



STAFF REPORT ACTION REQUIRED

The Weston Community/Cultural Hub: Final Funding Report

Date:	November 17, 2015
To:	Executive Committee
From:	Deputy City Manager Cluster A Deputy City Manager Cluster B Deputy City Manager & Chief Financial Officer
Wards:	Ward 11
Reference Number:	AFS # 21846

SUMMARY

This report recommends Council approval of the final funding model for the Weston community/cultural hub and 26 affordable artist live/work rental units, being developed by Toronto Artscape Inc., as part of the revitalization of the Weston/Mount Dennis community near Weston Road and Lawrence Avenue West, in one of Toronto's Neighbourhood Improvement Areas.

In March 2015, City Council approved the preliminary funding model and directed the Director, Affordable Housing Office, to co-ordinate due diligence and negotiation of the agreements and security required to proceed, in consultation with relevant City divisions. With the completion of the City's due diligence, this report recommends the allocation of federal, provincial and City resources to complete the Toronto Artscape initiative; and the authority to complete various agreements consistent with the direction outlined in this report to secure the government investments and community benefits.

The Artscape development involves the lease of renovated ground floor space in the existing rental apartment building at 33 King Street to contain 26 new affordable artist live-work rental units and a community/cultural hub (the "Artscape Project"). Revenues, fees and charges normally payable by a developer, will not be payable in this instance and will instead be retained by the developer in order to fund the construction of the community/cultural hub and live/work units on behalf of Artscape. To ensure that the facilities are delivered, the City will secure the obligations through a Letter of Credit (LC) provided by the developer The Rockport Group through its company 22 John Street Developments Inc.

Artscape's Project will be an integral part of a larger revitalization initiative that will consist of a new 370-unit market rental apartment building and seven market rental townhouses at 22 John Street; an enhanced Farmers Market outdoor area; a publicly-accessible Artist's Courtyard between 33 King Street and 22 John Street and a new Toronto Parking Authority (TPA) surface lot at City-expropriated 14 John Street and a portion of City-owned property on Elsmere Avenue, all of which will be developed by Rockport.

Construction of the Artscape Project at the same time and by the same builder of the market rental apartment building at 22 John Street allows for efficiencies. Illustrations and plans of the proposed development are attached to this report as Attachment 1.

As part of the approval process, Council directed City Planning to conduct an expedited review of the application to amend the Official Plan and Zoning By-law and for both City Planning and the Affordable Housing Office to report back at the same meeting of Council.

The Planning Final Report recommends Official Plan and Zoning By-law amendments. Council approval of the Planning and funding reports, to be considered together at the December 9 & 10, 2015 meeting of Council, will launch this signature initiative of the *Weston 2021 Revitalization Strategy*, adopted by Council in 2012.

The proposed Artscape Project and Rockport development will serve as a catalyst supporting the social, cultural and economic renewal of the community and contributing to the City's broader city-building objectives. This could only be realized through the innovative collaboration and investments that have been created among the private and non-profit sectors, the federal, provincial and municipal governments, the local councillor and the Weston cultural, residential and business communities.

Contributing to the area revitalization is the construction of a pedestrian bridge at John Street providing access to the community/cultural hub and the completion earlier in 2015 of the Union Pearson Express by Metrolinx and GO Transit line.

RECOMMENDATIONS

The Deputy City Manager Cluster A, the Deputy City Manager Cluster B and the Deputy City Manager & Chief Financial Officer recommend that:

Funding Model

1. Subject to receipt of the irrevocable and unconditional Letter of Credit described in Recommendation 2, City Council approve the unique funding approach for federal, provincial and City investments to finance the Artscape Project being developed within the Weston/Mount Dennis community, as outlined in the Financial Impact section, wherein revenue from the sale of City land, together with fees, charges, Section 37 and other in-lieu contributions normally payable by a developer to the City, are to be invested directly into the Artscape Project by The Rockport Group, the developer of the adjacent property at 22 John Street ("Rockport" or "22 John

Street Developments”), in its capacity as Artscape’s contractor for the Artscape Project, in addition to the provision of federal, provincial and City investments to Toronto Artscape Inc. (“Artscape”) all to a maximum amount of \$10,070,824 (see Table 1a). The funding sources to finance construction of the Artscape Project are set out below:

- a) The value of the following fees and charges normally payable by the developer to the City shall not be payable in this instance and instead, Rockport in its capacity as Artscape’s contractor, will be permitted to retain the funds to apply to the capital costs of the Artscape Project:
 - (i) \$2,115,300 in net proceeds of the sale by the Toronto Parking Authority of the City land at 22 John Street;
 - (ii) \$1,600,000 from the Section 37 contribution negotiated with respect to the market rental building at 22 John Street;
 - (iii) An amount which is the lesser of \$1,239,644, the eligible capital cost of constructing the community hub to the satisfaction of the General Manager, Parks, Forestry & Recreation, or the Parks & Recreation component of the development charges payable for the construction of the market rental building at 22 John Street, from the development charges applicable to the construction of the market rental building at 22 John Street as a development charges credit, to be applied toward the capital costs of constructing the community/cultural hub;
 - (iv) \$460,000 from the parkland cash-in-lieu amount arising from the parkland obligation for the market rental development at 22 John Street to be applied toward the eligible capital costs of constructing the community/cultural hub;
- b) A grant to Artscape of \$500,000 from the Development Charges Reserve Fund for Parks and Recreation (XR2114) to be applied toward the capital costs of constructing the community/cultural hub, to be administered by the General Manager, Parks, Forestry & Recreation, payable in accordance with the approved payment schedule, and which grant is deemed to be in the interests of the City;
- c) A grant to Artscape of \$40,000 from the Capital Revolving Reserve Fund for Affordable Housing (XR-1058) to be applied toward landscaping and storm water management, benefitting the 26 affordable artist live/work rental unit portion of the Artscape Project, which grant is deemed to be in the interests of the City;
- d) Funding to Artscape of \$3,900,000 from the Canada-Ontario *Investment in Affordable Housing (IAH) Program – Rental Component 2014-2020*, to be

applied toward the development of the 26 affordable artist live/work rental units portion of the Artscape Project;

- e) In addition, the estimated \$215,881 from waived development charges, and planning application and building permit fees, as applicable, for the portion of the community/cultural hub deemed to be eligible as a municipal capital facility and pertaining to Artscape's status as a non-profit organization, the estimated value of which is a city contribution to the Artscape Project's capital budget through a reduction in costs that would otherwise have been payable to the City.

Letter of Credit

2. City Council authorize the City to accept an irrevocable and unconditional letter of credit in an amount not less than \$9.8 million (\$8.2 million plus 20%) and in a form satisfactory to the Deputy City Manager & Chief Financial Officer from 22 John Street Developments, the purchaser of 22 John Street and builder of the affordable artist live/work rental units and community/cultural hub, on behalf of Toronto Artscape, to secure the use of the City resources, set out in Recommendation 1 of this report, as well the additional commitments outlined in Table 2: Developer's Letter of Credit.
3. City Council authorize the Director, Affordable Housing Office, in consultation with the General Manager, Economic Development & Culture, to reduce the Letter of Credit from time to time in accordance with the site-specific zoning by-law and the Section 37 Agreement that 22 John Street Developments must enter into with the City, as construction progresses and as certified by a quantity surveyor, and shall not be reduced below \$1.25 million, being the amount required for the Toronto Artscape operating fund, until such operating fund has been paid in full.

Affordable Artist Live/Work Rental Component

4. City Council authorize the Director, Affordable Housing Office, to submit a request to the Ministry of Municipal Affairs and Housing through the *Canada-Ontario Investment in Affordable Housing (IAH) Program – Rental Component 2014-2020* for funding of \$3,900,000 for the 26 affordable artist live/work rental units to be developed at 33 King Street.
5. City Council pass a by-law pursuant to section 252 of the City of Toronto Act, 2006, providing authority to:
 - a. Enter into a Municipal Housing Capital Facility Agreement with Toronto Artscape Inc., or a wholly owned subsidiary owned by it, for the 26 live/work affordable rental units and space ancillary to such use at 33 King Street ("the Eligible Property") in accordance with Ontario Regulation 598/06; and

- b. Exempt the Eligible Property from property taxation for municipal and school purposes, which tax exemption is to be effective from the latter of the following dates: (i) the date the municipal capital facility agreement is signed, (ii) the date the by-law is enacted; (iii) the commencement date of the Lease.
6. City Council direct City Clerks to give written notice of the by-law to the Minister of Education, the Municipal Property Assessment Corporation, the Toronto District School Board, the Toronto Catholic District School Board, the Conseil Scolaire de District du Centre-Sud-Ouest, and the Conseil Scolaire de District du Catholique Centre-Sud.
7. City Council authorize the Director, Affordable Housing Office, to negotiate and enter into, on behalf of the City, a Municipal Housing Capital Facility Agreement, with respect to the operation of the affordable artist live/work rental component to be operated by Toronto Artscape, on terms and conditions satisfactory to the Director and in a form approved by the City Solicitor.
8. City Council authorize the City to enter into a lease for the affordable artist live/work rental units located at 33 King Street amongst 2295477 Ontario Inc. as landlord, Toronto Artscape Inc. as tenant, and the City of Toronto as a third party, for a term of fifty (50) years less one (1) day, based substantially on the terms and conditions set out in Attachment 3, and on such other or revised terms and conditions acceptable to acceptable to the Chief Corporate Officer or his or her designate, in consultation with the Director, Affordable Housing Office, or his or her designate, and in a form and content acceptable to the City Solicitor.
9. City Council authorize the Director, Affordable Housing Office, to designate the Weston affordable artist live/work rental component as social housing for the purpose of allowing all or part of the project relief from normal parking standards.
10. City Council authorize the City Solicitor to execute any documents required to register the security for the funding approved for the affordable housing component of the Project required of Toronto Artscape Inc. or its wholly owned subsidiary, and to postpone, confirm the status or and/or discharge the security when and if necessary.

Community/Cultural Hub

11. City Council authorize the City to enter into a lease for the Weston community/cultural hub located at 33 King Street amongst 2295477 Ontario Inc. as landlord, Toronto Artscape Inc. as tenant, and the City of Toronto as a third party, for a term of fifty (50) years less one (1) day, based substantially on the terms and conditions set out in Attachment 4, and on such other or revised terms and conditions acceptable to the Chief Corporate Officer or his or her designate, in consultation

with the General Manager, Economic Development & Culture, or his or her designate, and in a form and content acceptable to the City Solicitor.

