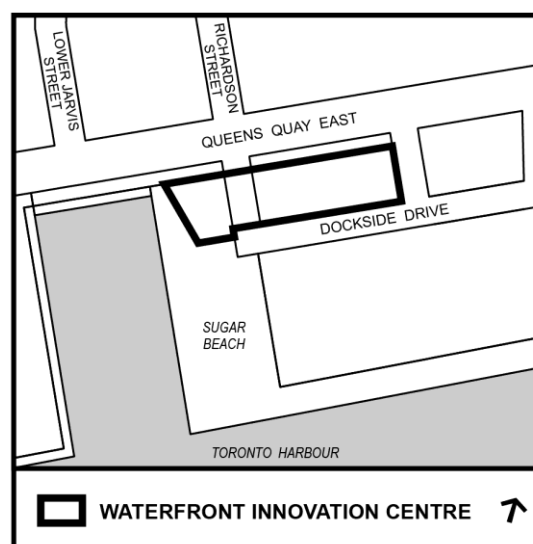
Date:	March 31, 2015
To:	Economic Development Committee
From:	Deputy City Manager, Cluster B General Manager, Economic Development & Culture
Ward:	28
Reference Number:	P:\2015\Cluster B\WF\ED15001

SUMMARY

This is an information report on the concept, process and next steps related to the development of a Waterfront Innovation Centre on City-owned lands adjacent to Sugar Beach in the East Bayfront (EBF) precinct (see key map).

The proposed Innovation Centre is planned as a private sector development aimed at bringing jobs to the waterfront. The purpose-built workspace would be dedicated to fostering innovation and collaboration in Toronto's rapidly evolving technology sectors.

Waterfront Toronto (WT) has entered into a Pre-Development Agreement with Menkes Developments Ltd. (Menkes) to put together a leasing plan and financial bid over the next 12-18 months for consideration by the WT Board and Toronto City Council. City staff will report through Executive Committee for approval at the appropriate time.



RECOMMENDATION

The Deputy City Manager, Cluster B, and the General Manager, Economic Development and Culture recommend that:

1. The Economic Development Committee receive this report for information.

Financial Impact

There are no financial implications resulting from this report.

DECISION HISTORY

In September 2005, Council approved a report entitled “Implementation of a New Governance Structure for Toronto Waterfront Renewal.” The report confirmed that effective control of public lands in the waterfront was to be provided to the Toronto Waterfront Revitalization Corporation (now WT) on an incremental basis, following approval of detailed business and implementation plans. The report also directed that a Memorandum of Understanding (MOU) be developed between government partners and their respective agencies to, amongst other matters, designate WT as the revitalization lead subject to certain conditions.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050928/pof8rpt/cl002.pdf>

The East Bayfront Precinct Plan was endorsed by City Council on December 7, 2005 as a basis for informing future environmental assessments, development application decisions, regulatory documents and guidelines, and contribution agreements with the government partners and Waterfront Toronto. The vision for the East Bayfront (EBF), with its proximity to the downtown financial district, recognized the importance of a mixed use community with a target 25% employment use. The foot of Jarvis Street was identified as a site for a significant employment node.

http://www1.toronto.ca/city_of_toronto/waterfront_secretariat/files/pdf/eb_precinct_plan_sm.pdf

In January/February 2006, Council authorized the City to enter into a City/WT/TEDCO MOU covering lands then owned by TEDCO in the EBF and Port Lands. The MOU defined the requirements for detailed business and implementation plans prior to providing WT with effective control of City or TEDCO-owned lands in the Designated Waterfront Area.

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060131/pof1rpt/cl027.pdf>

In July 2006, Council approved WT’s Business and Implementation Plan for EBF. Components of the Business and Implementation Plan were a financial model, employment strategy, cultural and animation strategy, ground floor retail strategy and project schedules. Key tenets of the plan were: to achieve an aggressive employment target of 8,000 jobs; and to attract high value employment opportunities.

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl009.pdf>

In April 2013, the Economic Development Committee requested that the General Manager, Economic Development and Culture (EDC), develop a strategic vision for business incubation across the City with the goal of fostering innovation and attracting high growth businesses.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.ED29.10>

ISSUE BACKGROUND

Toronto is Canada's largest technology hub and the third largest in North America. The 14,600-plus technology related business establishments located in the Toronto [Census Metropolitan Area](#) (CMA) offer approximately 160,000 jobs. The Toronto CMA is home to 35% of the nation's technology businesses, making it Canada's centre for technology research and development.¹ Also of note: 43% of Canada's technology sector Research and Development investment is conducted by Toronto technology research facilities. This generates \$5.7 billion annually to the local economy including \$650 million in software alone.

Toronto's startup eco-system is ranked 8th worldwide and is recognized internationally as a growing technology cluster². The City, through EDC's business incubation program, works to facilitate and develop new business incubator and accelerator opportunities to support startup activity and job creation in Toronto.

Toronto's waterfront has been identified as a prime area within the City to advance the City's leadership in the technology sector. Accordingly, an important public policy objective in EBF is to create a complete, sustainable, mixed-use community with high value jobs. The 25% employment use objective for EBF was established at the time of Council approval of the East Bayfront Precinct Plan (2005) and East Bayfront Business and Implementation Plan (2006). Both Corus Entertainment and George Brown College's Health Science Campus, neighbours to the subject site, respond to this objective and ensure that the emerging district will be varied and animated.

