

Ground Lease for Waterfront Innovation Centre in East Bayfront

Date: February 21, 2017
To: Executive Committee
From: Deputy City Manager, Cluster B
Wards: 28

REASON FOR CONFIDENTIAL INFORMATION

This report involves the security of property belonging to the City of Toronto or one of its agencies, boards and commissions.

SUMMARY

This report concerns the approval of a long-term ground lease for City-owned land in the East Bayfront (EBF) to Menkes Waterfront Holdings Inc., for and on behalf of WIC Limited Partnership ("Menkes"). The subject site, identified as Blocks 1 and 2 on Map 1, is located on either side of Dockside Drive, south of Queens Quay, adjacent to Sugar Beach. The ground lease provides for a 3 year construction period followed by a 99 year term and will allow Menkes to develop the 0.46 ha (1.14 acre) site for a 32 516 square metre (350,000 square foot) Waterfront Innovation Centre.

The Waterfront Innovation Centre is a market development representing an investment by Menkes of approximately \$150 Million. The purpose-built workspace will be dedicated to fostering innovation and collaboration amongst the tenant mix, and with the broader technology community, particularly in the areas of digital media, advanced visualization, healthcare and clean technology. Menkes is currently in final negotiations with lead tenants, and is working towards entering into the ground lease shortly after Council's decision. As per the terms of the proposed ground lease, the project is targeted to be under construction by December 31, 2018.

Staff previously reported to Economic Development Committee on this project in 2015. At that time, Menkes had been selected by Waterfront Toronto (WT), through an RFP process, as WT's pre-development partner. Subsequently, Menkes has put together a leasing plan and provided a financial bid to WT. In its capacity as revitalization lead in the EBF, WT has completed a comprehensive evaluation of Menkes' bid and is now recommending City approval, subject to terms which have been vetted by City staff, WT and Menkes.

In this report, staff provide the results of their review of WT's recommendation, and seek authorization to enter into a Ground Lease (GL) with the City as Landlord and Menkes as Tenant, subject to the major terms summarized in Attachment 1.

Staff also seek authority to enter into a companion agreement, an Undertaking Agreement (UA) between WT and the City. The UA addresses WT's direct obligations to the City, including oversight of the Menkes development and obligations relating to environmental management among other matters. The proposed major terms of the UA are summarized in Attachment 2.

In addition to the GL and UA, the transaction includes a Development Agreement (DA) between WT and Menkes. The major terms of the DA are summarized in Attachment 3. Although the City will not be a party to this agreement, many of WT and the City's waterfront revitalization objectives (LEED Gold, design excellence etc.) will be secured through this agreement as well as project deadlines and milestones. As part of the GL and DA, various controls are proposed to require the use of the property for technology and innovation purposes for the first 15 year period, with the intention that such uses will become firmly established in the development.

WT was created to effectively compete in the marketplace in a similar fashion to other arm's length corporations with a similar mandate relating to commercial development. In order to secure high value market development such as the innovation centre project, staff are recommending certain exemptions from City real estate policies and practices, more in line with market practice, as provided for in Recommendation 9 below.

In accordance with the governance structure for WT, first approved by Council in 2004, the proceeds of the ground lease will flow to WT for reinvestment in waterfront revitalization. This is explained in greater detail in the last section of the report, and is consistent with previous Council decisions on land transactions in the EBF, including the existing George Brown College site (Blocks 4 and 5, Dockside - 2009), the Parkside/Great Gulf site (2009), the Bayside/Hines site (2010) and, most recently, the expansion of George Brown College (Block 3, Dockside - 2016). The reinvested funds will allow WT and the City to meet its respective contractual obligations to East Bayfront developers on public lands for the delivery of infrastructure, parkland/public realm and servicing.