12. City Council authorize the Chief Corporate Officer to administer and manage the Enhanced Farmers Market Area adjacent to the community/cultural hub and north of the proposed market apartment building at 22 John Street, including the provision of any consents, approvals, notices and notices of termination, provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and consideration.
13. City Council pass a by-law pursuant to section 252 of the City of Toronto Act, 2006, providing authority to:
 - a. Enter into a Municipal Capital Facility Agreement with Toronto Artscape Inc. for the portion of the community/cultural hub at 33 King Street that will be used as an eligible municipal capital facility for community centre use and for parking ancillary to such use (the "Eligible Hub Property") all in accordance with Ontario Regulation 598/06 on such terms and conditions satisfactory to the General Manager, Economic Development & Culture and in a form approved by the City Solicitor; and
 - b. Exempt Eligible Hub Property from development charges, planning application and building permit fees, and property taxation for municipal and school purposes, and for which the property tax exemption is to be effective from the latter of: (i) the date the municipal capital facility agreement is signed, (ii) the date the by-law is enacted; (iii) the commencement date of the Lease.
14. City Council direct the City Clerk to give written notice of the by-law to the Minister of Education, the Municipal Property Assessment Corporation, the Toronto District School Board, the Toronto Catholic District School Board, the Conseil Scolaire de District du Centre-Sud-Ouest, and the Conseil Scolaire de District du Catholique Centre-Sud.
15. City Council authorize the General Manager, Economic Development & Culture or his designate to negotiate and enter into, on behalf of the City, a Municipal Capital Facility Agreement, with respect to the operation of the community/cultural hub to be operated by Toronto Artscape, on terms and conditions satisfactory to the Manager and in a form approved by the City Solicitor.
16. City Council pass a resolution that the municipal capital facility in Recommendation 13 above is for the purposes of the City and is for public use.
17. City Council request the General Manager, Economic Development & Culture, to monitor the adequacy of operating resources and fundraising efforts to fund the operation of the Weston community/cultural hub, and should issues arise, to explore

options for funding, working with Toronto Artscape, in consultation with the Executive Director, Financial Planning, and to report back to the Executive Committee.

Expropriation of 14 John Street

18. City Council authorize funding of \$1,000,000 from the Land Acquisition Reserve Fund (LARF) to meet any cost incurred in providing compensation and/or in remediating the City-expropriated land at 14 John Street, over and above the funds for the expropriation t held in the Community Development Reserve Fund (XR3100) established to support community joint ventures, administered by the Executive Director of Social Development, Finance & Administration, to satisfy the expropriation expenses and to transfer the \$1,000,000 into capital account CCA226-03 (14 John Street Expropriation), with any unused funding returned to LARF, after all expropriation matters have been completely settled.

Six Affordable Accessible Units at 22 John Street

19. City Council grant authority to the Director, Affordable Housing Office, to provide a grant by way of forgivable loan to 22 John Street Developments Inc. in the amount of \$636,000 from the Capital Revolving Fund for Affordable Housing (XR1058) toward the development of six one-bedroom affordable accessible units for persons with disabilities for a 20-year period, to be located in the market rental building to be developed at 22 John Street.
20. City Council grant authority to the Director, Affordable Housing Office, to negotiate and enter into a contribution agreement with 22 John Street Developments Inc. with respect to the operation and management of the six one-bedroom affordable accessible units to be funded by the City, on terms and conditions satisfactory to the Director and in a form approved by the City Solicitor.
21. City Council authorize the City Solicitor to execute any documents required to register the security for the funding approved for the six affordable accessible housing units at 22 John Street, and to postpone, confirm the status or and/or discharge the security when and if necessary.

General Authorities

22. City Council direct that approval of this report be conditional on City Council's approval of EY10.1 entitled "Final Report and Supplementary Report – 22 John Street, 33 King Street and 2 Elsmere Avenue (The Weston Community Cultural Hub) - Official Plan Amendment and Zoning By-law Amendment Application" from the Director, Community Planning, Etobicoke York District, as these reports are complementary and integral to one another.

23. City Council authorize the Director, Affordable Housing Office, and the General Manager, Parks, Forestry and Recreation to bring forward to future year budget processes the cash flow requirements to fund the construction of the Weston community/cultural hub development.
24. City Council confirm that should the developer not be able to obtain above grade building permits and commence construction of the new apartment building on the TPA Site at 22 John Street by the end of July 2016 and the developer is not willing to extend the fixed price term beyond that date in the amount of \$11.82 million for the construction and delivery of the 26 affordable artist live/work rental homes, the community/cultural hub and the enhanced Weston farmers market area, the Deputy City Manager Cluster A report back through Executive Committee on whether or not to proceed with the project, and if so, the source of additional funds required.
25. City Council direct the Director, Affordable Housing Office, in consultation with other affected Divisions, to report to the Executive Committee in 2018 on the progress on the development of the Weston community/cultural hub innovative approach to delivering a Council strategic priority revitalization initiative, said report to include social, economic and financial measures to evaluate the feasibility and success of this model in achieving Toronto's city-building objectives.
26. City Council grant authority for the introduction of the necessary bills to give effect thereto.

Financial Impact

A Unique Capital Funding Approach

By adopting the recommendations in this report, Council will be approving a unique capital funding approach for the development of Toronto Artscape's Weston community/cultural hub and affordable artist live/work rental homes using a range of federal, provincial and City investments.

In addition to City grants, this approach provides for revenue from the sale of City land, together with fees, charges, Section 37 and other in-lieu contributions normally payable by a developer to the City, to not be payable in this instance and instead to be retained by the developer in order to fund the capital costs of this Artscape Project. To ensure that the facilities are built, the City will secure the completion of the Artscape Project through an LC provided by Rockport to the City.

Rounding out the funding model, additional funds from the Federal/Provincial *Investment in Affordable Housing (IAH) Program* will be provided to Toronto Artscape for the affordable housing component.

While it is not unusual to apply Section 37 contributions to local benefits, revenues from the sale of lands, development charges and other fees and charges generally go into reserves to fund projects more broadly citywide, in accordance with established policies and capital budget priority setting processes; however, it is a common business practice at the City to provide land free of charge or at below-market value for affordable housing as well as community and cultural purposes.

City Council may want to give consideration to a policy around which to apply this unique funding approach in the future.

Project Description

The Rockport Group has agreed to construct Toronto Artscape Inc.'s 26 affordable artist live/work rental homes in the building at 33 King Street and the community/cultural hub (approximately 794 m²) as part of a larger redevelopment at 33 King Street and 22 John Street in Weston.

22 John Street Developments, a Rockport company, has entered into an agreement of purchase and sale with the Toronto Parking Authority to purchase City-owned land to develop a market rental apartment building at 22 John Street. Rockport will partner with the owner of the adjacent apartment building at 33 King Street (2295477 Ontario Inc.) to renovate existing vacant ground floor space, to provide the affordable artist live/work rental homes and community/cultural hub.

Artscape will be the tenant of 50-year leases with the owner of 33 King Street for the affordable artist live/work rental homes and community/cultural hub spaces. The City will retain a 1,200 m² public outdoor space (Enhanced Farmers Market Area) at 22 John Street, which will continue its current commercial use as a farmers market operated by the Weston Village Business Improvement Area as well as other public uses. As one of the community benefits arising from the Weston development, 22 John Street Developments will remediate, finish and maintain the outdoor space, secured by City Planning in the Section 37 Agreement for the development.

Project Costs and Funding Sources

In the March 2015 staff report, the total capital cost of the project was estimated to be \$10,050,000. Based on Toronto Artscape's business plan dated on October 16, 2015 and staff due diligence on the funding model, the revised capital budget is now proposed to be \$11,820,824, an increase of \$1,770,824.

In March, the Artscape business plan contemplated the requirement for an additional \$3.25 million in operating subsidies to support the community/cultural hub over the first 15 years of operation. To achieve this operating subsidy, Rockport proposed to advance \$2 million, while Artscape proposed to fundraise \$1.25 million. The community/cultural hub requires operating subsidies because operating expenses exceed potential programming revenues.

Rockport now proposes to provide only \$1.25 million in operating subsidies to Artscape, and to apply the remaining \$750,000 toward the increases in capital costs. Artscape proposes to increase its fundraising operating contribution to \$1.75 million (from \$1.25 million) which, if realized, would result in a maximum operating subsidy of \$3.0 million to support the community/cultural hub for the first 15 years. The business plan does not address the post-fifteen year funding requirements; however, based on certain risks, as outlined above, it is possible that the City will be required to consider subsidizing operating costs in the future.

The combined capital budget and operating reserves have increased from \$13,300,000 in March 2015 to \$14,820,824 in the revised funding budget outlined in this report (\$1.5 million higher than estimated in March). According to the developer, changes since March are primarily due to increased development charges arising from changes to the unit count and mix at 22 John Street, increased costs for the affordable housing, with corresponding increases to government investments, an increased contribution from Rockport to Artscape for the community/cultural hub and changes to Artscape's mortgage and fundraising requirements.

Under the terms of the business plan and proposed leases, Artscape will be expected to reimburse Rockport (or its designate), in addition to all operating expenses plus \$500 per suite and a 15% administrative charge (typical of commercial leases), an additional fee of \$50,000 annually for making the space available.

The City contribution of \$6.17 million has increased since the March report to Council by \$430,824 primarily due to updated calculations for DCs and permit fees, and increased affordable housing funding.

Following is the revised summary of proposed funding sources:

Table 1a: Source of Funds -- Affordable Live/Work Homes and Community/Cultural Hub

City Investments:	
Value of City-owned Land/TPA Sale (applied to construction costs of Artscape Project)	\$ 2,115,300
Value of 22 John Street Section 37 Contribution	1,600,000
Credit for 22 John St Development Charges for Parks & Recreation Purposes	1,239,644
Grant funding for Community Hub from DC Reserve Parks & Recreation (XR2114)	500,000
Credit for 22 John St Parkland Cash-in-lieu Contribution	460,000
Value of Artscape Non-Profit / Municipal Capital Facility Designation Waived DCs/Permit Fees	215,880
CRF Affordable Housing (XR1058) Landscaping/ Storm Water (benefits affordable live/work units)	40,000
TOTAL CITY INVESTMENTS	\$6,170,824

Federal/Provincial Funding:	
Canada/Ontario Investment in Affordable Housing Program Funding	\$3,900,000
TOTAL GOVERNMENT INVESTMENTS	\$10,070,824
3rd Party Funding:	
Rockport Capital Funding to Artscape	\$750,000
Artscape Affordable Housing Leasehold Mortgage	1,000,000
TOTAL 3RD PARTY FUNDING	\$1,750,000
TOTAL CAPITAL INVESTMENTS	\$11,820,824
Artscape Fundraising for Operating Reserve	\$1,750,000
Rockport Operating Fund for Artscape	1,250,000
TOTAL OPERATING SUBSIDY	\$3,000,000
TOTAL PROJECT INVESTMENTS	\$14,820,824

Furthermore, the City is being asked to commit to an additional \$1 million in contingency funding for potential increases in expropriation and remediation costs at 14 John Street to accommodate the overall development and relocation of the TPA parking lot. Council has previously approved \$1.6 million in funding to cover the costs of the expropriation of 14 John Street.

