

Activation of 220 Poplar Road (Sir Robert L. Borden Business and Technical School)

Date: November 16, 2020

To: General Government and Licensing Committee

From: Executive Director, Corporate Real Estate Management

Wards: Scarborough-Guildwood

SUMMARY

The purpose of this report is to provide a status update on activating the Sir Robert L. Borden Business and Technical School (the "Borden Site"), located at 200 Poplar Road, for City of Toronto (the "City") and community purposes, in light of significant community interest in accessing the site.

The activation of the Borden Site has been subject to ongoing negotiations between the City of Toronto and the Toronto Lands Corporation, negotiating on behalf of the Toronto District School Board, to finalize the terms of a land exchange agreement that was authorized by City Council in 2019. The land exchange contemplated the City obtaining the fee simple interest in Borden Site, an 11.93 acre property owned by the Toronto District School Board, to be used to create a community hub servicing the needs of the local community along with allowing the City to explore city-building opportunities with other City-owned properties nearby.

In order to expedite the City's access to, and the activation of the Borden Site, the Toronto Lands Corporation has agreed to provide the City with a five year occupancy agreement, pursuant to which the City would assume full care and control of the facility and be permitted to grant use or otherwise permit the occupation of the facility by City divisions, agencies, and corporations, as well as community groups.

In order to activate the site, the following requirements need to be met in a sequential order, as follows:

- Budget approvals;
- Community space activation and City Council authorization, including authority to execute the early occupancy agreement with the Toronto Lands Corporation;
- The execution of the early occupancy agreement with the Toronto Lands Corporation; and,
- Site design, fit up and space allocation.

It is anticipated that the outlined process to activate the Borden Site will take approximately 12 months.

RECOMMENDATIONS

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

1. The General Government and Licensing Committee receive this report for information.

FINANCIAL IMPACT

Capital Investment

Capital costs for site readiness are estimated to be up to approximately \$1.000 million to address investment in necessary building systems and infrastructure to support community use and fit up expenses required to accommodate tenant use. Funding for this work is available within the 2020 – 2029 Capital Budget and Plan for Corporate Real Estate Management under CCA266-05 - School Lands Property Acquisition, funded from the Land Acquisition Reserve Fund (LARF). Given the purpose of the LARF is to finance the purchase of new properties or for other purposes as City Council may direct, staff will request to use the LARF to finance the site design and fit up expenses at this community space through the 2021 budget process.

Operating Costs

The total gross operating expenditures to the City for the five (5) year term is estimated to be \$8.125 million. After accounting for recoveries of operating costs from tenants of the community space and provincial recoveries from space occupied by Toronto Paramedic Services, net expenditures over the five (5) years is estimated to be \$2.925 million. For clarity, the cost model factors in tenant responsibility for operating costs of the community space as required by City policy. Operating costs are estimated to start in the third quarter of 2021 while the building remains unoccupied. Full operating costs, estimated at approximately \$2.000 million annually, (\$0.700 million after all recoveries), are anticipated to start in the first quarter of 2022.

No funding for these costs exists in Corporate Real Estate Management's 2020 Council Approved Operating Budget. A request for funding will be submitted for consideration through the 2021 budget process.

A summary of the anticipated operating costs and recoveries for the site are as follows:

In \$ millions	2021	2022	2023	2024	2025	Total
Operating Costs(1)	\$0.125	\$2.000	\$2.000	\$2.000	\$2.000	\$8.125
Recoveries	-	(\$1.300)	(\$1.300)	(\$1.300)	(\$1.300)	(\$5.200)

Total Operating Cost	\$0.125	\$0.700	\$0.700	\$0.700	\$0.700	\$2.925
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(1) Assumes Toronto Paramedic Services occupies 40 percent of rental square footage and is eligible for 50 percent provincial recovery and 44 percent occupied by third party tenants for which operating costs are recovered.

Notional Rent

The early occupancy agreement includes a notional rent that will be accrued for the five (5) year term of \$7,451,535 inclusive of Harmonized Sales Tax (\$6,710,338 net of Harmonized Sales Tax recoveries). The early agreement provides that the notional rent will accrue but will only be payable in the event the land swap is not completed prior to the end of the term of the occupancy agreement. It is anticipated that the notional rent will stop accruing in the first quarter of 2024. The accrued notional rent will be an adjustment in the land swap transaction. Notional rents are considered to be future liabilities that the City will accrue. These will be addressed through the land swap agreement, and will not be included in the 2021 Budget submission process.

The Chief Financial Officer and Treasurer has been provided the financial impacts associated with this program for review as part of the 2021 budget process.