In summary, staff are supporting WT's recommendation that the City grant Menkes a 102 year ground lease (initial three year construction period plus 99 years) subject to the major terms outlined in Attachment 1. Bringing high-value employment to Toronto's waterfront has been a key component of the EBF vision and aligns very well with efforts to create an innovation corridor in the eastern waterfront. Together with Corus Entertainment, George Brown College, and Daniels City of the Arts, the Waterfront Innovation Centre will add to the critical mass of related uses to anchor EBF in the waterfront innovation corridor. It will also serve as a positive demonstration of how the private and public sector can collaborate to encourage business innovation and growth.

RECOMMENDATIONS

The Deputy City Manager, Cluster B recommends that:

1. City Council authorize the City as Landlord to enter into a long term lease agreement ("Ground Lease") with Menkes Waterfront Holdings Inc. for and on behalf of WIC Limited Partnership as Tenant ("Menkes"), for the City-owned lands being "Dockside" Blocks 1 and 2, Plan 66M- 2476, shown as Blocks 1 and 2 on Map 1 (the "Property"), substantially on the terms and conditions set out in Attachment 1, together with such other terms and conditions as may be deemed appropriate by the Deputy City Manager, Cluster B in consultation with the Chief Corporate Officer, and in a form satisfactory to the City Solicitor, subject to Recommendation (3) of this Report.
2. City Council authorize the City to enter into an agreement with Toronto Waterfront Revitalization Corporation (Waterfront Toronto) substantially on the terms and conditions set out in Attachment 2 (the "Undertaking Agreement"), together with such other terms and conditions as may be deemed appropriate by the Deputy City Manager, Cluster B in consultation with the Chief Corporate Officer, and in a form satisfactory to the City Solicitor.
3. City Council direct that prior to the City entering into the Ground Lease, the following matters be completed or provided for to the satisfaction of the Deputy City Manager, Cluster B in consultation with the City Solicitor and other City officials as appropriate:
 - a. Waterfront Toronto and Menkes shall have entered into the Development Agreement in respect of the Property;
 - b. WT shall have entered into the Undertaking Agreement with the City; and
 - c. Receipt by the City of a legal opinion in respect of corporate status, powers and authority of Menkes to enter into and perform the obligations under the Ground Lease and the Development Agreement, in form and content satisfactory to the City Solicitor.
4. City Council authorize the City to direct Menkes to pay to Waterfront Toronto all base rents attributable to the 3 year construction period and the 99 year lease term.
5. City Council authorize the City to enter into a nominal sum Licence Agreement with Waterfront Toronto to permit temporary marketing of the site by Menkes, geotechnical tests and surveys, and to allow Waterfront Toronto (or Menkes provided Waterfront Toronto remains directly responsible to the City) to carry out, at its sole cost and expense, site preparation activities, including the construction of new dockwall stabilizing infrastructure to replace the infrastructure under Block 1, and the restoration of all surrounding City lands affected by such activities, on terms and conditions deemed appropriate by the Chief Corporate Officer and General Manager, Parks, Forestry and Recreation, and in form satisfactory to the City Solicitor.

6. City Council authorize the City to enter into a nominal sum Licence Agreement with Waterfront Toronto in respect of the road widening lands on Queens Quay East, being Blocks 10 and 11 on Plan 66M-2476, to carry out environmental and road widening work on the lands and to grant a sub-licence to Menkes for the purposes of access over the road widening lands, on terms and conditions deemed appropriate by the Chief Corporate Officer, in consultation with the General Manager, Transportation Services and in form satisfactory to the City Solicitor.

7. City Council authorize the City to enter into a Licence Amending Agreement ("Amending Agreement") with Waterfront Toronto to extend the term of the Licence Agreement dated March 4, 2013 between the City and WT for Block 2, to end on the Commencement Date of the Ground Lease, together with such other terms and conditions deemed appropriate by the Chief Corporate Officer and in form satisfactory to the City Solicitor.

8. City Council deem the parkland dedication substantially as shown on Map 1, which is consistent with the East Bayfront Precinct Plan and Zoning By-law, satisfies all parkland dedication requirements for this development.