The City's Affordable Housing Office has also agreed to provide \$636,000 from the Capital Revolving Fund for Affordable Housing (XR-1058) to secure six additional affordable accessible rental units for a period of 20 years at 100% of the Average Market Rent for Toronto, in the proposed market rental building at 22 John Street. This brings the total of new affordable units to 32.

A portion of the loan is forgivable in each year of the period of affordability and is fully forgiven in the 20th and final year if the rents have been maintained at the agreed upon level. If the rents are raised to unacceptable levels, the unforgiven balance of the loan is due and payable. The loan is secured by a mortgage on the property. The uncommitted balance of XR-1058 after this allocation will be \$2.278 million.

Table 1b: Ancillary City Funding

LARF for Expropriation/Remediation of 14 John Street	\$1,000,000
CRF Affordable Housing - 6 New Affordable/ Accessible Units at 22 John Street (Market Rental Building)	636,000
TOTAL ADDITIONAL ANCILLARY FUNDING	\$1,636,000

Accordingly, to secure the community benefits outlined in this report the City will be allocating \$7.8 million in resources.

Approval of this project and the recommendations contained herein has no direct impact on the City's operating budget at this time. Most of the financial resources for the construction

of the Artscape Project arise from the sale of the TPA lot and revenues that would otherwise flow to the City from 22 John Street Development's multi-residential development. The proposed DC Parks and Recreation Reserve grant of \$500,000 to be paid in 2017 and CRF affordable housing funding of \$676,000 will not reduce funding availability for future capital projects included in the Parks & Recreation 10-year Capital Plan or the Affordable Housing Office's future commitments; however, new capital projects beyond the current 10-year Parks and Forestry plans could be constrained. Based upon certain risks, as outlined below, the City may be required to consider funding operating subsidies for the community/cultural hub in the future.

Construction Cost Risks

Rockport has agreed to guarantee the capital costs of the Artscape Project at \$11.8 million, but only if it is able to obtain above grade permits and commence construction of the new apartment building at 22 John Street by the end of July, 2016. In the event that the fixed price deadline is not met, and the developer does not agree to extend the period for the fixed price, or the funding sources are not available as presented in this plan, this report recommends that the Deputy City Manager Cluster A report back through Executive Committee on whether to proceed with the Artscape Project, and if so, details of the revised funding plan required.

Operating Risks

Affordable Artist Live/Work Rental Homes

The affordable live/work rental units will be managed by Artscape Non-Profit Homes Inc. (ANPHI), which manages affordable live/work units on behalf of Artscape. ANPHI is the entity eligible for funding from the *Investment in Affordable Housing Program*, and can directly enter into mortgage commitments with private lenders.

The Artscape/ANPHI affordable housing business model is premised on ensuring operating and financing expenses are covered through rents not exceeding 80% of the CMHC average rent for similar units. ANPHI has completed a number of projects under this model, such as those at Wychwood Barns and 900 Queen Street West, which are operating successfully to date.

To complete construction for this project, a mortgage of \$1 million will be taken out by ANPHI. No loan guarantee is being requested from the City. Artscape's business plan for the live/work units at Weston shows operating sustainability over the 10 year, pro-forma time frame, and presumably beyond.

In order to protect the City's community benefit interest, the City will be a party to the lease between Artscape and the owner of 33 King Street, allowing the City to secure its financial interest in the property by being granted the right to take an assignment of, or to re-assign, the lease in the event of default by Artscape. Should unexpected operating financial

difficulties occur, City Council will have to consider whether or not it wants to exercise this right, giving consideration to the condition of the space and lease obligations.

Community/Cultural Hub

Artscape will manage the community/cultural hub by sub-leasing space to local community artist groups, artists, community members and for community event space all at initial nominal start up rates. Like other Artscape projects, the rents will be tiered to allow free to nominal fees for selected activities, discounted rates to non-profits and full rates to private and corporate events.

Artscape's business plan projects that revenues from these business operations will gradually grow with the development of clientele user groups; however, revenue projections from such operations will always be at levels insufficient to fully cover the related operating expenses of the community/cultural hub. Artscape's community/cultural hub business plan shows an annual operating deficit of more than \$200,000 per year, before any testing for revenue and expense sensitivity.

The business plan acknowledges a requirement for an ongoing operating subsidy. A \$3 million subsidy is proposed (called the "Community Access Fund") to support the hub for the first 15 years (\$200,000 times 15 years), which will be sourced from Rockport's \$1.25 million operating advance. As well, Artscape proposes to fundraise \$1.75 million. Should Artscape's fundraising not materialize, given recent fundraising difficulties in other organizations, and if expenses are higher or revenues lower than expected, then other funding may be required in as soon as four to six years from commencement of the project.

Mitigating this risk is Artscape's strong fundraising track record, and its ability to fundraise across its portfolio. As well, Artscape receives generous support from foundations, corporations and individuals as well as the three orders of government.

In approving the funding model for this project, City Council should be fully aware that it may be expected to provide funding support for the community/cultural hub in the future in order to protect the City's community benefit interest, or risk discontinuation of operations. In the meantime, the community benefits are substantial from the addition of a community/cultural centre operated by a reputable external non-profit organization without City operating resources at this time.

Securing the Community Benefits

Letter of Credit from 22 John Street Developments Inc.

The developer has agreed to provide security by way of an irrevocable and unconditional Letter of Credit in a form satisfactory to the Deputy City Manager and Chief Financial Officer in a minimum amount of \$8.17 million (see Table 2 below) plus any other fees being retained by the developer for investment directly into the Artscape Project that would

otherwise be payable by the developer, plus 20%. The LC will secure and guarantee the construction and delivery of the following: the 26 affordable artist live/work rental homes, the community/cultural hub and the enhanced Weston farmers market area in accordance with the specifications contained in Planning's Section 37 Agreement and Artscape's leases for the live/work and community/cultural hub components. The LC will also secure the operating fund for Artscape, to be advanced at occupancy.

The letter of credit will be reduced from time to time, upon approval by the Director, Affordable Housing Office, in consultation with the General Manager, Economic Development & Culture, as more particularly described in the Section 37 Agreement, as construction of the Artscape Project progresses and as certified by a quantity surveyor, and shall not be reduced below the amount required for Artscape's operating fund until such fund has been paid in full.

The following table sets out what 22 John Street Development's Letter of Credit secures:

Table 2: Developer's Letter of Credit

City Investments:	
Value of City-owned Land/TPA Sale (applied to construction costs of Artscape Project)	\$ 2,115,300
Value of 22 John Street Section 37 Contribution	1,600,000
Credit for 22 John St Development Charges for Parks & Recreation Purposes	1,239,644
Rockport Contribution to Artscape Fund for Operating Costs	1,250,000
Rockport Contribution to Artscape Fund for Capital Costs	750,000
Grant funding for Community Hub from DC Reserve Parks & Recreation (XR2114)	500,000
Credit for 22 John St Parkland Cash-in-lieu Contribution	460,000
Value of Artscape Non-Profit / Municipal Capital Facility Designation Waived DCs/Permit Fees	215,880
CRF Affordable Housing (XR1058) Landscaping/ Storm Water (benefits affordable live/work units)	40,000
SUB-TOTAL	\$8,170,824
20% Contingency	1,634,165
TOTAL LINE OF CREDIT	\$9,804,989

Leasehold Mortgage from Toronto Artscape Inc.

Prior to taking possession of the affordable live/work units and community/cultural hub components, security for the federal, provincial and City investments in the development will be provided by Toronto Artscape Inc. and Artscape Non-Profit Homes Inc., in the form of a leasehold mortgage in favour of the City to be registered against Toronto Artscape Inc.'s leasehold interest in the affordable artist live/work rental homes and the community/cultural hub, located at 33 King Street

General

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

Equity Impact

Lack of access to safe, secure, affordable housing in complete communities is a barrier to lower-income Toronto residents. Artscape's Project addresses this barrier by delivering federal, provincial and City funding and incentives, in collaboration with the private and non-profit sectors, to create 26 new affordable artist live/work rental homes for lower-income artist households. These homes will be located within a revitalized mixed-income community comprised of new affordable and market rental homes, community and cultural space, shopping and public transit. Some of these homes will be modified for accessible living for persons with disabilities.

The Section 37 Agreement for the development of the market rental building at 22 John Street contains a provision that requires the existing rental building at 33 King Street to remain as rental housing for a minimum of 20 years from the date the Zoning By-law Amendment comes into force and effect for 22 John Street.

The community/cultural hub will be largely publicly accessible with a tiered rental pricing model to allow free to nominal fees to discounted rates for selected activities, as well as increasing geographic accessibility to community/cultural opportunities.

The rents and operation of the affordable housing will be monitored for the 50-year period of the Contribution Agreement that Artscape will sign with the City. This agreement will require that the housing remain affordable for 50 years at no more than 80% of CMHC's average market rents across the portfolio of 26 affordable homes. For the community/cultural hub, this initiative will be monitored for the 50-year period of the Municipal Capital Facility (operating) Agreement between Toronto Artscape and the City.

