



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

## Acquisition of 3306 Kingston Road

<b>Date:</b>	November 16, 2015
<b>To:</b>	Executive Committee
<b>From:</b>	Chief Corporate Officer and General Manager Shelter, Support and Housing Administration
<b>Wards:</b>	Ward 36 – Scarborough Southwest
<b>Reason for Confidential Information:</b>	This report is about a proposed or pending land acquisition by the City or one of its agencies, boards, and commissions and Litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board
<b>Reference Number:</b>	P:\2015\Internal Services\RE\Ec15045re (AFS # 21961)

### SUMMARY

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The purpose of this report is to obtain authority and funding to acquire 3306 Kingston Road for temporary and transitional shelter programs. The location meets the requirements of the Municipal Shelter By-law 138-2003.

In April 2015, City Council adopted an *Infrastructure and Service Improvement Plan for the Emergency Shelter System*, which identified the need for new sites for various shelter and transitional programs. One of the shelter programs requiring a new site is Birchmount Residence, a 56 bed transitional shelter program for senior men, which currently occupies leased premises at 1673 Kingston Road.

The layout of the building at 3306 Kingston Road is suitable for accommodating the Birchmount Residence program. In addition, as the building has space for up to 120 transitional and temporary shelter beds and associated supportive programming, another 64 beds can be utilized in accordance with the needs identified in the *Infrastructure and Service Improvement Plan for the Emergency Shelter System*.

This report seeks City Council approval to proceed as outlined herein and in Attachment 1 – Confidential Information, with the acquisition of 3306 Kingston Road as a new shelter site.

## **RECOMMENDATIONS**

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### **The Chief Corporate Officer and General Manager of Shelter, Support and Housing Administration recommend that:**

1. City Council authorize the Chief Corporate Officer (the "CCO") to negotiate the acquisition of 3306 Kingston Road (the "Property") with the Vendor for the purchase price outlined in Attachment 1 – Confidential Information, and authorize the City to enter into an agreement of purchase and sale substantially on the terms outlined in Appendix "A" to this report and on such other or amended terms and conditions as may be acceptable to the CCO and in a form satisfactory to the City Solicitor.
2. City Council authorize that the 2015 Approved Capital Budget for Shelter, Support and Housing Administration be amended by the addition of a new capital project called "3306 Kingston Road - Shelter Acquisition" for the costs as outlined in Confidential Attachment 1 – Confidential Information, funded from the Land Acquisition Reserve Fund (XR1012).
3. City Council authorize severally each of the CCO and the Director of Real Estate Services to execute the Offer to Sell agreement (the "Agreement") and any ancillary agreements and documents under the Agreement on behalf of the City.
4. City Council authorize the Chief Corporate Officer to administer and manage the transaction, including the provision of any consents, approvals, waivers and notices, provided that she may, at any time, refer consideration of any such matters (including their content) to City Council for its consideration and direction.
5. City Council authorize the City Solicitor to complete the contemplated transaction 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.
6. City Council adopt the confidential instructions to staff in Confidential Attachment 1 – Confidential Information appended to this report.
7. City Council authorize the public release of the Recommendations and Financial Impact in Confidential Attachment 1 related to the acquisition of 3306 Kingston Road once the transaction contemplated in this report has been completed, and the Vendor has disposed of its interest in the Property and direct that the balance of

Confidential Attachment 1 remain confidential as it pertains to potential litigation that affects the City or one of its agencies, boards, and commissions.

8. City Council approve the location of a 120 bed shelter to be operated by City staff from Shelter, Support and Housing Administration at 3306 Kingston Rd. in Ward 36 in accordance with the requirements of the Municipal Shelter By-law 138-2003.

### **Financial Impact**

This report seeks Council direction to purchase the Property as outlined in Attachment 1 – Confidential Information with funding provided from the Land Acquisition Reserve Fund (XR1012) and to amend the 2015 Approved Capital Budget for SSHA by the addition of a new capital project "3306 Kingston Road – Shelter Acquisition".