9. City Council waive applicable City leasing policies in respect of the Ground Lease and acknowledge the inclusion of terms and conditions that would typically not be provided in a City ground lease, including provisions dealing with non-disturbance agreements, rights of first refusal, demolition clauses, and assignment and subletting, in recognition of Waterfront Toronto's mandate to deliver a market development.

10. City Council authorize the Deputy City Manager, Cluster B in consultation with the Chief Corporate Officer, to negotiate the Ground Lease, Undertaking Agreement, the License Agreements and the Amending Agreement, including any amendments in relation to such agreements not materially inconsistent with the major terms and conditions described in Attachments 1 and 2 attached to the report dated February 21, 2017 from Deputy City Manager, Cluster B, as approved by Council, and in a form satisfactory to the City Solicitor.

11. City Council authorize the Chief Corporate Officer (CCO), her successor/designate, in consultation with the Director, Waterfront Secretariat, to provide any consents, approvals, extensions, waivers, and notices under the Ground Lease, Undertaking Agreement, the License Agreements and the Amending Agreement, including any amendments in relation to such agreements, in a form acceptable to the City Solicitor, provided that the CCO may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

12. City Council direct that all actions set out in Recommendations 1 to 11 above from the Deputy City Manager, Cluster B shall be taken by or on behalf of the City in its capacity as land owner and not in its capacity as a planning authority under the Planning Act, the City of Toronto Act, 2006, or otherwise and such actions are not intended to and do not fetter the City's planning and municipal rights and responsibilities.

13. City Council authorize the City to consent to Waterfront Toronto acting as the City's agent as owner of the Property to sign any planning and development, infrastructure, servicing or any other applications and agreements, including agreements with Toronto Hydro, Enbridge Gas or any third-party utility provider, required for the development of the Property, except for any environmental applications or agreements, or alternatively that the City itself execute such documentation solely in its capacity as land owner, provided Waterfront Toronto agrees to assume all obligations including costs and liabilities under such documentation and subject to such other terms satisfactory to the Deputy City Manager, Cluster B, and in a form satisfactory to the City Solicitor.

14. City Council direct the Director, Waterfront Secretariat that all amounts directed by the City to be paid to Waterfront Toronto under the transaction be tracked by the City and Waterfront Toronto as part of the Waterfront Renewal Accounting Protocol.

15. City Council authorize the public release of the confidential information in Confidential Attachment 4 attached to the report dated February 21, 2017 from the Deputy City Manager, Cluster B, upon the completion of the development of the publicly owned lands in East Bayfront as determined by the Deputy City Manager, Cluster B.

16. City Council authorize the City Solicitor to complete any of the transactions contemplated under the Ground Lease on behalf of the City, except to the extent such obligations have been directed by the Chief Corporate Officer to Waterfront Toronto to undertake in accordance with the Undertaking Agreement, including amending closing dates and other dates, and amending and waiving terms and conditions, on such terms that the City Solicitor deems advisable.

FINANCIAL IMPACT

The lease of the subject lands will not result in a direct financial impact for the City. In accordance with Council's 2004 approval of "Governance Structure for Toronto Waterfront Revitalization" followed by its 2006 approval of "Toronto Waterfront Revitalization Initiative – East Bayfront Business and Implementation Plan", the revenues derived from land transactions involving City lands in the East Bayfront are to be reinvested by Waterfront Toronto in the revitalization of the waterfront.

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

DECISION HISTORY

On November 30, December 1 and 2, 2004, Council approved a report titled "Governance Structure for Toronto Waterfront Revitalization". Among other directions, Council authorized the transfer of control of City waterfront lands to WT on a precinct by precinct basis following the completion of detailed business and implementation plans for individual precincts; further, Council directed that non-residential waterfront sites be developed by way of long-term ground lease "where market conditions permit" and that residential projects be developed on the basis of freehold conveyances. All land sale/lease revenues were required to be reinvested in waterfront revitalization.