DECISION HISTORY

City Council at its meeting May 17, 18 and 19, 2011 adopted ED3.3 *Creative Capital Gains – An Action Plan for Toronto* which included recommendation "3.2 – Support the development of the Cultural/Creative Hub in Weston/Mount Dennis and use it to showcase the community's history." Supporting this recommendation, a *Feasibility Study for a Cultural/Creative Hub in Weston Mount Dennis*, dated March 11, 2011, was prepared by Toronto Artscape for the City's Economic Development & Culture Division so as to initiate and support the development of a cultural/creative hub in Weston Mount Dennis. The Council decision and accompanying Advisory Council report can be viewed at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.ED3.3>

City Council at its meeting March 5, 6 and 7, 2012 adopted EY13.3 *Weston 2021 Revitalization Strategy – Request for Direction Report* which specifically speaks to the benefits of such a hub within the Weston neighbourhood and lists affordable live/work space for artists, studio space, community space and a farmers market. The Council decision and accompanying Advisory Council report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EY13.3>

City Council at its meeting March 5, 6 and 7, 2012 adopted the report *Establishment of a Community Development Reserve Fund to Support Community Development Joint Ventures*. Council directed the establishment of a "reserve fund called the 'Community Development Reserve Fund' for receiving cash contributions for community development projects supporting local capacity building, resident engagement, revitalization and redevelopment..." Council also directed that the City accept a \$1.1 million contribution from Metrolinx to support the redevelopment of the Toronto Parking Authority's John Street parking lot in Weston as a "Hub, including the Weston Village Farmers Market, replacement TPA parking and a residential component." Council directed that the CDRF receive the \$1.1 million. This decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX16.4>

City Council at its meeting December 16, 17 and 18, 2013 adopted GM26.17 *Sale of Part of 22 John Street, Grant of Permanent Easement for Part of 53 Strachan Avenue, and Real Estate Acquisition and Expropriation of 14 John Street* which authorized the sale of a portion of the 22 John Street TPA parking lot to accommodate a pedestrian bridge over the Georgetown South rail corridor/Union-Pearson Air-Rail Link. Council directed that the proceeds from the sale be held in the Community Development Reserve Fund (XR3100) to support redevelopment of the surface parking lot at 22 John Street which includes a residential component, replacement municipal parking, Farmers Market and a Community/Cultural Hub. Council further directed staff to commence negotiations to acquire and initiate the expropriation process for the vacant 14 John Street lands to support redevelopment of the 22 John Street parking lot. This decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM26.17>

City Council at its meeting on August 25, 26, 27 and 28, 2014, adopted EX44.19 *Development of a Community/Cultural Hub in Weston - Mount Dennis - Status Report* directing staff to conduct the necessary due diligence on the Weston Mount Dennis Community/Cultural Hub Proposal and report to Council through the Executive Committee on funding and other resources required to proceed. The Council decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX44.19>

City Council at its meeting March 31, 2015 adopted a report entitled *The Weston Community/Cultural Hub – Next Steps* (EX4.6), approving a preliminary funding model for the Weston Community/Cultural Hub and affordable live/work units. The report authorized the Director, Affordable Housing Office, to co-ordinate City due diligence and the negotiation of agreements and security to proceed with Toronto Artscape as the operator/leaseholder of the proposed live/work units and as the operator/leaseholder and manager of the proposed Hub and Open Space Area, subject to certain conditions being met.

The report directed the Chief Planner and Executive Director, City Planning to expedite the planning review process; and directed the Director, Affordable Housing Office, in consultation with relevant Divisions, to report to Council through Executive on the final funding model and program at the same time as the land use approvals for the development. This decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX4.6>

City Council at its meeting on May 5, 2015 adopted the Chief Corporate Officer's report *Expropriation of 14 John Street* (GM3.22), authorizing the expropriation of 14 John Street under *The Expropriations Act* for the purpose of creating a new Toronto Parking Authority lot closer to Weston Road. The report authorized the steps to be taken by the Director, Real Estate Services, to proceed with the expropriation. The report also authorized the public release of the confidential information contained in the report once there has been a final determination of the compensation payable for the property by arbitration, appeal or settlement to the satisfaction of the City Solicitor. This decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM3.22>

Etobicoke York Community Council at its meeting on September 8, 2015 approved City Planning's *Preliminary Report – 22 John Street, 33 King Street and 2 Elsmere Avenue (the Weston Community Cultural Hub) – Official Plan Amendment and Zoning By-law Amendment Application* (EY8.11), directing staff to schedule a community consultation meeting with the Ward Councillor and that notice be given for a Public Meeting under the *Planning Act*. This decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EY8.11>

At its meeting November 10, 2015, Etobicoke and York Community Council adopted City Planning's *Final Report and Supplementary Report – 22 John Street, 33 King Street and 2 Elsmere Avenue (the Weston Community Cultural Hub) – Official Plan Amendment and Zoning By-law Amendment Application* (EY10.1), recommending approval of the Official Plan and Zoning By-law amendments for the site. EYCC also recommended that the owner enter into a Section 37 Agreement (or agreements, if required) under the Planning Act, to be registered on title to the lands at 22 John Street, 33 King Street and 2 Elsmere Avenue. Community benefits in that agreement will include the provision, construction and maintenance of the Community/Cultural Hub; 26 affordable artist live/work rental homes; a publicly accessible Artist's Courtyard and an Enhanced Weston Farmers Market outdoor area. The owner of 33 King Street will also be required to maintain 432 dwelling units in the existing rental building as rental housing for a period of at least 20 years. This report will be considered by City Council at its meeting December 9, 2015. The report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EY10.1>

ISSUE BACKGROUND

The Proposal

This report recommends Council approval of the final funding model for a 794 m² community/cultural hub and 26 affordable artist live/work rental units being developed by Toronto Artscape Inc. as part of the revitalization initiative in the Weston/Mount Dennis community near Weston Road and Lawrence Avenue West, in one of Toronto's Neighbourhood Improvement Areas.

Artscape's Project will be an integral part of a larger revitalization initiative consisting of a new 30-storey, 370-unit market rental apartment building and seven market rental townhouses at 22 John Street; a 1,200 m² enhanced Farmers Market outdoor area at City-owned 22 John Street; a publicly-accessible Artist's Courtyard between 33 King Street and 22 John Street; and a new Toronto Parking Authority (TPA) surface parking lot with 77 at City-expropriated 14 John Street and a portion of City-owned 2 Elsmere (70 spaces) and City-owned 6 Elsmere Avenue (7 spaces), all of which will be developed by the Rockport Group through its company 22 John Street Developments Inc.

Construction of the Artscape Project at the same time and by the same builder of the apartment building at 22 John Street allows for efficiencies in the construction process.

In addition, 3,897 m² of vacant ground floor space at 33 King Street is proposed to be converted to a self-storage facility. Parking for the proposed development at 22 John Street and for Artscape's live-work units will be provided in the underutilized parking garage at 33 King Street, the use of which will be secured by City Planning in the Section 37 Agreement.

The Development Opportunity

Consideration of a community/cultural hub in the Weston Neighbourhood Improvement Area began more than six years ago, with the City's retention of Toronto Artscape to conduct a study and community engagement process. In its 2011 report to the City, Artscape identified the Weston Mount Dennis neighbourhood and the Toronto Parking Authority lot at 22 John Street as a potential development site. Artscape's research demonstrated that the introduction of a creative hub is known to have a dramatic and catalytic effect on neighbourhoods, attracting creative people, businesses such as galleries, cafes and specialty retail and setting the stage for broader regeneration.

In March 2012 City Council adopted the *Weston 2021 Revitalization Strategy – Request for Direction Report* which specifically speaks to the benefits of such a hub within the Weston neighbourhood and lists affordable live/work space for artists, studio space, community space and a farmers market.

In August 2012, the Toronto Parking Authority issued *The Development Opportunity – 16 John Street in the Historic Village of Weston – For Sale by Expression of Interest (EOI)*.

Pursuant to the EOI, the Rockport Group was chosen as the developer for the site and the Toronto Parking Authority entered into a conditional Agreement of Purchase and Sale with 22 John Street Developments Inc., a company owned by Rockport.

The original intent of the EOI was that the developer would provide the affordable live/work units and the community/cultural hub at no cost to the City. Given the response to the EOI, it is now clear that providing these community benefits requires government resources. To achieve its vision for the community, Rockport's proposal included Woodbourne Capital Management and 2295477 Ontario Inc. (owners of the adjoining apartment building at 33 King Street) and Toronto Artscape as project participants. The sale of 22 John Street is expected to close by July 31, 2016.

Parallel to this process, in December 2013 and May 2015, City Council authorized staff to initiate the expropriation process for the adjacent property at 14 John Street for the relocation of the TPA parking lot. When the City takes possession of 14 John Street, expected to be on or about November 20, 2015, soil testing will be conducted.

The Funding Model

At its meeting of March 31, 2015, City Council approved the preliminary funding model for Artscape's Weston affordable housing and community/cultural hub development and requested that staff report back on due diligence for final approval of the funding model and the agreements required. Council also requested that City Planning expedite the planning review process for the development on the adjacent property at 22 John Street, given their interconnectedness and that both reports be considered at the same meeting of Council, to take place at the December 9 and 10, 2015 meeting of Council.

A number of City Divisions and Agencies across the City's three Clusters have been working collaboratively to take action on the development of Artscape's community/cultural hub, affordable artist live/work units and the enhanced farmers market outdoor area including: the Affordable Housing Office, City Planning, Corporate Finance, Economic Development & Culture, Financial Planning, Legal Services, Parks, Forestry & Recreation, Real Estate Services, Social Development, Finance & Administration and the Toronto Parking Authority as well as the DCMs in Clusters A, B & C.

Since August, staff from various City Divisions, led by the Affordable Housing Office, have worked with the Toronto Artscape Inc., the Toronto Parking Authority and the Rockport Group to conduct further due diligence on the unique funding and program model proposed. As a result of this work, additional refinements have been made to the overall proposal and budget. The cost to build the community/cultural hub, affordable artist live/work rental units and enhanced farmers market area is projected to be \$14,820,824 million, including an operating reserve.

During this time staff have also been preparing and negotiating the various legal agreements with the parties that will be required to secure the government investments in the development, including two leases for the affordable artist live/work rental homes and the

community/cultural Hub; a contribution agreement for the federal/provincial *Investment in Affordable Housing* program funding; and an operating agreement for the community/cultural hub and enhanced farmers market outdoor space through a Municipal Capital Facilities Agreement. Also, City Planning and Legal Services have been working on a Section 37 Agreement to secure the community benefits provided by the redevelopment. Staff have also been conducting due diligence on Artscape's business plan for the project.

As directed by Council in March 2015, City Planning will be reporting to the same meeting of Council on December 9 and 10 of this year seeking final planning approvals to proceed with Rockport's development of 22 John Street, on which the Artscape Project is dependent.

COMMENTS

Following are comments on specific aspects of Artscape's community/cultural hub proposal in response to Council direction in March 2015 to report on due diligence carried out on Key Terms, Issues and Recommendations.

The chart in Attachment 2 updates the summary of key terms of the proposal contained in the March preliminary funding report approved by Council (EX4.6). As a result of the City's due diligence on the funding model and Artscape's business plan, all matters contained in the chart have been addressed to the satisfaction of City staff. Key issues are addressed in greater detail in this report.

a. Funding Sources

The development of Toronto Artscape's 26 affordable artist live/work rental units and community/cultural hub contemplates a unique funding approach for federal, provincial and City investments to support Toronto Artscape's affordable housing and community/cultural hub project being developed within the Weston/Mount Dennis community.

Artscape submitted a business plan to the City dated October 16, 2015. With this and other information obtained by staff undertaking the City's due diligence, the capital and operating reserve costs of the project have now been confirmed at \$14,820,824 (\$1.5 million higher than estimated in March). The changes since March, according to the developer, are mainly due to increases to development charges arising from changes to the unit number and mix, increased costs for the affordable housing, with corresponding increases to government investments, and changes to Rockport's capital and operating funding to Artscape and Artscape's mortgage and fundraising targets for the community/cultural hub.

