

Redevelopment of 260 Adelaide Street West - Authority to Enter into a Joint Development Agreement

Date: September 9, 2021

To: Executive Committee

From: Executive Director, Corporate Real Estate Management and Interim Chief
Executive Officer, CreateTO

Wards: Ward 10 - Spadina-Fort York

SUMMARY

The purpose of this report is to receive approval from City Council to authorize the Executive Director, Corporate Real Estate Management to enter into a negotiated joint development agreement with respect to the redevelopment of the City-owned property at 260 Adelaide Street West ("260 Adelaide") with the owner of 254 Adelaide Street West ("254 Adelaide"), 254 Adelaide Investments Ltd., based on the terms and conditions approved by the CreateTO Board, subject to obtaining City Council approval, by adoption of Item RA23.2 at its meeting of July 7, 2021 (the "CreateTO Board Report"), and set out in this CreateTO Board Report's Confidential Attachment 1.

Unlocking the value at 260 Adelaide will result in significant city-building, including affordable housing, new local parkland, a new and improved fire station and the construction of other important City facilities across a number of City-owned properties. CreateTO, working with colleagues in Corporate Real Estate Management and City Planning, have developed a business case to strategically leverage the property value at 260 Adelaide and achieve significant City-building along with the adjacent privately-owned properties at 254 Adelaide and 229 Richmond Street West ("229 Richmond").

As the redevelopment of 260 Adelaide is a broader City-building strategic initiative, it is appropriate that this City companion report and the CreateTO Board Report be considered by Executive Committee.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management and the Chief Executive Officer, CreateTO recommends that:

1. City Council authorize the City to enter into a joint development agreement and any related agreement with the owner of 254 Adelaide Street West to jointly rezone and sell 254 Adelaide Street West and 260 Adelaide Street West substantially on the terms and conditions set out in Confidential Attachment 1 to the CreateTO Board Report, and such other amended terms and conditions deemed appropriate by the Executive Director, Corporate Real Estate Management and in consultation with the Executive Vice President, Development, CreateTO, and in a form satisfactory to the City Solicitor.
2. City Council direct the Executive Director, Corporate Real Estate Management and Chief Executive Officer, CreateTO to report back to Executive Committee in the first quarter of 2022 for approval of the business plan for the redevelopment of 229 Richmond Street and Metro Hall funded by the redevelopment and sale of 260 Adelaide.
3. City Council direct the Executive Director, Corporate Real Estate Management and Chief Executive Officer, CreateTO to report back to Executive Committee detailing the sale of 260 Adelaide and any changes to the business plan, including costs and funding sources, when the joint sale of 254 Adelaide Street West and 260 Adelaide Street West is complete.
4. City Council authorize the public release of Confidential Attachment 1 to the CreateTO Board Report following the closing of the sale of the transaction referenced in recommendation 1, at the discretion of the City Solicitor.

FINANCIAL IMPACT

Joint Development Agreement

Under the joint development agreement, the City's proportionate share of the residual land value of 254 - 260 Adelaide is increased. The breakdown of the residual land value is summarized in the Confidential Attachment 1 of the CreateTO Board Report.

Sale of 260 Adelaide

The breakdown of the proceeds from the sale of 260 Adelaide are summarized in the Confidential Attachment 1 of the CreateTO Board Report

The values set out in the Confidential Attachment 1 of the CreateTO Board Report are subject to change as: the final gross floor area and number of units will be established through the Zoning By-Law Amendment process; construction costs are based on current market standards and are subject to change; and further studies are required to understand the impact of the COVID-19 pandemic on the real estate market.

Corporate Real Estate Management and CreateTO will report back to City Council on the comprehensive business plan (see Confidential Attachment 1 - Appendix D of the CreateTO Board Report) for the redevelopment of 229 Richmond, Metro Hall and redevelopment and sale of 260 Adelaide in the first quarter of 2022.

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

DECISION HISTORY

At its meeting on July 7, 2021, the Board of Directors of CreateTO approved the negotiated joint development agreement between the City of Toronto and the landowner of 254 Adelaide Street West to jointly rezone and sell the sites. The Board of Directors of CreateTO recommended that City Council approve the negotiated joint development agreement.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.RA23.2>

At its meeting on May 11, 2021, CreateTO Board approved the relocation of the Fire Station 332 to Metro Hall and the redevelopment plan for 260 Adelaide which will include affordable housing, a new Paramedic post, and community space. The Board approved the financial business case for the potential disposition of 260 Adelaide and the requisite funding allocation of the proceeds. The Board also approved the redevelopment plan for 229 Richmond, which will include an at-grade park and a potential below-grade parking garage.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.RA22.9>

At its meeting of October 29, 2019 City Council declared 260 Adelaide surplus and authorized the purchase of 229 Richmond. City Council directed CreateTO along with Corporate Real Estate Management and City Planning to report back in 2020 on a Precinct Plan for the combined sites (260 Adelaide & 229 Richmond) and adjacent properties as appropriate along with a business plan to activate these sites with City uses such as affordable housing, parks, public parking managed by Toronto Parking Authority, childcare, and any other uses as may be suitable.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.6>

At its meeting on October 2, and 3, 2019, City Council adopted Item MM10.3 entitled "Declaring a Climate Emergency and Accelerating Toronto's Climate Action Plan". City Council endorsed a net zero greenhouse gas emissions target that is in line with keeping global average temperature rise below 1.5 degrees Celsius, immediately strengthening Toronto's goal of becoming net zero before 2050, and City Council requested the Director, Environment and Energy to report back by the fourth quarter of 2020 on the feasibility of actions that could achieve net zero by 2040.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM10.3>

On June 5, 2019, the Minister of Municipal Affairs and Housing issued a Notice of Decision approving Official Plan Amendment No. 406 (the Downtown Plan) with modifications, including the Downtown Parks and Public Realm Plan.