<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/pof9rpt/agendain.pdf>

(Clause 1)

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

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

On January 31 and February 1 and 2, 2006, Council approved a report titled "Toronto Waterfront Revitalization: Memorandum of Understanding (MOU) among the City of Toronto, City of Toronto Economic Development Corporation (TEDCO) and Toronto Waterfront Revitalization Corporation (WT)". The staff report called for a MOU among the City, TEDCO (now known as Toronto Port Lands Company or TPLC) and WT addressing waterfront revitalization roles and responsibilities, and conditions for the transfer of control of City waterfront lands to WT. The MOU, dated March 31, 2006, addresses: how residential versus non-residential sites should be conveyed (outright conveyance versus long term lease respectively); reinforces that "all revenues from the lease or sale of public lands be reinvested in waterfront renewal"; and required precinct-specific business and implementation plans prior to providing WT effective control.

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

On July 25, 26 and 27, 2006, Council approved a report titled "Toronto Waterfront Revitalization Initiative – East Bayfront Business and Implementation Plan". As per the 2004 governance report and the 2006 MOU, in order for WT to receive effective control of City lands in the East Bayfront, WT was required to submit a business and implementation plan for Council approval. A financial model underpinned the business strategy and looked at both revenues and expenditures. Revenue sources included direct government funding and revenues from residential land sales and commercial leasing. The Council approval granted WT the authority to "lead the marketing and development" of the East Bayfront public lands.

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

(Clause 9)

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

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

At its meeting of April 16, 2015, Economic Development Committee considered an information report on the East Bayfront Waterfront Innovation Centre. The report focus was the concept, process and next steps related to the innovation centre prompted by Waterfront Toronto entering into a pre-development agreement with Menkes.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.ED3.5>

Pursuant to delegated authority authorized by City Council on May 12, 2010 by its adoption of Executive Committee Item EX43. 7 (Delegated Approval Form 2013-172), the City entered into a Licence Agreement with WT for Block 2 of Plan 66M-2476, for a temporary surface parking lot and temporary sign. The Licence was for a 5 year term expiring on March 3rd, 2018.

In accordance with the City's Real Estate Disposal By-law, 814-2007 and pursuant to delegated authority authorized by City Council on July 19, 2007 by its adoption of Government Management Committee Item GM6.18 (Delegated Approval Form 2016-247), Blocks 1 and 2 were declared surplus on November 9, 2016, with the intended manner of disposal being by way of a long-term lease or fee simple sale to Menkes, subject to the relocation of the hydro easement from Sugar Beach.

COMMENTS

Issue Background

Toronto is Canada's largest technology hub, the third largest in North America. The 15,000-plus technology-related businesses located in the Toronto Census Metropolitan Area (CMA) provide for approximately 160,000 jobs. The Toronto CMA is home to 35% of Canada's top 250 technology companies. As Canada's centre for technology research and development, 43% of the country's Research and Development investment is conducted at Toronto technology research facilities. Toronto's technology sector generates \$5.2 billion annually to the local economy, including the ever growing digital media cluster which has become a \$1 billion industry.

Toronto's waterfront has been identified as a prime location within the City to advance the City's leadership in the technology sector through the creation of a waterfront innovation corridor. A 25% employment use objective for EBF was established at the time of Council approval of the East Bayfront Precinct Plan (2005) which translated to a target of 8,000 jobs in the East Bayfront Business and Implementation Plan (2006). Corus Entertainment, George Brown College's academic campus, and Daniels City of the Arts, all neighbours to the subject site, respond to this objective and contribute to an

emerging district that meets the "live-work-play" lifestyle used to attract talent in a competitive workplace.