The following table sets out a revised list of City resources to be invested into the Artscape Project.

Table 3: Updated Business Plan Funding

	March 2015	November 2015	Change
City Investments:			
Value of City-owned Land/TPA Sale (applied to construction costs of Artscape Project)	\$2,185,000	\$2,115,300	(\$69,700)
Credit for 22 John St Section 37 Contribution	1,600,000	1,600,000	--
Credit for 22 John St Development Charges for Parks & Recreation Purposes	800,000	1,239,644	439,644
Grant Funding for Community Hub - Development Charges Reserve Parks & Recreation (XR2114)	500,000	500,000	--
Credit for 22 John Street Parkland Cash-in-Lieu Contribution	460,000	460,000	--
Value for Artscape's DCs/Permit Fees Waived for Hub for Non-Profit Status/Municipal Capital Facility	195,000	215,880	20,880
CRF Affordable Housing (XR1058) Landscaping/Storm Water (benefits affordable live/work units)	0	40,000	40,000
TOTAL CITY INVESTMENTS	\$5,740,000	\$6,170,824	\$430,824
Other Funding Sources:			
Affordable Housing Fed/Prov Program Funding	\$3,510,000	\$3,900,000	\$390,000
Rockport Capital Funding for Artscape	--	750,000	750,000
Artscape Affordable Housing Leasehold Mortgage	800,000	1,000,000	200,000
TOTAL OTHER FUNDING SOURCES	\$4,310,000	\$5,650,000	\$1,340,000
TOTAL CAPITAL FUNDING	\$10,050,000	\$11,820,824	1,770,824
Community/Cultural Hub Operating Reserve:			
Artscape Fundraising – Operating Reserve	\$1,250,000	\$1,750,000	500,000
Rockport Operating Funding for Artscape	2,000,000	1,250,000	(750,000)
TOTAL OPERATING FUNDING	\$3,250,000	\$3,000,000	(\$250,000)
TOTAL PROJECT FUNDING	\$13,300,000	\$14,820,824	\$1,520,824

Proposed City investments have increased since the March report to Council by \$430,824 primarily due to the developer's updated calculations for development charges and permit fees.

The funding available through the Canada-Ontario *Investment in Affordable Housing Program* (\$3.51 million in March, now \$3.90 million) will be disbursed to Artscape in installments from the City consistent with the normal flow of funds under this program.

The developer, Rockport proposes to redirect \$750,000 in funding toward capital that was previously intended for the hub operating funding. Artscape will also have to take out a larger mortgage against the affordable live/work units (\$800,000 in March, now \$1 million).

Rockport has proposed to guarantee the capital costs of the Artscape Project at \$11.78 million, but only if it is able to obtain above grade permits and commence construction of the new apartment building by the end of July 2016. In the event that the fixed price

deadline is not met, and the developer does not agree to extend the period for the fixed price, or the funding sources are not available as presented in this preliminary plan, this report recommends that the Deputy City Manager Cluster A report back through Executive Committee on whether or not to proceed with the Project, and if so, details of the revised funding plan required.

In addition to the capital requirements, Artscape requires an operating subsidy to ensure its sustainability. 22 John Street Developments has proposed to seed an operating reserve fund called the Community Access Fund to be maintained by Artscape to underwrite projected annual operating deficits for the community/cultural hub.

The developer now proposes to provide \$1.25 million to this fund (down \$750,000, as redirected to capital, noted above). Artscape will now have to fundraise to the level of \$1.75 million (up \$500,000) in order to reach the target level of \$3 million for the Community Access Fund. No City funding for Artscape's operating budget has been requested at this time.

In total, the projects costs are \$1.52 million higher at \$14.82 million, than anticipated in March 2015. According to 22 John Street Developments, this is largely attributed to increased development charges in the market component of the development as a result of increases to the unit count and unit mix, increased costs for the affordable housing, with corresponding increases to the City's contribution and federal/provincial IAH program funding, and Artscape's mortgage and fundraising requirements.

The many parties in this unique endeavour are essential to the success of the proposed Artscape Project and the overall revitalization of the community: the City of Toronto and the Toronto Parking Authority, the federal and provincial governments, Toronto Artscape, the developer (22 John Street Developments/The Rockport Group) and the owner of 33 King Street, 2295477 Ontario Inc.

In the absence of adequate federal/provincial funding for affordable housing, the City is increasingly searching for opportunities to work with the private and non-profit sectors, supported by surplus public land designated for new affordable housing, fast-tracked planning approvals, additional City financial incentives and federal/provincial funding. A report outlining the Open Door Program will be considered at the December 9-10, 2015 City Council meeting.

The Weston development with Toronto Artscape is an example of such an initiative with collaborations among the three orders of government, the private and non-profit sectors, with the engagement of the local business and residential communities.

b. Affordable Artist Live/Work Rental Homes

The Affordable Housing Office, having worked extensively with Toronto Artscape, is satisfied it has the expertise and track record to operate the affordable live/work homes. City

Legal staff are also satisfied with the selection of Toronto Artscape through the Toronto Parking Authority's *Sale by Expression of Interest* process.

The Director, Affordable Housing Office, has reviewed Artscape's business plan, and is generally satisfied with the proposal. The Contribution Agreement for the federal/provincial affordable housing funding and the lease for the live/work component will include the City's requirements in greater detail and secure the proposed community benefits.

Artscape has calculated its leasable residential area at 1,934 m² or 20,817 square feet. There will be 14 one-bedroom and 12 two-bedroom units, for a total of 26, some of which will be modified for accessible living for persons with disabilities, as follows: 4 one-bedroom, 1 two-bedroom and 1 two-bedroom plus den.

The 26 affordable live/work homes upon completion will be available to qualifying low-income and moderate-income individuals and families from the arts sector at rents at or below 80% of Canada Mortgage and Housing's Average Market Rent for the area, averaged across the building.

An engineer's report supports the suitability of the intended space in 33 King Street for residential development, as outlined in greater detail in section (f) of this report.

The primary capital funding for the affordable rental homes is available from the Canada-Ontario *Investment in Affordable Housing Program 2014-2020*. This will be secured through a Contribution Agreement between the City and Toronto Artscape as well as through a mortgage on Artscape's leasehold interest in the live/work space.

Through this report, Council is being asked to designate the affordable component as a Municipal Housing Capital Facility which allows exemptions from taxation for municipal and school purposes, subject to a decision of the Municipal Property Assessment Corporation (MPAC). Artscape, as a non-profit organization, is already exempt from Development Charges, as well as building and planning fees.

The City will be a third party to the lease for the affordable rental component to secure its financial and public interest. The building and design specifications for the affordable housing will be set out in the lease and are subject to review and approval by the Director, Affordable Housing Office.

Attachment 3 to this report sets out the major terms and conditions of the lease. It will be secured in the Section 37 Agreement between 22 John Street Developments and the City through City Planning.

In addition, the owner of 33 King Street has agreed to maintain 432 dwelling units at that address as rental housing for at least 20 years.

Funding in this report will also secure six affordable accessible one-bedroom units for persons with disabilities in the market rental building to be developed at 22 John Street, for

20 years at Average Market Rent for Toronto. The Affordable Housing Office will facilitate tenant selection working with non-profit organizations as well as pursue options to reduce rents further. The Affordable Housing Office will have oversight for the necessary documents required as security for the funding provided for these units.

c. Community/Cultural Hub

Artscape's research demonstrates that the introduction of a community/cultural hub that clusters dozens of creative people and organizations together in a neighbourhood has a dramatic and catalytic effect. Such developments can change challenged neighbourhoods and create a place where creative people are clustered, a place that also attracts businesses such as galleries, cafes and specialty retail and sets the stage for broader regeneration.

The business plan for the Weston Community/Cultural Hub, which Economic Development & Culture has reviewed, provides for a 794 m² facility based on the preliminary results of the extensive community consultation and visioning process. The use of the space is outlined below, subject to any changes that might occur as a result of the evaluation of specifications and operational plans for the community/cultural hub, to the satisfaction of the General Manager, Economic Development & Culture.

Space to Sub-Tenants (279 m² or 3,000 square feet)

- Allocated to 2-3 arts and cultural not for profit organizations who wish to base all or some of their permanent operations at the Weston Community/Cultural Hub and who will provide arts programming in their space and/or elsewhere in the facility. The tenant selection process will be designed to ensure that the selected tenant(s) will play a central role in serving the community's vision for the facility.
- Artscape's operating budget assumes a base rent of \$1.00/psf and an additional rent of \$9.21/psf in the first year of operation. The base rents and additional rents will be escalated annually to account for inflation. As the base rent and additional rents do not cover management and building operating expenses associated with the tenanted spaces, Artscape has included a tenant transition program as part of its Community Access Fund to balance the resulting operating deficit.

Performance + Event Space (209 m² or 2,250 square feet)

- A multi-purpose event space will provide flexible, high quality space for a wide variety of programming. This will include community festivals, local arts showcases, community gatherings and celebrations, cultural events and performances and exhibitions. Artscape's social enterprise events model, tested at 5 other locations in Toronto, will ensure accessibility for community based organizations through a sliding scale pricing model that allows private and commercial activities, for example conferences, product launches and weddings, to cross subsidize community events. The square foot allocation includes the provision of backstage (dressing and green room) facilities, technical facilities and storage.

- Note that under the community/cultural hub revenue model the event space will be made available for the majority of the time for hub-based programming and community group use on a no-fee basis, selected through an open process with input from a Community Advisory Committee, with the remainder offered at a moderate fee for not for profit groups and a competitive market rate for private uses.
- The revenue model for the event space assumes 4 different uses: hub programs, community access programs, not for profit access programs and private bookings. As in all its other community cultural hub projects, Artscape will offer the event space at a sliding scale to make the space available for a wide audience. Thus, the community/cultural hub programs and community access programs will be made available free of charge for the first 15 years of operation. Not for profit organizations will be charged with a daily rate of \$250 and private bookers will be charged with a daily rate of \$750.

Large Flex Studio (70 m² or 750 square feet) and Small Flex Studio (47 m² or 500 square feet)

- Provides affordable, accessible flexible space for rental by the hour, half-day, day or longer for creative and community uses. Based on the successful operation of Flex Studios at Artscape Young Place, the Studio will provide space for a wide variety of classes, small events and exhibitions and large meetings.
- The revenue model for the Flex Studios assumes 4 different uses: hub programs, community access programs, not for profit access programs and private bookings. As in all its other community cultural hub projects, Artscape will offer the flex studios at a sliding scale to make the space available for a wide audience. Thus, hub programs and community access programs will be made available free of charge for the first 15 years of operation. Not for profit organizations will be charged with a daily rate of \$50 and private bookers will be charged with a daily rate of \$350. The Flex Studio revenue will start at a very low rate and will be escalated over time, as usage of the flex studios becomes more robust.