<https://www.toronto.ca/legdocs/refdocs/11189.pdf>

At its meeting of March 7, 2019, City Council approved the 2019 Operating and Capital Budgets. In its 2019 Operating Budget & 2019-2028 Capital Budget and Plan, Toronto

Fire Services provided an update on building condition audits conducted for all Toronto Fire Services facilities, and recommended proceeding with identification of design opportunities to enable future fire stations to be integrated into various community hub and residential development proposals as opposed to maintaining the traditional stand-alone fire station model.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX2.5>

At its meeting of July 4, 2018, Toronto and East York Community Council requested staff begin work on a precinct plan for the area generally bounded by Adelaide Street West, Peter Street, Stephanie Street and Duncan Street, having regard for matters including implementation of the TOcore Downtown Parks and Public Realm Plan and Downtown Community Services and Facilities Strategy, the ongoing King-Spadina Secondary Plan Review and the King-Spadina East Precinct Public Realm Strategy, and the John Street Cultural Corridor project.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.TE34.219>

At its meeting on May 24, 25, and 26, 2017 City Council adopted TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto - Report 2 - The Pathway to a Low Carbon Future to the year 2050. Development of low-carbon thermal energy systems, including sewer heat recovery is a fundamental component for the City to meet its 2050 GHG reduction target.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PE19.4>

At its meeting of December 13, 14 and 15, 2016, City Council, considering TOcore, directed staff to develop a financial strategy to implement the infrastructure priorities, including revenue generation options such as a dedicated levy-system, locally generated DCs and park-land levies, all with a view to equitably and geographically accommodate the intense pressures resulting from residential intensification in the core.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.TE20.18>

At its meeting of September 6, 2016, Government Management Committee considered a report with confidential attachment with an appraisal of the property at 229 Richmond Street West, and referred the item to staff for a report on funding options and strategies in the context of parks and public realm planning underway in the downtown, to the Government Management Committee in the first quarter of 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM14.14>

At its meeting of June 13, 2016, Government Management Committee considered options for the acquisition of land for parkland purposes in King-Spadina, and directed Real Estate Services staff to report directly to City Council. At its meeting of July 12, 13, 14 and 15, 2016, City Council received a supplementary report with confidential attachment and directed staff to undertake an appraisal to determine the current market value of the property at 229 Richmond Street West.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM13.36>

At its meeting of December 9, 2015, City Council requested staff to develop a Secondary Plan for Downtown and supporting infrastructure strategies, including a Parks and Public Realm Plan for Downtown focusing on public spaces and parkland priorities, and a Community Services and Facilities Strategy for the Downtown

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responding to needs for recreation, child care, libraries, schools, human services and public health, to develop financial strategies for the TOcore infrastructure strategies, and to continue prioritizing parkland acquisition opportunities within the Downtown. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.TE12.43>

At its meeting of August 25, 26, 27 and 28, 2014, City Council endorsed a draft Public Realm Strategy for the King-Spadina East Precinct, and requested the General Manager, Parks Forestry & Recreation, to identify potential new parkland and proceed with parkland acquisition in the East Precinct of King-Spadina on a priority basis. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.TE34.92>

At its meeting of December 16, 17 and 18, 2013, City Council received a status update for the King-Spadina East Precinct Built Form Study setting out, among other things, preliminary directions regarding updating the public realm plan for the area and identifying parks, recreation and community services to be provided in tandem with growth. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.TE28.42>

COMMENTS

Background

In July 2021, the CreateTO Board approved the joint development agreement and recommended that City Council provide approval for the agreement. The City-owned 260 Adelaide property and privately-owned 254 Adelaide property (collectively, the "Proposed Development Site"), in addition to the adjacent City-owned 229 Richmond property, will collectively result in significant city-building, including affordable housing, new local parkland, as well as fund a new and improved fire station, childcare facility, and much needed community space.

Proposed Development Site (260 Adelaide and 254 Adelaide)

The joint development of 254 and 260 Adelaide Street West will allow for a single residential tower with an efficient rectangular floor plate and can yield approximately 652 residential units. To achieve this density, and any other redevelopment of the Proposed Development Site beyond the current zoning permissions, a Zoning By-Law Amendment is required.

The Proposed Development Site will also include a target of 30 percent affordable housing based on the average market rent, which will be guaranteed for a minimum of 99 years in the resulting residential redevelopment, a new Toronto Paramedic Services post and a new indoor community space.

Confidential Attachment 1 of the CreateTO Board Report provides further details of the terms and conditions of the negotiated joint development agreement.

Corporate Real Estate Management staff have reviewed the terms of the Joint Development Agreement and are recommend proceeding in this manner to effectively unlock the value of City assets for investment in strategic city initiatives.

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SIGNATURE

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