

Bridletowne Community Hub – Update

Date: September 21, 2020

To: General Government and Licensing Committee

From: Executive Director, Corporate Real Estate Management

Wards: Ward 22 – Scarborough-Agincourt

SUMMARY

The purpose of this report is to seek City Council authorization to amend certain terms set out in Item EX28.15 – Lease Agreements with Scarborough Rouge Hospital and the YMCA of Greater Toronto for the Development of the Bridletowne Community Hub (the "2017 report"), considered by the Executive Committee on October 24, 2017 and adopted by City Council on November 7, 8 and 9, 2017.

The 2017 Report authorized the City to enter into ground leases with the Scarborough Rough Hospital, now Scarborough Health Network, and the YMCA of Greater Toronto (the "YMCA"), on the terms and conditions set out in the 2017 Report, for the northerly portion of 1251 Bridletowne Circle (the "Property") for the development of the Bridletowne Community Hub (the "Project").

Following the adoption of the recommendations in the 2017 Report, various circumstances have impacted the Project roadmap, which necessitated changes to a number of the Project's elements including, but not limited to, revisions to the Site Plan and key dates. As a result, the terms and conditions of the ground lease (the "Lease") with the Scarborough Health Network must be amended. These amendments, if authorized, will allow the Project to proceed while ensuring flexibility in future uses in support of the City-building objectives.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management, recommends that:

1. City Council authorize the Deputy City Manager, Corporate Services, and the Executive Director, Corporate Real Estate Management, to execute the ground lease with the Scarborough Health Network on behalf of the City of Toronto, substantially on the amended terms outlined in Attachment 2 to this report, or on such other terms and conditions as may be acceptable to the Deputy City Manager, Corporate Services, and

the Executive Director, Corporate Real Estate Management, and in a form acceptable to the City Solicitor.

FINANCIAL IMPACT

There are no short term financial implications resulting from the approval of the amendments to the terms and conditions of the Lease. Upon the expiry or earlier termination of the Lease, the City of Toronto (the "City") will take possession of the building (the "Building") to be constructed by the Scarborough Health Network at the Property, provided certain conditions are met. The current estimated value of the Building is \$48.8 million. Upon possession, the City will be responsible for the operation and maintenance of the Building. Funding for these obligations will be included in future year Operating and Capital Budget submissions for Corporate Real Estate Management, when the City takes possession of the Building.

One of the conditions that requires to be met for the City to take possession of the Building is that it must have a Facility Condition Index of less than ten percent (10%). The Facility Condition Index is the ratio of the deferred maintenance cost to the building replacement value, a facility management benchmark used to assess the current and projected condition of a building asset. The purpose of the Facility Condition Index is to provide a way to objectively compare the relative condition of a group of facilities. A Facility Condition Index of less than ten percent (10%) characterizes a building as being in "fair to good" condition.

The City will request that the Scarborough Health Network assume any deferred maintenance costs prior to taking possession of the Building, to further ensure that the Building is returned to the City in fair to good condition.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

At its meeting of August 25, 26 and 27, 2010, City Council approved the acquisition of the Property from the Toronto Lands Corporation (a subsidiary of the Toronto District School Board) for use as a community hub.

<http://www.toronto.ca/legdocs/mmis/2010/ex/bgrd/backgroundfile-32904.pdf>

At its meeting of September 21 and 22, 2011, City Council authorized the City to enter into an Offer to Sell with the Toronto District School Board to acquire the Property at a purchase price of \$5,742,000 plus applicable taxes and registration fees, estimated at \$0.2 million. City Council directed that the 2011 Approved Capital Budget for Real Estate Services be increased by \$5.942 million gross, \$0 net, funded from the LARF to fund the acquisition.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX9.16>

Also at its meeting of September 21 and 22, 2011, Council approved the transfer of the Property to the YMCA at nominal consideration to purpose-build an approximately 100,000 square-foot multi-service facility that would house: (1) the YMCA; (2) rental space for community-based agencies; and (3) rental space for the Hospital and for other health services. The transfer was contingent upon, among other things, the YMCA reaching certain funding targets. City Council confirmed that the transaction was deemed to be in the interest of the City. City Council adopted the following recommendation contained in the report (September 15, 2011) from the City Manager [EX9.16a]: Major Terms and Conditions of the Grant Agreement between the City of Toronto and the Y.M.C.A.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX9.16>