Supporting Space (186 m² or 2,000 square feet)

- The remaining space will be allocated to common areas, public washrooms, storage and mechanical space and to a small office for the use of Artscape's onsite management and programming team.

Enhanced Farmers Market Area (1,200 m² or 12,400 square feet)

- The outdoor area will be owned by the City of Toronto and improved and maintained by 22 John Street Developments. Artscape will provide programming for the public outdoor space, which will include the Weston Farmers Market and other public uses.

The success of the Weston initiative is highly dependent on the City's assistance in redirecting funds from the new purpose built market rental apartment building at 22 John Street, or other resources, to the community/cultural hub and affordable artist live/work homes.

A Community Access Fund of \$3 million funded by Toronto Artscape and 22 John Street Developments has been included as an operating reserve to subsidize the accessibility and programming priorities of the community/cultural hub and the Enhanced Farmers Market Area. There is no City funding invested in Toronto Artscape's operating budget.

Municipal Capital Facility Agreement/Operating Agreement

The Municipal Capital Facility Agreement or operating agreement will detail Artscape's responsibility for programming the community/cultural hub and the Enhanced Farmers Market Area, including the business financial and functional decisions. The Agreement will also provide for a tax exemption for the portion of the community cultural hub that is deemed eligible.

Artscape will establish a Capital Reserve Fund and allocate a percentage of its annual revenues to the ongoing refurbishment of the interior of the community cultural hub and its related equipment and furnishings. The annual allocation to the Capital Reserve Fund will be escalated annually at 2%, in line with all other revenues and expenses. Note that the Enhanced Farmers Market Area will be retained/owned by the City and maintained by 22 John Street Developments.

Lease of Community/Cultural Hub

The approximately 794 m² of the community/cultural hub will be leased to Artscape by the owners of 33 King Street for a term of 50 years less one day, at a nominal basic rent of \$1.00 per annum. The major terms and conditions of the lease are set out in Attachment 4.

As part of the lease with 33 King Street, on-site property management services will be provided by the building superintendent team of 33 King Street. In addition, Artscape will manage the ongoing sub-leasing, sub-tenant relations and community engagement roles relating to both the affordable housing units and the community/cultural hub.

As the facility operator/lessee, Toronto Artscape Inc. will have legal and fiduciary responsibility for the operation of the community/cultural hub subject to the terms of the lease. Artscape will in turn sub-lease a portion of the community/cultural hub facility to its sub-tenants and operate other parts such as performance/event/flex studio spaces.

Artscape Financial Capacity

A letter from Alterna Savings and Credit Union dated October 8, 2015 states that Artscape is in good standing since 2010 and Alterna will consider an application for commercial loan subject to mutually acceptable terms and conditions.

Artscape has a robust fundraising capacity and is able to fundraise across its portfolio. Artscape has support from all three orders of government and its capital and annual campaigns, programs and services are generously supported by foundations, corporations and individuals. Every year, three signature fundraising events help raise critical funds to support programs, services and active projects in the making.

Artscape Ambassadors include people such as Margaret Atwood, Alan Broadbent, David Crombie, Jim Fleck, Richard Florida, Bruce Kuwabara, Veronica Tenant, John Honderich and David Young. Toronto Artscape Inc. board members are equally impressive with Judy Matthews, as a committed city-builder with a longstanding interest in large and small scale urban renewal projects, recently receiving the Outstanding Volunteer Fundraiser Award from the Association of Fundraising Professionals.

The Community/Cultural Hub and outdoor open space area will be the public focal point and gathering place for the revitalized community. The 794 m² Hub proposed to be leased from the owners of 33 King Street by Toronto Artscape for 50 years, will be animated by a full range of art and cultural/community activities and available for public functions.

Artscape's business model assumes about one-third of the space will be leased to community arts groups for their operations: one-third co-working space for artists and community members and one-third community event space.

To ensure the success of their start up, and demonstrate their ongoing interest in the community/cultural hub, the developer has proposed to provide Toronto Artscape with an operating contribution of \$1.25 million. Artscape will perform fundraising efforts targeted at \$1.75 million, in order to create a \$3 million operating reserve for the hub.

The operating reserve, to be held by Artscape will be known as the Community Access Fund. This fund is proposed to contribute a declining subsidy over the first 15 years of operations to ensure that accessibility is offered from the moment of opening, while allowing a lengthy period of time for the operation to build the full rate clientele that will be required in the long term to continue to underwrite this accessibility. The access fund will also subsidize the first several years of tenant occupancy, as Artscape establishes and expands its programming and fundraising.

Artscape will manage the community hub by sub-leasing out space to local community artist groups, individual artists, community members and community event space at nominal start rates. Like other Artscape projects, the rental pricing model will be tiered to allow free or nominal fees for selected activities, discounted rates to non-profits and full rates to private and corporate events.

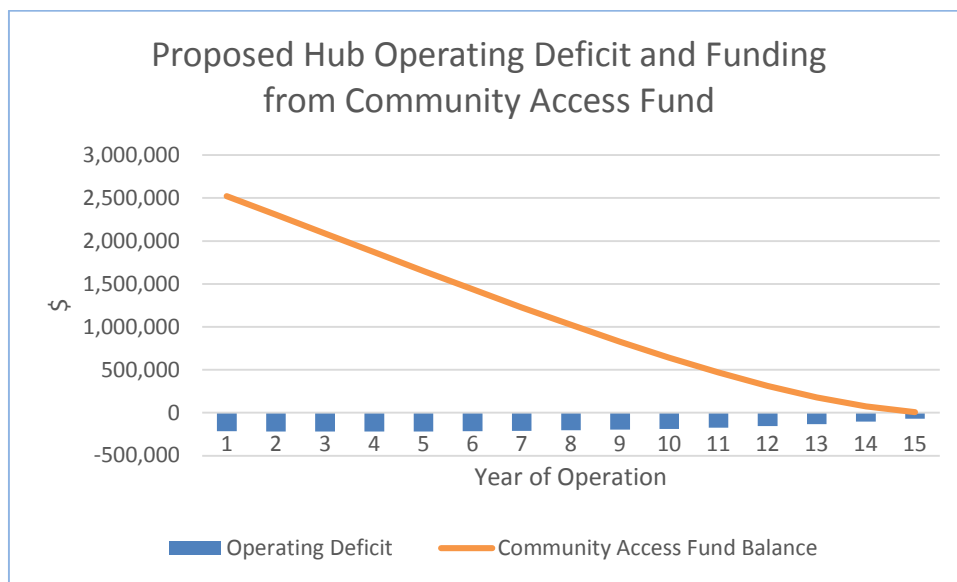
Community/Cultural Hub Sustainability

Over the fifteen years projected in the business plan, revenues from these business operations will gradually grow with the development of clientele user groups; however,

revenue projections from such operations will always be at levels insufficient to fully cover the related operating expenses of the community/cultural hub. Artscape’s own business plan shows an annual operating deficit of more than \$200,000 per year, before any testing for revenue and expense sensitivity.

In this regard, the \$3 million Community Access Fund sourced from Artscape’s fundraising and Rockport’s operating advance will serve as a declining subsidy over the first 15 years of the community/cultural hub’s operations to build the full rate clientele required to underwrite the hub in the long run; however, it is anticipated that the Community Access Fund will be fully depleted by year 15 of the operations, which suggests that should insufficient full rate client revenues exist at that time, the operating deficits of the community hub uses would become unfunded and require subsidies from other sources or risk of discontinuation of operations. The following graph depicts the projected depletion of the fund over a fifteen year period.

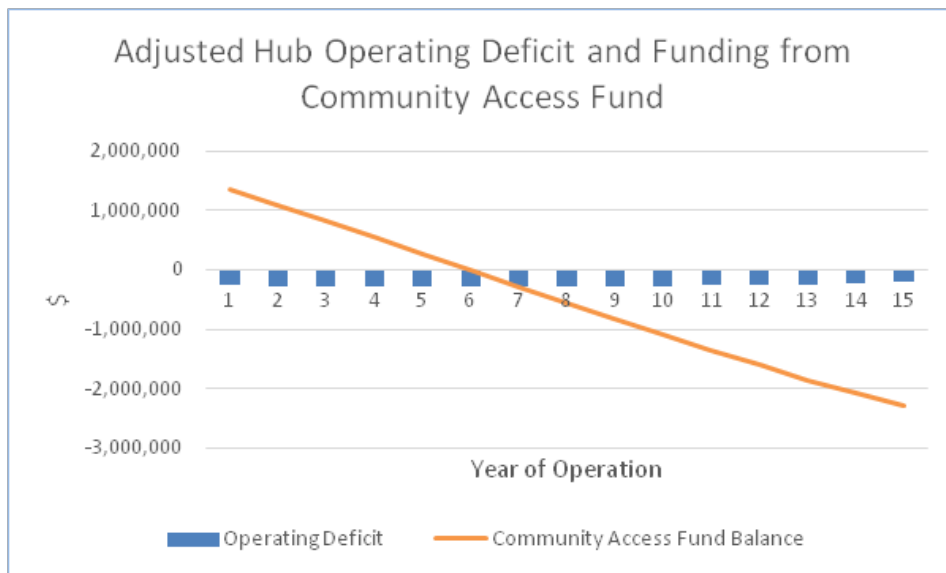
Graph 1: Use of Community Access Fund to Sustain Operations of Community/Cultural Hub



In performing its financial due diligence, staff have employed a sensitivity analysis to test the strength of the business plan in the event that less than favourable performance results occur from those projected. In this regard, the revenue, expense and fundraising expectations contained within the business plan were discounted by various degrees downward to illustrate how operations of the hub would be affected.

The following graph depicts the modified results of the depletion of the Community Access Fund under less than favourable conditions.

Graph 2: Use of Community Access Fund to Sustain Operations of the Community/Cultural Hub – Sensitivity Analysis Example



- Note: Fundraising 40% lower than target, Revenues 20% less than forecasted and Expenses 10% greater than forecasted.

Under the above charted scenario, the hub would face a more rapid depletion of the Community Access Fund, resulting in operating funding challenges, such as the need for additional subsidies or risk of discontinuation of operations in the nearer 4-6 year term.

Mitigating this risk is the base funding of \$1.25 million from the developer and Artscape’s remaining fundraising target of \$1.75 million to the proposed \$3 million Community Access Fund. Artscape has demonstrated a robust fundraising capacity in other projects, and is able to fundraise across its portfolio outlined in greater detail in the section on Artscape’s Financial Capacity on page 27; however, as in any investment proposition, it is noted that past results do not always guarantee future performance.