Since the precinct planning stage, WT and the City have reserved "the foot of Jarvis" for an employment use intended to showcase leading-edge approaches in workplace design, innovation and collaboration. A procurement process was initiated by WT in 2013 to select a partner capable of delivering a project that would meet a number of objectives, including:

- Attracting private-sector investment to the waterfront;
- Establishing an anchor of employment uses as part of a mixed-use community;
- Leveraging WT's investment in infrastructure and public realm, including Intelligent Communities infrastructure;
- Attracting knowledge-based jobs and jobs in other innovative sectors;
- Achieving excellence in design and sustainability; and
- Providing financial returns to the City and WT.

The Site and Context

The subject site is identified as Blocks 1 and 2 on Map 1 and comprises approximately 0.46 ha (1.14 acres) in the East Bayfront precinct.

Map 1 shows the breakdown of public and private land ownership in the East Bayfront. Today, the precinct is midway through major revitalization, with much of the remediation on the public lands completed, and infrastructure and services installed by WT. Sugar Beach and Sherbourne Common are now open as well as a significant length of the water's edge promenade. Aitken Place Park is in the final stages of detailed design.

GBC has built and opened its Health Sciences building; the Great Gulf Homes mixed-use project is under construction; and the first two "Bayside" mixed-use developments, including an 80-unit affordable housing project, are under construction. Late in 2016, Council approved the sale of a second site to GBC which will be dedicated to programs focused on technology and innovation. The subject site represents the final site in City ownership covered under the EBF Business and Implementation Plan.

Process

The selection of Menkes to develop the Waterfront Innovation Centre resulted from a competitive process under the management of WT. The concept advanced by WT was to secure a private sector proponent that would lease the land from the City and build an office development based on an innovation centre concept. The proponent would pay market value for the lands and would construct, own and operate the office building as a market development. As part of the procurement process, a steering committee consisting of industry and academic experts as well as staff from the City's Waterfront Secretariat was created. A Fairness Monitor was also retained throughout the process.

During the RFP stage, WT determined that it would be difficult to secure a binding commitment to implement the innovation centre concept at a certain price point until the proponent was able to test the market in terms of attracting the unique tenant mix required for this development. Accordingly, WT introduced a two-stage process: The first stage allowed WT to select the pre-development partner who best demonstrated the capacity (technical and financial) and strategy for realizing the innovation centre concept. Four companies competed in this process and were shortlisted at the RFQ stage. Three companies competed at the RFP stage (the fourth withdrew) culminating in the selection of Menkes as WT's pre-development partner. The second stage, which has now been completed, was to allow for the marketing of the site, the development of a preliminary design, the negotiation of the terms of the transaction and the submission of a financial offer. At this time, Menkes reports it is in serious negotiations with lead tenants and intends to execute the ground lease shortly after Council's consideration of this staff report.

Menkes Proposal

Menkes' proposal for the site envisions purpose-built workspace designed to foster innovation and collaboration. Target tenants include those working in data intensive industries such as advanced visualization and interactive digital media, film and TV production. Businesses which fall into these categories include, for example, 3D animation, gaming, post-production, special effects and interactive design. Given their core business, such companies would regard the ultra-high speed broadband corridor and other "intelligent" infrastructure invested by WT in EBF as an asset. Other potential target tenants for this building are in the healthcare and clean technology sector.

A rendering of the development appears on Figure 1. It shows a mid-rise building on either side of Dockside Drive. One or more pedestrian connections between the two buildings is proposed. It is expected that the design will evolve as tenant requirements are better understood and inputs are received from both from the Waterfront Design Review Panel and the City's Site Plan Approval process. At this time, the building design contains approximately 32 516 square metres (350,000 square feet) of office space including ground floor retail along Queens Quay. A Committee of Adjustment application has been filed which would increase the permitted height from 10 storeys to 12 storeys and increase the gross floor area to approximately 37 161 square metres (400,000 square feet). Menkes is targeting 2,500 jobs to be generated by this project.

Proposed Transaction

In accordance with the 2006 City/TEDCO/WT MOU, as the use of this site will be for non-residential development, the staff recommendation is for a long term ground lease (3 year construction period followed by 99 year term) on an "as is where is" environmental basis.