Preliminary renovation costs associated with the acquisition are estimated to be about \$1,000,000 which will include the replacement of the carpet with appropriate flooring, the removal of a number of partitions in order to expand the kitchen and dining area and the installation of an elevator lift. Final figures will be determined based on further investigations during the due diligence period under the Agreement. Funding for the renovations is available in SSHA's 2016 Capital Budget submission for State of Good Repair.

It is anticipated that the operating funding required will be similar to that of Birchmount Residence at \$2.829 million annually and, with the closing of that site, the funding can be redirected to 3306 Kingston Road. Therefore, the required ongoing operating funding for the new shelter site is included in the base operating budget of SSHA. There is no net operating impact stemming from this purchase.

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

### **Equity Impact**

The shelter system in Toronto serves equity-seeking groups such as seniors, people with disabilities, individuals with mental health issues, the working poor, Aboriginal people, people who identify as LGBTQ2S and other vulnerable groups. Effective operation of the shelter system is important in ensuring that temporary accommodation is available to a variety of equity seeking groups and contributes to the City's Poverty Reduction Strategy.

### **DECISION HISTORY**

At its March 10, 2015 meeting, City Council approved the SSHA Capital Budget and Ten-year Capital Plan which include details surrounding the issue of Shelters in a state of good repair. <http://www.toronto.ca/legdocs/mmis/2015/ex/bgrd/backgroundfile-77457.pdf>

At its meeting of March 31, April 1 and 2, 2015, City Council adopted the *Infrastructure and Service Improvement Plan for the Emergency Shelter System*. The report sets out an

infrastructure and service improvement plan to guide the transformation of the emergency shelter system, reflecting the City's Housing First approach. The report identified the need for fifteen new shelter sites for various programs in the next five (5) years. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD2.2>

At its meeting of February 4, 5 and 6, 2003, City Council adopted *Transportation Committee Report No. 3, Clause No. 1*. This by-law allows for a supervised residential facility that provides short-term accommodation to be a permitted use in all zones or districts. <http://www.toronto.ca/legdocs/bylaws/2003/law0138.pdf>

## **ISSUE BACKGROUND**

In April 2015, City Council adopted the *Infrastructure and Service Improvement Plan for the Emergency Shelter System*. The report outlined the additional shelter capacity required to meet a 90% occupancy target in each shelter sector, while also responding to the need to relocate multiple existing shelter sites. In adopting the report, City Council requested the Director of Real Estate Services to assist Shelter, Support and Housing Administration staff to identify appropriate facilities for potential use as shelters.

One of the shelter programs requiring a new site is Birchmount Residence, which currently occupies leased premises at 1673 Kingston Road. This shelter site currently serves 56 senior men.

As set out in Appendix 1 – Confidential Attachment, there are ongoing building and maintenance limitations at the Birchmount Residence site which have resulted in Staff's review of options available and the recommendation that the City acquire the Property at 3306 Kingston Road. The options explored are outlined below.

### **A. Continue to Lease or Purchase 1673 Kingston Road**

Refer to Attachment 1- Confidential Information.

### **B. Secure a New Property to Purchase**

There are limited properties available throughout Toronto for purchase that would be appropriate for use as an Emergency Shelter. Given the specific needs of the client group being served and the competitive real estate market in Toronto, suitable sites are often difficult to find.

The ideal built form of established properties for conversion and use as emergency shelter are small residential apartments or hotels as renovation costs to convert such buildings are reduced. Residential properties are rarely available on the market with vacant possession which is a requirement so that SSHA does not dislocate settled tenants living independently in the community.