In the meantime, the community benefits from the addition of a community/ cultural hub operated by a reputable external non-profit organization without City operating resources is substantial.

The City will be a third party to the lease for the community/cultural hub, in addition to Toronto Artscape and the owner of 33 King Street. The lease will be secured in the Section 37 Agreement between the developer and the City through City Planning.

The building specifications for the community/cultural hub will be set out in the lease and are subject to the review and approval of the General Manager, Economic Development & Culture (see Attachment 4).

The General Manager, Economic Development & Culture has reviewed Artscape's October 16, 2015 business plan and operating pro forma financial plan, and is satisfied with the proposal generally. The Municipal Capital Facility Agreement and the lease for the community/ cultural hub component will detail the City's requirements, including operational and programming, in greater detail and secure the proposed community benefits.

d. Sale of 22 John Street by Toronto Parking Authority

The Toronto Parking Authority operates and manages City-owned 22 John Street and has entered into a conditional Agreement of Purchase and Sale to sell the site to 22 John Street Developments Inc. The process for declaring the site surplus to the City's requirements has been completed. Toronto Parking Authority will seek City authority to sell the site, when all conditions of the Agreement of Purchase and Sale are satisfied or waived. It is anticipated that all conditions will be satisfied on or before July 31, 2016. In March 2015, City Council approved a preliminary funding model that directed the sale proceeds be applied to construction costs of the community/cultural hub and the live/work units. It is a common business practice at the City to provide land free of charge or at below-market value for affordable housing, as well as community and cultural purposes.

e. Real Estate Services

Enhanced Farmers Market Area

The current proposal has the City retaining ownership of the outdoor Open Space Area referred to as the Enhanced Farmers Market Area in the portfolio of Real Estate Services, which will be improved, remediated and maintained by Rockport. The details and requirements for this commitment will be secured in the Section 37 Agreement and site specific zoning by-law through City Planning, as outlined in their reports to Etobicoke and York Community Council on November 10 (EY10.1). The outdoor space will be operated and programmed by Toronto Artscape which has the demonstrated experience and expertise to undertake this role. The details of this will be secured in Municipal Capital Facilities Agreement between Toronto Artscape and the City.

Expropriation of 14 John Street

By its adoption of Item GM26.17 of the Government Management Committee on December 16, 17 and 18, 2013 and Item GM3.22 of the Government Management Committee on May 5, 6 and 7, 2015, City Council approved the expropriation of 14 John Street pursuant to the Expropriations Act, for municipal purposes, including a community/cultural hub. These authorities provide that any excess expropriation costs be funded from the proceeds of sale of 22 John Street; however, EX4.6 of the Executive Committee adopted by City Council on March 31, April 1 and 2, 2015 proposed a preliminary funding model that directed the sale proceeds to be applied to construction costs of the community/cultural hub and the live/work units.

The decision to allocate the net proceeds to the Artscape Project has reduced the available funds for the payment of compensation for the expropriation to the previous owner of 14 John Street; however, \$1.6 million has been set aside to be used toward the expropriation costs at 14 John Street.

When the City takes possession of 14 John Street, expected to be on or about November 20, 2015, Real Estate Services will initiate environmental testing of the site. Based on soil testing carried out on the adjacent City-owned 22 John Street, it is anticipated that salt contamination will be found. Since the planned use of the site is a Toronto Parking Authority surface parking lot closer to Weston Road, it is expected that the cost of environmental remediation will be absorbed within the net difference between the offer and the final determination of the compensation payable for 14 John Street by arbitration, appeal or settlement to the satisfaction of the City.

A recent appraisal of 14 John Street has indicated an increase in the property value, assuming the site is clean. Should the compensation cost, including the cost of expropriation and environmental remediation cost, exceed the net difference the offer and the appraised value, additional funds will be required. This report recommends allocating \$1 million from the City's Land Acquisition Reserve Fund (LARF) as a contingency should the need arise.

f. Building Condition Assessment

In March, 2015 (EX4.6), City Council directed that a building condition assessment be undertaken for the space at 33 King Street where the affordable artist live/work rental homes and the community/cultural hub are to be constructed, prior to final funding approval.

A third-party assessment has been carried out by WSP, a reputable firm which provides engineering, scientific, technical, consulting and academic services internationally. WSP provided a letter dated October 6, 2015, indicating that after evaluating the proposed design documents for the renovation, they found no apparent major barriers to proceeding, noting that long term maintenance and repair of building structures will result in periods of potential disruption of short duration in the normal use of the proposed spaces. This can be mitigated by scheduling repairs as required, to minimize disruption to tenants.

Affordable Housing staff are satisfied that the building condition assessment report, provided by WSP, provides sufficient guidance to support using the space at 33 King Street for residential and community uses; however, the usual review and approval process by Toronto Building will take place after Council approval of the development, at which time a Plan Examiner will review full architectural, structural and mechanical drawings and engineering reports. Construction will not commence until a Building Permit is issued.

g. City Planning

City Council at its meeting March 31, 2015 adopted *The Weston Community/Cultural Hub – Next Steps* report (EX4.6) which directed the Chief Planner and Executive Director, City Planning to expedite the planning review process for the development by the Rockport

Group of the new market rental building at 22 John Street and Artscape's affordable housing and community/cultural hub at 33 King Street; and directed the Director, Affordable Housing Office, in consultation with relevant Divisions, to report to Council through Executive Committee on the final funding model for the Artscape Project at the same time as the land use approvals for the development.

City Planning submitted a Preliminary Report (EY8.11) to the September 8, 2015 meeting of Etobicoke York Community Council and subsequently convened a community meeting with the local councillor.

At the statutory meeting November 10, 2015, Etobicoke and York Community Council adopted City Planning's *Final Report and Supplementary Report – 22 John Street, 33 King Street and 2 Elsmere Avenue (the Weston Community Cultural Hub) – Official Plan Amendment and Zoning By-law Amendment Application* (EY10.1), recommending approval to Council of the Official Plan and Zoning By-law amendments for 22 John Street. This report will be considered by City Council at its meeting December 9, 2015, at the same time as the current funding report.

h. Social & Economic Return on Investment

The Weston community is vulnerable socio-economically and is underserved in terms of access to services and facilities. As a strategic Council priority, the Artscape community/cultural hub development supports a number of the City's broader strategic priorities including:

Toronto's Strategic Action Plan 2013-2018 – Supporting City Building, Economic Vitality, Environmental Sustainability and Social Development themes.

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=eabe8172dcfb3410VgnVCM1000071d60f89RCRD>

Toronto Strong Neighbourhoods Strategy 2020 – In one of Toronto's 31 Neighbourhood Improvement Areas, the Weston revitalization brings targeted investments that contribute to improving the wellbeing of the neighbourhood.

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=42653745ba9a9410VgnVCM1000071d60f89RCRD>

Housing Opportunities Toronto – An Affordable Housing Action Plan 2010-2020 – Supports the City's affordable housing targets, delivering 26 new affordable rental homes for artists in an underserved community, within a revitalized mixed-income area with improved access to community/cultural opportunities amenities and public transit connectivity, also achieving the City's Official Plan policies.

<http://www.toronto.ca/legdocs/mmis/2009/ah/bgrd/backgroundfile-21130.pdf>

In terms of economic activity, the overall Weston revitalization is responsible for an infusion in the order of \$15 million in capital and operating reserve investments in the Weston-Mount Dennis community.

The value of the construction activity for the combined affordable artist live/work rental housing and the community/cultural hub, as well as the market rental development at 22 John Street, is estimated to be some \$74 million. This will benefit the Toronto trades, including the Hammerheads program which helps local youth learn a construction trade. There will also be increased commercial activity in the Weston area generated by the construction jobs.

The quantum of annual realty taxes for the new market rental building is in the order of \$600,000. The developer will pay to the City approximately \$6.4 million in development charges, of which \$1.24 million is being invested directly to construct the affordable artist live/work rental homes and the community/cultural hub.

CONCLUSION

After more than six years, the recommendations in this report are the final steps in Council approving Artscape's new affordable rental housing and community/ cultural hub as part of the revitalization of the Weston/Mount Dennis community, in one of Toronto's Neighbourhood Improvement Areas.

Overall the revitalization initiative, upon completion, will deliver new artist live work homes, a community/cultural facility, community open space, a farmers market, a new Toronto Parking Authority surface parking lot and new residential intensification within a mixed-income community.

Realization of the Artscape Project results from implementing a unique capital funding strategy as outlined in this report. Given the overall public benefits of the proposal, staff have recommended proceeding with the initiative which will result in some \$90 million in construction investment, new short and long-term employment, new property tax revenue and ongoing support to the local economy.

Approval by Council of this report and the final Planning reports for the 22 John Street development also sends a strong positive message to the residents and businesses in Weston. Moving this initiative forward has been made possible because of their hard work, perseverance, dedication and commitment.