It should be noted that through the RFP process, the successful proponent was permitted to submit a bid to the City for an outright purchase of the site and Menkes has done so. The financial details of its bid are contained in Confidential Attachment 4; however, given Council's direction for non-residential projects to proceed by way of

long-term ground lease, which will allow this and all the other properties under ground lease in EBF to remain in City ownership, staff are presenting the transaction on the basis of a ground lease.

The structure of the transaction includes: a Ground Lease (GL) between the City as Landlord and Menkes as Tenant; an Undertaking Agreement (UA) between WT and the City; a Development Agreement (DA) between WT as effective lead and Menkes as Site Developer; and license agreements to allow for dockwall work and access. The major terms of the GL, UA and DA appear in Attachments 1, 2 and 3 respectively. Due to ongoing negotiations by WT with other proponents for other properties in East Bayfront, certain financial details of the transaction should remain confidential until the completion of development on publicly-owned lands in the precinct.

Some of the obligations and details of the transaction which are of particular interest to the City, together with City staff commentary, are highlighted below.

Closing Details

The transaction provides for Menkes to enter into the GL shortly after Council approval. This will allow Menkes to enter into sub-leases with its tenants which it requires immediately. December 31, 2018 is the proposed Commencement Date, which will trigger the lease payment to WT and the turnover of the property to Menkes. This date can be accelerated subject to terms.

Extensions

The Commencement Date can be extended to the Sunset Date of January 31, 2019 or later under the terms contained in the GL and DA as more particularly detailed in the Confidential Attachment.

Use Restrictions

Menkes and WT agree to restrict 60% of the gross floor area to Selected Innovation Uses as defined in the GL and DA for the initial 15 year period of the ground lease.

Improvements to City Infrastructure

As part of its delivery of the Waterfront Innovation Centre, Menkes will also:

1. Relocate the hydro switchgear and transformer vaults that are currently located in Sugar Beach to the inside of its building and restore Sugar Beach; and
2. Provide much-needed washroom facilities for use by the general public. The DA requires Menkes to design and deliver barrier-free, public washrooms in a publicly accessible location on the ground floor. The number of fixtures, hours of operation, location of the access, easement requirements and maintenance protocols are to be determined in consultation with Parks, Forestry and Recreation (PFR).

Parkland Dedication

Parkland dedication in East Bayfront has been satisfied by WT on a precinct-wide basis with the construction of Sugar Beach, Sherbourne Common, the water's edge promenade and, Aitken Place Park. Accordingly, Menkes will not be required to pay the 2% parkland dedication for non-residential development; however, the foregone value is provided for in the lease price Menkes is paying.

Waterfront Toronto Obligations

Much of the upfront investment to ready Blocks 1 and 2 for development has been provided by WT. In addition, WT has satisfied the parkland dedication requirements for this precinct. A final site preparation project will be required to be undertaken by WT (or Menkes as its subcontractor) and is provided for in the transaction. This will involve the relocation of tie rods/anchor walls under Block 1 which support the adjacent dockwall in the Jarvis Street Slip. Options for this work are now being investigated by WT, in consultation with PFR. Recommendation 5 grants the General Manager, PFR, authority to approve the plans and ensure any necessary restoration of parkland relating to this project.

Respective Roles Regarding Environmental Remediation

To date, WT has carried out the environmental activities required to obtain Certificates of Property Use, Records of Site Condition and Certificates of Requirement on both Blocks 1 and 2. Following the Commencement Date, Menkes will be responsible for environmental remediation and associated obligations. However, WT will retain an oversight and monitoring role of the tenant's performance to ensure the tenant is fulfilling its obligations. WT will also have direct obligations to the City more particularly set out in the UA.