### **C. Secure a New Property to Lease**

Determining an average cost to lease for properties that would be suitable for Shelter use is a challenge as lease rates vary based on property type and neighbourhood. For the purpose of comparing the cost of buying versus leasing, current apartment rental rates in the local area of the Property and Birchmount Residence were used to determine fair market rent. Canada Mortgage and Housing Corporation produces an annual residential Rental Market Report for the Greater Toronto Area. The most recent report published in the autumn of 2014 provided average rental rates for private apartments. The section of the report representing the Central Scarborough area suggested an average rental rate of \$916 per month for a one bedroom, \$1,050 per month for a two bedroom and \$1,180 per month for a three bedroom apartment. Assuming a mid-range scenario where 28 two bedroom units were rented, (equivalent to 56 beds), the monthly rent would be \$29,400 or \$352,800 annually.

Over the years, Staff have been actively seeking sites to lease for various programs needs throughout the City. Given the population being served, the amenities that are required, and standards that must be met, sourcing appropriate buildings to lease is often difficult.

### **D. Lease vs. Buy Cost Benefit Analysis**

A cost benefit analysis indicates that it is more cost effective to buy the Property versus lease another site in the area. The subject Property can accommodate more than twice the number of beds than Birchmount Residence, (an estimated 120 beds versus 56 beds). Using the same methodology as the New Lease Scenario, it can be estimated that the cost to lease a site that can accommodate twice the number of people would cost \$705,600. Over a 20 year period, the Net Present Value of spending \$705,600 annually on a lease, (assuming a 2% annually increase in rent each year and a discount rate of 5%) equates to \$10.8 million (rounded). If the City could purchase or build a facility of equal or greater capacity for less than \$10.8 million that could accommodate just over 100 beds, then it would make more business sense to do so as at the end of the 20 year period, the City would still own the asset.

Given the size of the subject Property and the New Lease case scenario evaluated, and based on the purchase price as outlined in Attachment 1 - Confidential Information, purchasing the Property would prove to be the better business decision.

Therefore, it is recommended that the replacement site at 3306 Kingston Road would be the most cost effective solution. It will replace the 56 beds at Birchmount Residence and an additional 64 beds can be utilized in accordance with the needs outlined in the *Infrastructure and Service Improvement Plan for the Emergency Shelter System*.

### **COMMENTS**

It is recommended that 3306 Kingston Road be purchased as part of the mandate to acquire additional shelter sites. The Property is located on Kingston Road, west of Markham Road, as seen on the Location Map in Appendix "B". The property area is highlighted on the current R-Plan as shown in Appendix "C". The Property is approximately 6,040 m<sup>2</sup> which includes the 2,775 m<sup>2</sup> building constructed in 1988. City

Staff have been in discussions with the Vendor since July 2015 regarding the City's potential interest in purchasing the lands.

### **A. Suitability of the Property for use as a Shelter**

The Property is currently operated as a Comfort Inn franchise with 77 rooms. The bedrooms, each with their own washroom, can easily accommodate two single beds. It is anticipated that this site will be able to accommodate 120 beds along with lockers in each room after renovations are complete. This location has the capacity to accommodate both transitional and emergency shelter programs for seniors in support of the City's Housing Stability Service Plan and Seniors Strategy directions. It has the potential to replace the existing Birchmount Residence program that needs to relocate and will also provide relief to the shortage of shelter beds in the overall SSHA system.

The building is two levels and is completely accessible on the main floor. As part of the renovations to be completed on the site, an elevator lift will be installed to allow all service users and staff access to the second floor, which will make the entire site AODA compliant. The site is equipped with a small commercial kitchen that can be expanded to meet program needs of serving three meals daily. The site features 76 parking spaces, large exterior space, industrial laundry, and a loading/garbage disposal area.

A working group will be created in order to determine the exact renovations required for office, dining and programming space and to ensure the site meets all requirements in the Shelter Standards.