On June 10, 2014, City Council adopted a zoning amendment to amend L'Amoreaux Community (South) Zoning By-law No. 12466, by adding Exception 73, permitting a 4-storey building with a maximum gross floor area of 150,000 square feet with additional permitted uses including a community center of up to 60,000 square feet, medical clinic up to 40,000 square feet, offices up to 20,000 square feet and ancillary retail up to 30,000 square feet.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.SC32.21>

Despite the best efforts of the YMCA, it was not able to secure the required project funding within the timeframes contained in the transfer agreement. As a final attempt to collectively secure the resources required to deliver the original vision of a Bridletowne Community Hub, on October 5, 2016 City Council adopted a motion to reinstate the conditions of the original Bridletowne servicing agreement until June 30, 2017, and authorized that a revised project proposal be submitted for Council consideration no later than December 2017 should the funding requirements specified in the agreement not be secured by June 30, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.MM21.42>

At its meeting on November 7, 8 and 9, 2017, City Council adopted Item EX28.16, "Lease Agreements with the Scarborough Rouge Hospital and the YMCA of Greater Toronto for the Development of the Bridletowne Community Hub", and approved entering into ground lease agreements with the Scarborough Rouge Hospital, and YMCA of Greater Toronto on terms and conditions outlined in the report, based on a revised project proposal for the Birdletowne Community Hub.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.15>

COMMENTS

Background

Following the adoption of the recommendations set out in the 2017 report, various circumstances have impacted the Project's critical path. As such, the City and the Scarborough Health Network will seek to advance work on the Project by pursuing a flexible building design that can include a future expansion, while the YMCA continues efforts to secure necessary funding. The flexible building design is flexible such that it can accommodate the YMCA component once necessary funding is secured, or can

alternatively allow for other City-building opportunities in order to fulfil the vision of the Project. A summary of required changes to the Project's elements are outlined in further detail below.

Staff anticipate reporting to City Council in 2021 with further updates on the status of the YMCA funding.

Summary Breakdown of Revised Project Components

Site Plan:

In consultation with City Planning, further refinements to the original proposed layout of the Building location were made, requiring amendments to the initial proposed building layout. The updated Site Plan conforms to the current Zoning By-law as shown in Attachment 1 of this report.

Key Dates:

The Scarborough Health Network will be given an additional two (2) years to obtain the necessary approvals before the commencement of construction. The Executive Director, Corporate Real Estate Management, can extend this period for a further six (6) months as deemed necessary.

The construction period is estimated to take an additional two (2) years.

Demolition Clause/Facility Condition Index Clause:

The Lease terms, as approved by the 2017 Report, required that the Scarborough Health Network demolish the Building and restore the Property to its original condition as vacant land upon termination or expiry of the Lease. It was subsequently agreed by the City that if the Scarborough Health Network could design and construct the Building in a manner which could be easily converted for City or other market uses, then the City would not require the Scarborough Health Network to demolish and restore the Property.

Upon termination or expiry of the Lease, the City will accept the Building if the following conditions are met:

- It is designed as a flexible building which can be converted for other uses, if necessary. The design must be satisfactory to the Executive Director, Corporate Real Estate Management, acting reasonably, and must comply with all applicable laws and by-laws.
- The Building has complies with all regulations, applicable laws and by-laws, and all obligations have been met.
- The Building must have a Facility Condition Index of less than ten percent (10%) (fair to good condition), supported by an independent third party consultant at the City's discretion.

The City will request that the Scarborough Health Network assume any deferred maintenance costs prior to taking possession of the Building, to further ensure that the Building is returned to the City in fair to good condition.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

ATTACHMENTS

Attachment 1 – Bridletowne Community Hub Updated Site Plan
Attachment 2 – Scarborough Health Network Updated Term Sheet

Major Terms and Conditions

1. Parties:

City of Toronto (the "City") and Scarborough Health Network ("SHN").