Exemption from Standard City Leases

WT is mandated to bring private sector investment in the form of commercial, residential and institutional development to Toronto's waterfront. The Waterfront Innovation Centre, represents a significant market-based financial commitment upwards of \$150 Million. Hence, WT needs to function in a similar fashion to other arm's length corporations with a similar mandate relating to commercial development. The negotiations with Menkes have resulted in lease terms that would either typically not be granted under a City lease or be exempted from a standard City ground lease, but were considered necessary by WT to deliver a market development. These include provisions allowing the City to provide non-disturbance agreements, rights of first refusal, assignment and subletting and to apply other terms in place of requiring the demolition of the building at the end of the lease term. This exemption is provided for in Recommendation 9.

Reinvestment of Land Sales Revenues by WT

As detailed in the Decision History, the release of East Bayfront land sale proceeds and commercial lease revenues to WT for reinvestment in the waterfront dates back to the 2004 City staff report "Governance Structure for Toronto Waterfront Revitalization". This initial direction was confirmed through Council's 2006 approval of "Toronto Waterfront Revitalization: Memorandum of Understanding (MOU) among the City of Toronto, City of Toronto Economic Development Corporation and Toronto Waterfront Revitalization Corporation". The direction was confirmed again through Council's 2006 approval of the East Bayfront Business and Implementation Plan, as well as a number of site specific approvals: George Brown College (Blocks 4 and 5) in 2009; Parkside/Great Gulf in 2009; Bayside/Hines in 2010; George Brown College expansion (2016). The reinvested funds will allow WT and the City to meet its respective contractual obligations to East Bayfront developers on public lands for the delivery of infrastructure, parkland/public realm and servicing.

The Waterfront Innovation Centre is the final transaction/development associated with the East Bayfront Business and Implementation Plan. Future waterfront precincts, including the Port Lands, will require their own detailed business and implementation plans. Such plans, which will include due diligence on funding sources/options, will be shaped by ongoing discussions with the provincial and federal governments regarding tri-government funding for Port Lands Flood Protection and other Waterfront 2.0 projects.

An October 21, 2016 staff report on Port Lands Flood Protection identified that revenues from the sale of land owned by TPLC and the City in the Port Lands could be a significant source for funding the City's share of the flood protection and enabling infrastructure project. The City will want to consider a variety of different funding sources and combinations thereof for future precinct-specific business and implementation plans. Staff will report on this by end of Q2 of 2017 as part of its response to the following Executive Committee and Council direction:

7. City Council direct the Deputy City Manager and Chief Financial Officer to report to Executive Committee on the merits of directing the proceeds arising from the sale of City-owned land in the Port Lands to be first applied to offset flood protection costs and then towards other necessary infrastructure improvements, and directing that any pledge of City-owned land be contingent on further matching funds from the Provincial and Federal governments.

CONCLUSION

Bringing high-value employment to Toronto's waterfront has been a key component of the EBF vision. The implementation of the Waterfront Innovation Centre, a \$150 Million project expected to generate 2,500 jobs, largely in the technology and innovation-related sector, represents a significant opportunity to implement the City objectives of economic development and employment generation in the waterfront. It will also leverage the public investment in EBF including infrastructure, open space and amenities to provide an attractive and competitive location for targeted sectors and their employees. The transaction presented by WT reflects and protects the City's interests and policies and represents a positive demonstration of how the private and public sector can collaborate to encourage business innovation and growth. Accordingly, staff recommend its approval.

This report has been prepared by the Waterfront Secretariat, with input from Real Estate Services, Parks, Forestry and Recreation, Economic Development and Culture, ECS (Environmental Unit), Financial Planning and Waterfront Toronto, and in consultation with Legal Services.

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SIGNATURE

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ATTACHMENTS

Map 1 - East Bayfront Land Ownership
Figure 1 - Rendering, Waterfront Innovation Centre
Attachment 1 - Major Terms: Ground Lease, Waterfront Innovation Centre
Attachment 2 - Major Terms: Undertaking Agreement, Waterfront Innovation Centre
Attachment 3 - Major Terms: Development Agreement, Waterfront Innovation Centre
Attachment 4 - Confidential Information