Since the precinct planning stage, WT and the City have reserved the subject site for an innovative employment use intended to showcase leading edge approaches to providing employment space. The proposed Waterfront Innovation Centre is being designed to respond to – and advance – the existing film, television, post production and technology sectors in Toronto. Rather than targeting early stage companies in an incubator or accelerator model, the Innovation Centre will attract established companies in the marketplace which see their specialized areas converge with other complementary companies and which benefit from opportunities for collaboration. The Innovation Centre will build on the core strengths of the City's vibrant incubation and acceleration cluster while providing a new type of work environment for more mature companies that are seeking a dynamic shared environment.

¹ Canadian Business Patterns, Dec. 2013

² Startup Genome, [Startup Ecosystem Report 2012: Part One](#). 2013

In 2013, WT initiated a competitive proposal call process to select a proponent that would lease the land from the City and build an office development based on this innovation concept. This process culminated in the selection of Menkes as WT's pre-development partner. Menkes will now work with WT over the next 12-18 months as it prepares a leasing plan and financial bid for the site. The bid offer will be based on a 99 year lease for the subject lands. As per the RFP, Menkes may also submit an alternative bid for a fee-simple outright purchase of the subject lands; however, there is no obligation to accept this.

COMMENTS

Proposal

The proposed Waterfront Innovation Centre is a private-sector development consisting of approximately 350,000 square feet of commercial space at the foot of Lower Jarvis Street. The concept involves purpose-built workspace that is designed to foster innovation and collaboration for players in Toronto's rapidly evolving technology sectors. Target companies include those working in data-intensive industries such as advanced visualization and interactive digital media, film and TV production – for example, 3D animation, gaming, post-production, special effects and interactive design.

The proposed Innovation Centre will have three distinct but interconnected areas of private, semi-private and shared public space, intended to foster innovation and collaboration. The architectural design will leverage the ultra high-speed broadband network and other "intelligent" infrastructure invested by WT in EBF. An early concept image for the development is attached to this report in Attachment 1. The design will evolve as tenant requirements are better understood and as a result of inputs both from the Waterfront Design Review Panel and the City's Site Plan Approval process.

Process

The selection of Menkes as WT's pre-development partner was made through an RFQ/RFP process. As part of this process, a steering committee consisting of industry and academic experts as well as staff from WT and the City's Waterfront Secretariat was created. In addition, subject matter experts including staff from the City's Economic Development and Culture, Real Estate and Legal Services Divisions provided input during the course of the procurement process.

A Request for Qualifications (RFQ) was issued by WT on October 22, 2013. The RFQ closed on December 2, 2013. Shortlisted proponents were notified in January 2014. A Request for Proposals (RFP) was issued in March 2014 and closed September 2014. A Fairness Monitor was retained throughout the process.

During the RFP stage, WT determined that it would be both difficult to secure a binding commitment from the proponents to implement the concept, as well as to obtain a full

market value offer for the land, until the proponent was able to test the market in terms of attracting the unique tenant mix required for this development. Accordingly, WT introduced a two-stage process. The objective of the first stage was to select the pre-development partner who best demonstrated the capacity (technical and financial) and strategy for realizing the innovation centre concept. Selection was based on a variety of criteria including: experience delivering unconventional employment space; ability to solicit and secure tenants; financial capacity; sustainability and design excellence. Based on these criteria, Menkes was selected and approved by the Waterfront Toronto Board of Directors in November 2014. Earlier this year, the Innovation Centre was announced by WT in order for Menkes to begin marketing the Innovation Centre to prospective tenants.

The second stage is the pre-development stage between WT and Menkes. The parties entered into a Pre-Development Agreement (PDA) in December 2014 for a period of 24 months. During the first 18 months, Menkes, with support from WT, is required to undertake marketing and leasing, develop a preliminary design, negotiate land transaction document(s), as well as submit a full proposal including their financial offer.

Following the 18 month period, the PDA provides for a 6 month period for WT to evaluate the proposal. WT will conduct a due diligence review with the expertise of professional consultants. WT will commission a value-for-money analysis and present the results of their analysis to WT's Board of Directors for approval. City staff will provide a report for City Council approval. Under the PDA, there is no obligation for WT or the City to accept the Menkes offer.

Broader City Context

The proposed Waterfront Innovation Centre, with its focus on attracting established companies in the specifically targeted sectors, will enhance Toronto's diverse economic eco-system. With access to multi-gigabit ultra fast connectivity, the Innovation Centre will provide an ideal environment for technology companies looking for collaborative workspace to foster and expand their ventures.

As identified in EDC's proposed *From Concept to Commercialization: A Startup Eco-System Strategy for the City of Toronto* report, also on this agenda, the creation of infrastructure such as the proposed Innovation Centre is important to attracting investment and fostering the growth of Toronto's technology sector.

During the process of creating the City's startup eco-system strategy, stakeholders were engaged to better understand key entrepreneurship issues. One of the key themes emerging from this process, and shaping the Strategy, was the creation of space for startups/accelerators to grow and thrive. The proposed Waterfront Innovation Centre directly supports the longer term needs of successful companies that graduate from start-up incubator/accelerator facilities within the City, offering suitable infrastructure so they do not leave the City once they have reached a degree of maturity.

CONCLUSION

Bringing high-value employment to Toronto's waterfront has been a key component of the EBF vision. The selection of Menkes as WT's pre-development partner is the first step in realizing this goal for this site. It is also a positive demonstration of how the private sector and government can collaborate to encourage business innovation and growth. Once Menkes and WT have concluded their process, staff will bring forward the proposal for Council approval through Executive Committee.

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SIGNATURE

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ATTACHMENT



Concept of the Waterfront Innovation Centre – view east from Queens Quay (Image:Menkes)