DECISION HISTORY

At its meeting on July 16, 17 and 18, 2019, City Council adopted GL6.17, "Land Exchange with the Toronto District School Board - City Acquisition of 200 Poplar Road in Exchange for Stratified Ownership at 770 Don Mills Road", and authorized a land exchange agreement with the Toronto District School Board for the exchange of fee simple interest of the property located at 200 Poplar Road, known as Sir Robert L. Borden Business and Technical School, in exchange for stratified ownership at the future City of Toronto mixed-use development site located at 770 Don Mills Road as part of the Housing Now Initiative.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL6.17>

At its meeting on May 22, 23 and 24, 2018, City Council adopted MM41.23, "Creating a Sustainable and Vibrant Community Hub at the Sir Robert L. Borden Business and Technical Institute - by Councillor Paul Ainslie, seconded by Councillor Jim Hart", and authorized staff to identify opportunities for creating a sustainable and vibrant community hub at the Sir Robert L. Borden Business and Technical Institute site that would meet the needs of the local community.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM41.23>

At its meeting on May 22, 23 and 24, 2018, City Council adopted EX34.14, "Replenishment of Funding for School Lands Property Acquisition", and authorized the establishment a capital project funded through the Land Acquisition Reserve Fund to serve as a primary funding source for the acquisition of future surplus school properties.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX34.14>

COMMENTS

Background

In July 2019, City Council authorized a land exchange agreement with the Toronto District School Board, through the Toronto Lands Corporation, for the exchange of fee simple interest of the Borden Site, in exchange for stratified ownership at the future City mixed-use development site located at 770 Don Mills Road as part of the Housing Now Initiative.

The land exchange contemplated the City obtaining the fee simple interest in the Borden Site, to be used to create a community hub servicing the needs of the local community along with allowing the City to explore city-building opportunities with other City-owned properties nearby.

Corporate Real Estate Management and CreateTO are in ongoing negotiations with the Toronto Lands Corporation, on behalf of the Toronto District School Board, to finalize the terms of the authorized land swap. CreateTO staff have advised that the development plans for the 770 Don Mills Road site have been delayed as a result of Provincial transit planning which has prohibited the finalization of key terms required for the land swap agreement.

Current Status

There is significant community interest in activating the Borden Site for City and community purposes. This site has remained vacant for many years, in an area acknowledged as being under-serviced in community space and resources.

In order to expedite the City's activation of the Borden Site, the Toronto Lands Corporation has agreed to provide the City with a five year occupancy agreement, pursuant to which the City would assume full care and control of the facility and be permitted to grant use or otherwise permit the occupation of the facility by City divisions, agencies, and corporations, as well as community groups.

In order to activate the site, the following requirements need to be met in the following order: (i) budget approvals through the 2021 Budget process; (ii) community space activation and council authorization, including authority to execute the early occupancy agreement with the Toronto Lands Corporation; (iii) execution of the early occupancy agreement with the Toronto Lands Corporation; and (iv) site design, fit up and space allocation.

Community Space Activation and Council Authorization

Social Development, Finance and Administration has been engaged on a preliminary basis to assess the potential suitability of various community groups in the activation of the Borden Site. There are several considerations that must be assessed in activating this site, particularly around the long-term plans for city-building, the value of a temporary hub and its impact on community group tenants, the feasibility of using the

site for as a community hub, and costs required to support the initiation of a community hub. In order to effectively activate this site, a fulsome assessment of these considerations and programmatic/governance design must be completed.

The City has brought several community hubs online, using various models and experiencing various levels of success. In order to effectively initiate a new hub site, funding resources are required to support staff and community agencies to undertake the necessary local engagement, coordination and hub framework development.

Corporate Real Estate Management, in consultation with CreateTO, has engaged with several City divisions and agencies to assess interest in using this site for City purposes. At this time, Toronto Paramedic Services and Parks, Forestry and Recreation have indicated some interest in using the site. Furthermore, Corporate Real Estate Management will be assessing whether the site can be used as swing space for furthering the workplace modernization that is required at Scarborough Civic Centre, as a part of the ModernTO program.

Corporate Real Estate Management and Social Development, Finance and Administration have started the site activation assessment and anticipate reporting back to City Council on the activation plan for the Borden Site as a community hub in the first quarter of 2021. Further details on the needs of the City divisions that are interested in accessing the site, and the impact on the site design and fit out, will also be developed and included in this report.

The early activation of the Borden Site is dependent on the eventual completion of the proposed land swap between the City and the Toronto Lands Corporation. CreateTO has advised that there are critical discussions ongoing with respect to the finalization of the terms of the land swap with the Toronto Lands Corporation, including details around the funding of construction, the timing of certain milestones, the design and specifications of the school and the roles of the City and the Toronto Lands Corporation in the completion of the land swap transaction.

Prior to the execution of the early occupancy agreement, the City must have assurances from CreateTO that the key terms of the land swap have been settled with the Toronto Lands Corporation. The report to City Council (planned for the first quarter of 2021) will summarize the current status of the land swap negotiations and confirm that all key terms have been settled and the land swap will proceed as contemplated. This report will also seek any additional authorities that may be required, including the execution of the early occupancy agreement with the Toronto Lands Corporations and the approval/authorization of the community tenancy agreements.

Site Design and Fit Up

Assuming budget approval and Council authorization for the activation of the Borden Site in the first quarter of 2021, Corporate Real Estate Management will commence the site design, capital work and space allocation in consultation with Social Development, Finance and Administration. It is anticipated that such work will take approximately three to six months. Once the final space design is complete, Social Development, Finance and Administration will begin working with community groups through the Community

Space Tenancy program, to identify potential tenancy and allocate space accordingly. Social Development, Finance and Administration has advised that it takes approximately six months to complete the tenant assessment and space allocation process. With these timelines in mind, it is anticipated that the site can be ready and tenanted by the first quarter of 2022.

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SIGNATURE

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