The property is zoned Highway Commercial; however, there is a Mixed-Use designation in the Official Plan. A shelter is a permitted use on this site within the terms of the Municipal Shelter By-law 138-2003. It is not located within 250 metres of another shelter site and is located on a major arterial road, Kingston Road. The Property is within walking distance to Halbert Park, Community Life community centre, Cliffcrest Social Services and Cliffcrest Library. The Scarborough Village Recreation Centre is also close at Markham Road and Kingston Road.

With supportive programming, this location will provide independence, dignity, privacy and improved housing stability outcomes for the vulnerable residents who will reside there. Overall, this location with its existing building structure, amenities and community services available in the neighbourhood make this Property ideal for use as a Shelter.

Staff and the Ward Councillor are engaging with community partners and local residents immediately surrounding the location in order to ensure that they are well informed of the planned use of 3306 Kingston Road. Community feedback will be incorporated in the program design. Staff and residents at Birchmount Residence are also being engaged to ensure that their interests and needs are well understood and taken into consideration at the new location.

## **B. Environmental Due Diligence and Building Condition Assessment (BCA)**

There are no known environmental contaminations on the property. SSHA will conduct an Environmental Site Assessment and Designated Substance Survey of the building and a Building Condition Assessment (BCA) as part of its due diligence condition process. If contamination is found, remediation will be carried out as required along with any repairs or maintenance suggested by the BCA report.

## **C. Agreement**

Terms of the Agreement are provided in Appendix "A" and Attachment 1 – Confidential Information attached hereto. Based on the terms and conditions set out in the foregoing, City Staff consider the proposed agreement to be fair and reasonable to both parties, and recommend the approval of this property acquisition.

### **CONTACT**

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### **SIGNATURE**

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Josie Scioli  
Chief Corporate Officer

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Phillip Abrahams  
General Manager, Shelter, Support  
and Housing Administration

### **ATTACHMENTS**

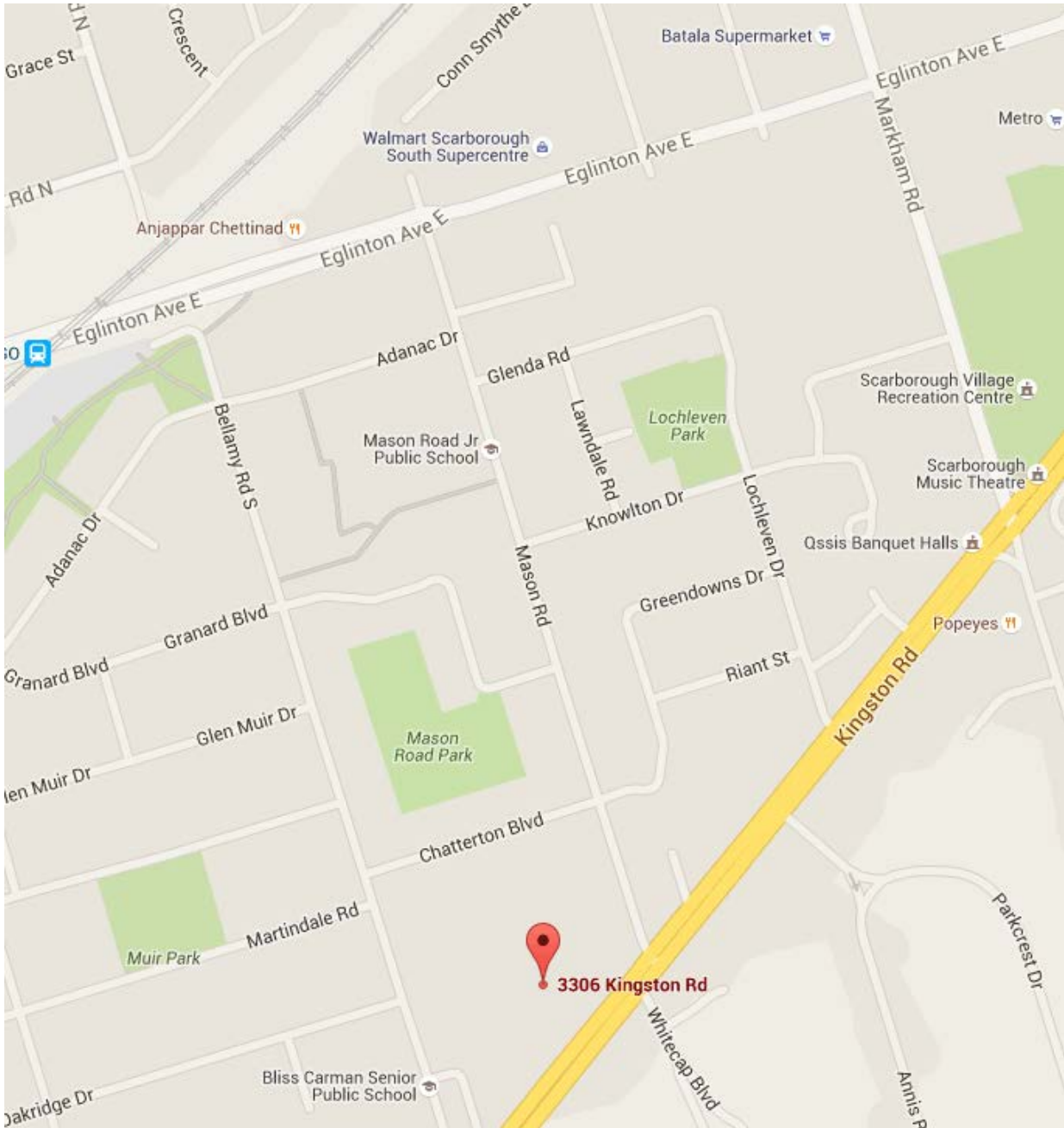
Appendix "A" – Terms and Conditions of the Agreement  
Appendix "B" – Location Map  
Appendix "C" – R-Plan 64R11616  
Attachment 1 – Confidential Information