2. Leased Premises:

The leased premises (the "Leased Premises") are shown on the attached sketch.

3. Term:

(a) The term of the Lease (the "Term") shall be 30 years plus two (2) 5 year renewal options, unless terminated earlier. The Term shall commence on November 1, 2020 and end on October 31, 2050.

(b) Further renewal options may be negotiated between the City and SHN prior to expiry of the Term or any extension thereof, subject to City authorities.

4. Rent:

(a) Basic rent shall be nominal.

(b) SHN shall be responsible for all additional rent including any realty taxes which are payable in respect of the Leased Premises.

(c) SHN acknowledges and agrees that this Lease is a completely carefree lease to the Landlord, that the landlord is not responsible during the Term for any costs, charges, and outlays of any nature whatsoever arising from or relating to the demised lands and SHN's use and occupancy thereof.

5. Use:

The Property can only be used by SHN as a dialysis centre and related functions.

6. Access Agreement:

The City will grant SHN an access agreement to the Leased Premises for ingress and egress, the term of which shall be coterminous with the Term.

7. "As is" Condition:

SHN acknowledges that is has examined the Leased Premises, is familiar with the condition and the permitted uses thereof and accepts the Leased Premises in an "as is, where is" condition, and shall not require the City to pay for or do any work.

8. Construction:

(a) SHN agrees that the City will not be responsible for any costs whatsoever associated with the cost of construction of the building to be constructed on the Leased Premises.

(b) In the event the SHN commences and discontinues the construction of the Building, SHN will be responsible for the cost of the removal of all construction, demolition of all structures and removal of all debris.

(c) The City, at any time during the Term, shall have the right to be delivered a clean, unconditional, irrevocable and transferable letter of credit that is in a form that is reasonably satisfactory to the City.

9. Maintenance and Repairs:

SHN shall be responsible at its sole cost for all repairs, maintenance and replacements of all equipment and infrastructure comprising the Building.

10. Alterations/Improvements:

SHN shall not make or erect in or on the Leased Premises any installations, alterations, additions or partitions without first submitting drawings and specifications to the City and obtaining the City's written consent, which consent shall not be unreasonable withheld.

11. Assignment and Transfers:

SHN shall not effect any assignment, sublease or other dealing with the Lease or the Leased Premises at any time during the Term.

12. Administration and Management:

(a) The Deputy City Manager, Corporate Services ("DCM"), or her successor or designate shall administer and manage the Lease, including the provision of any consents, approvals, waivers, notices and notices of termination provided that the DCM may, at any time, refer consideration of such matter (including their content) to City Council for its determination and direction.

(b) SHN shall pay administration fees as set by City Council from time to time for amendments or renewals of the lease documentation.

13. General Obligations:

(a) SHN is responsible for all zoning and site plan approvals; and

(b) SHN is to construct parking spaces in compliance with zoning requirements;

14. Insurance and Indemnity:

SHN shall indemnify and save the City harmless from all claims whatsoever arising from its use and occupancy of the Leased Premises, and shall provide proof of insurance of a type and amount satisfactory to the City in its sole discretion.

15. Surrender of Building at End of Term

Upon expiry of earlier termination of the Term, the City will accept the Building provided the following conditions are met:

(a) It is designed as a flexible building which can be converted for other uses, if necessary. The design must be satisfactory to the Executive Director, Corporate Real Estate Management, acting reasonably, and must comply with all applicable laws and by-laws.

(b) The Building complies with all regulations, applicable laws and by-laws, and all obligations have been met.

(c) The Building must be returned to the City with a Facility Condition Index of less than ten percent (10%), supported by an independent third party consultant at the City's discretion.

In the event that the foregoing conditions are not met, the Tenant will be required to demolish the Building and restore the Leased Premises to the satisfaction of the City.

16. Early Termination

The lease shall automatically terminate if construction of the Building does not commence by September 1, 2022. The Executive Director, Corporate Real Estate Management shall have the option to extend this date for a period of six (6) months, in their sole discretion.