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SIGNATURES

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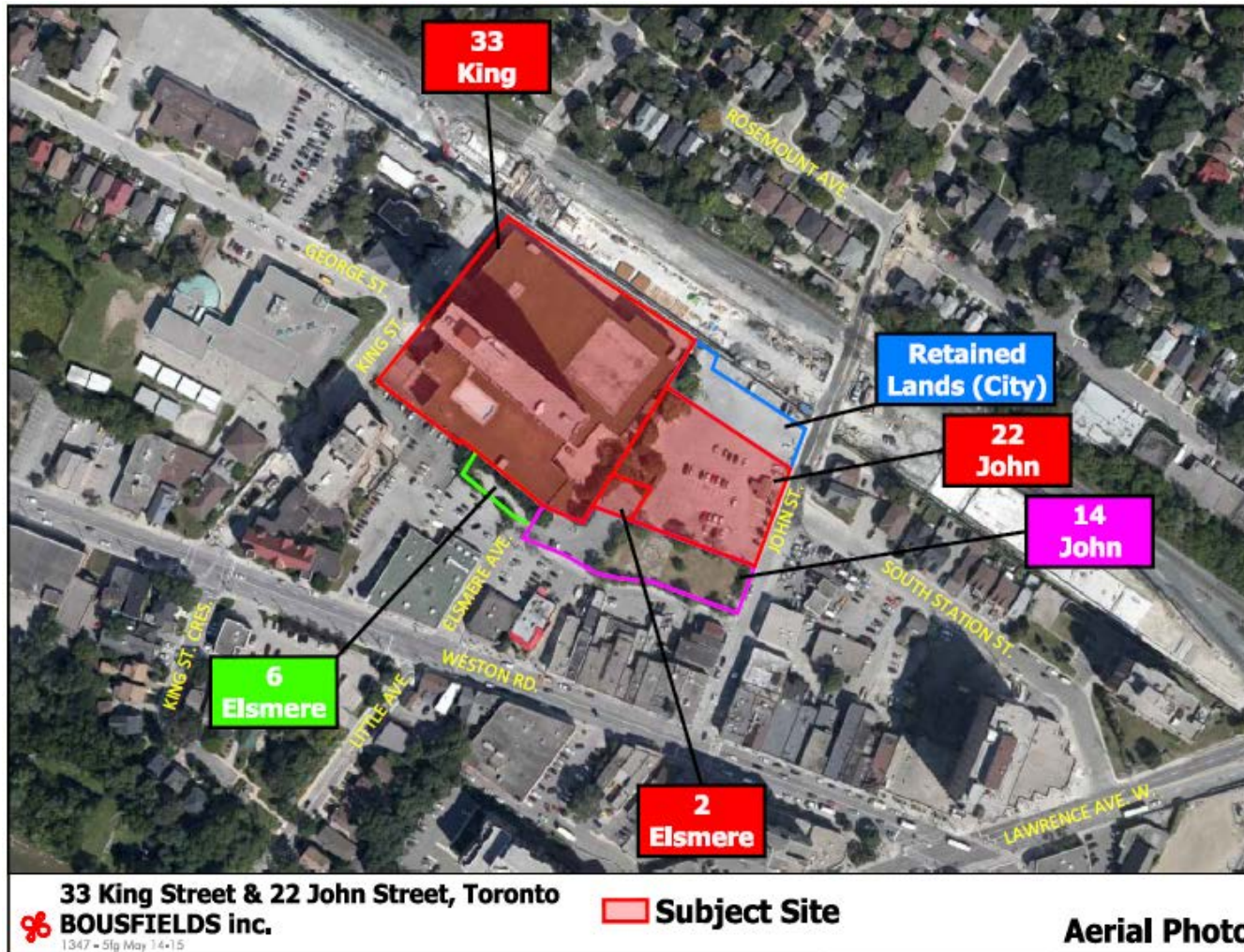
Roberto Rossini
Deputy City Manager &
Chief Financial Officer

ATTACHMENTS

- Attachment 1: Proposed Weston Community/Cultural Hub Development Illustrations & Plans
- Attachment 2: Summary of Due Diligence on Key Terms, Issues and Recommendations from the March 2015 Report
- Attachment 3: Major Terms and Conditions - Lease for the Weston Affordable Artist Live/Work Rental Component
- Attachment 4: Major Terms and Conditions - Lease for the Weston Community/Cultural Hub Component

Attachment 1: Proposed Weston Community/Cultural Hub Development Illustrations & Plans

Image 1: The Neighbourhood



Attachment 1: Proposed Weston Community/Cultural Hub Development Illustrations & Plans



View 4 Looking South



Image 3: Conceptual Site Plan



Attachment 2: Summary of Due Diligence on Key Terms, Issues and Recommendations from the March 2015 Report

Condition	Issue	Recommendation	Status Update
Funding Sources	Precedence of reinvesting city fees/charges and cash-in-lieu of parkland arising from a development locally	Approve funding strategy due to need to revitalize priority neighbourhood.	This innovative development involving public, private and non-profit collaboration and contributions responds to Council direction over many years to revitalize the Weston community through this initiative. Staff have conducted due diligence on the budget and funding model and recommended approval in this report, to be considered by Council on December 9 & 10, 2015. A complementary planning report will be considered at the same meeting.
Construction Costs	Limited cost overrun protection	Report back to Council on whether to proceed with Proposal if fixed price term cannot be met, and if so, with funding sources for any cost overruns.	The capital budget includes sufficient contingency funding and cost guarantees if permits can be issued by July 2016. If not, this report recommends that staff report back to Council seeking further direction.
Securing the Community Benefits	Proposed LC terms inadequate in relation to project cost	More substantial LC be retained until project delivery. Leasehold mortgage value in favour of City on 33 King Street to be co-ordinated with LC to provide greater security.	An irrevocable and unconditional Letter of Credit from 22 John Street Developments and a leasehold mortgage from Artscape as described on pages 13-14 will secure the financial contributions and community benefits. Planning proposes to secure the LC through Section 37 provisions as outlined in EY10.1 at Etobicoke York Community Council November 10, 2015, for Council consideration on December 9 & 10.
Real Estate Processes	No issues	Sale of 22 John Street and expropriation of 14 John Street to proceed.	Following Council direction in May, 2015 (GM3.22), Real Estate Services has proceeded with the expropriation as described on pages 30 & 31 of this report. The Toronto Parking Authority and The Rockport Group will proceed with the sale (TPA) and purchase (Rockport) of 22 John Street upon Council approval of the funding and planning reports, with an anticipated closing date of July 2016.

Condition	Issue	Recommendation	Status Update
Municipal Capital Facilities Designation	Need to determine that use meets bylaw requirements	Confirm that use meets bylaw requirements and secure in Capital Facilities Agreement.	Through this report City staff are recommending that Council designate the community/cultural hub as a Municipal Capital Facility and the Artist Live/Work Units as a Municipal Housing Capital Facility.
Development Charges Credit	No issues	Council approve DC credit.	This report recommends that Council approve the DC credits outlined in the Financial Impact section of this report. The developer has agreed to guarantee the approved credit amounts regardless of any increase to developer DCs in 2016. The lesser of the DC credit or the actual DCs will be used for the final calculation [see Recommendation 1(a)(iii)].
Affordable Rental Housing Live/Work Units	Building condition will be studied in next phase of development	Council approve <i>Investment in Affordable Housing</i> program funding.	Following due diligence conducted by staff, this report recommends federal/provincial <i>Investment in Affordable Housing</i> Program funding for 26 affordable artist live/work rental homes in the amount of \$3.9M.
Community/Cultural Hub		Ensure that Building Condition Assessment is completed for 33 King Street.	A preliminary Building Condition assessment has been conducted by a third-party consultant and submitted to the City. It has been reviewed by the Affordable Housing Office to the AHO's satisfaction. Final review and approval of full plans will take place by Toronto Buildings prior to any building permits being issued (see page 31 of this report for more details).
Open Space Area	City to retain ownership of Open Space Area	Ensure environmental and jurisdictional issues addressed.	This report confirms that the City will retain ownership of the Open Space Area, also known as the Enhanced Farmers Market Area, in Real Estate Service's portfolio. Rockport will remediate, finish and maintain the Open Space Area, to be secured in Section 37 provisions. City staff oversaw a Peer Review study to provide advice on the environmental requirements.

Condition	Issue	Recommendation	Status Update
Ownership and Tenure	Lease between Artscape and Woodbourne Capital, the owners of 33 King Street; in event of default, City recourse includes assuming lease or foregoing community benefit	Protect community benefit with conditions of lease reviewed and approved by City.	There will be two leases: one for the affordable artist live/work rental homes and one for the community/cultural hub. The City will be a third-party to the leases. Both will be attached to the Section 37 agreement which will be registered on title, a condition of the City issuing building permits. The major terms and conditions of the leases are outlined in Attachments 3 & 4 of this report. Further details are in Planning's Supplementary Report to Etobicoke and York Community Council on November 10 (EY10.1).
Tax Arrears	Artscape's Wychwood Barns hub in tax arrears due to MPAC assessment delay	Ensure arrears resolved prior to entering into agreements with Artscape.	Staff have confirmed that Artscape has no taxes owing.
City Planning	Securing of access easements and determination of Section 37 benefits	Planning review to be expedited once Rockport has made the necessary applications, following Council-approved Section 37 Implementation Guidelines and process.	City Planning expedited the planning review and is reporting to City Council on December 9 & 10 (EY10.1), at the same meeting as the funding report. Planning has secured access easements and Section 37 provisions in the zoning bylaw. A signed Section 37 Agreement will be registered on title prior to any building permits being issued.
Social Return on Investment	No issues	Approve funding strategy to support social, economic and cultural returns for the City and neighbourhood.	Council's approval of the funding model in this report as well as the planning approvals will launch the revitalization process in the Weston community, facilitating social, economic and cultural returns on investment through this development. Staff will provide a progress report in 2018.

Attachment 3: Major Terms and Conditions - Lease for the Weston Affordable Artist Live/Work Rental Component

Premises:	Approximately 1,934 m ² or 20,817 square feet on the ground floor of 33 King Street.
Landlord:	2295477 Ontario Inc.
Tenant:	Toronto Artscape Inc. or its wholly-owned subsidiary.
City as third party:	The City is a third party to the lease with rights. If Artscape is in default, the City has the option to: (i) assign the lease to another non-profit affordable housing organization, (ii) lease the affordable housing units, or (iii) terminate the lease.
Term:	Fifty (50) years, less one (1) day, commencing the earlier of: (i) 30 days after the date the Premises is substantially completed; and (ii) January 1, 2020.
Extension Option:	None
Basic Rent:	Basic Rent of One Dollar (\$1.00) for each year of the Term, plus a 15% administration charge, together with a property management fee of \$500 per live/work unit per annum and an annual fee of \$50,000 for the space within 33 King Street.
Operating Costs:	The Lease is fully net with the Tenant responsible for all costs, except for structural components not related to the Premises.
Additional Space:	In first ten years, Toronto Artscape Inc. has one-time option to lease additional space on ground floor at same Basic Rent and on same terms.
Construction of Premises:	The Landlord and/or 22 John Street Developments Inc. shall construct the Premises in accordance with plans and specifications approved by the Director, Affordable Housing Office, of the City of Toronto.

Attachment 4: Major Terms and Conditions - Lease for the Weston Community/Cultural Hub Component

Premises:	Approximately 794 m ² or 8,547 square feet on the ground floor of 33 King Street.
Landlord:	2295477 Ontario Inc.
Tenant:	Toronto Artscape Inc.
City as third party:	The City is a third party to the lease with rights. If Artscape is in default, the City has the option to: (i) assign the lease to another non-profit community and/or cultural organization, (ii) lease the community/cultural hub, or (iii) terminate the lease.
Term:	Fifty (50) years, less one (1) day, commencing the earlier of: (i) 30 days after the date the Premises is substantially completed; and (ii) January 1, 2020.
Extension Option:	None
Basic Rent:	Basic Rent of One Dollar (\$1.00) for each year of the Term.
Operating Costs:	The Lease is fully net with the Tenant responsible for all costs, except for structural components not related to the Premises.
Additional Space:	In first ten years, Toronto Artscape Inc. has one-time option to lease additional space on ground floor at same Basic Rent and on same terms.
Construction of Premises:	The Landlord and/or 22 John Street Developments Inc. shall construct the Premises in accordance with plans and specifications approved by the General Manager, Economic Development & Culture, of the City of Toronto.