## Appendix "A" – Terms and Conditions

<b>Address (Location):</b>	3306 Kingston Road – Toronto, Ontario
<b>Owner/Vendor:</b>	2150338 Ontario Ltd.
<b>Legal Description:</b>	PIN: 06407-0151 (LT)
<b>Proposed Purchase Price:</b>	<b>Contained within the Confidential Attachment</b>
<b>Additional Costs:</b>	<b>Contained within the Confidential Attachment</b>
<b>Initial Deposit:</b>	Nominal
<b>Second Deposit:</b>	<b>Contained within the Confidential Attachment</b>
<b>Due Diligence Period:</b>	Shall be the period of time ending at 11:59 pm on the business day next following 90 days after the Agreement is executed by both parties.
<b>Requisition Period:</b>	Shall be the period of time ending at 11:59 pm on the business day next following 30 days after delivery of a notice of waiver or notice of satisfaction in connection with the due diligence condition.
<b>Closing Date:</b>	Shall be the business day next following 40 days after delivery of a notice of waiver or notice of satisfaction in connection with the due diligence condition. The City may advance the Closing Date with five (5) business days written notice.
<b>Chattels:</b>	Chattels included in the purchase price are: <ul style="list-style-type: none"><li>• 1 commercial fridge, 1 commercial freezer, 1 commercial oven, 1 commercial dishwasher</li><li>• 2 commercial washers, 2 commercial dryers</li><li>• 1 small client washer and 1 small client dryer that are 1 month old with transferable warranty</li><li>• All service records for chattels and fixtures are to be provided</li><li>• a number of small tables located in lobby</li><li>• All guest room door locks and access card system with keys</li><li>• 12 security cameras with monitor and recorder</li><li>• All shelving units located in storage rooms</li><li>• 1 55" TV located in lobby and 1 32" TV located in lobby</li><li>• Fireplace located in lobby</li></ul>



## Appendix "B" – Location Map



# Appendix "C" – R-Plan 64R11616

