

Parkdale Hub Project – Advancing to Phase Three

Date: November 23, 2021

To: Executive Committee

From: Executive Director, Corporate Real Estate Management

Wards: Ward 4 - Parkdale-High Park

SUMMARY

The purpose of this report is to seek City Council authority for City Staff to take the necessary actions to advance the Parkdale Hub project to Phase three. On November 22, 2021, the CreateTO Board adopted RA27.6 (the "CreateTO Board Report") that presented the Feasibility Study (Phase two) for the Parkdale Hub project and recommended that, subject to City Council approval, CreateTO lead Phase three of the Parkdale Hub project in collaboration with Corporate Real Estate Management, City Planning, Housing Secretariat, Parks, Forestry & Recreation, Toronto Public Library, and Social Development, Finance & Administration. Details of Phase two, including the Feasibility Study as well as an overview of the work program for Phase three are presented in the CreateTO Board Report and its Confidential Attachments.

This report also seeks authority to initiate expropriation proceedings for a fee simple interest the property municipally known as 1337 Queen Street West (the "Property") for the purposes of new affordable housing and community program space.

The Parkdale Hub project is a strategic city-building initiative, and therefore it is appropriate that this City companion report and the CreateTO Board Report be considered jointly by Executive Committee.

RECOMMENDATIONS

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

1. City Council request the Chief Executive Officer, CreateTO and the Executive Director, Housing Secretariat to include the creation of replacement space for Toronto Artscape Inc. within the residential block(s) of the proposed Parkdale Hub development, including nine live-work units, an art gallery and community space.

2. City Council direct the Executive Director, Corporate Real Estate Management, in consultation with the Executive Director, Housing Secretariat and the Chief Executive Officer, CreateTO to initiate lease negotiations with Toronto Artscape Inc. to secure the ongoing delivery of their program within the proposed Parkdale Hub.
3. City Council authorize the Executive Director, Corporate Real Estate Management, or their designate, to continue negotiations to acquire fee simple interest in the property municipally known as 1337 Queen Street West, as listed in Appendix A and shown on the maps attached as Appendix B (the "Property"), and authorize the initiation of expropriation proceedings for the Property, for the purposes of affordable housing units and operating space for community-based organizations, programs and services.
4. City Council grant authority to the Executive Director, Corporate Real Estate Management, or their designate, to serve and publish Notices of Application for Approval to Expropriate the property municipally known as 1337 Queen Street West, to forward to the Ontario Land Tribunal any requests for inquiries received, to attend the hearing(s) to present the City of Toronto's position, and to report the Inquiry Officer's recommendations to City Council for its consideration.

FINANCIAL IMPACT

The costs to serve and publish the required Notices of Application for Approval to Expropriate, together with any costs related to attendance at the hearing(s), if any, will be funded from the 2021-2030 City Council Approved Capital Budget and Plan for Corporate Real Estate Management under account CCA226-10 Parkdale Hub Acquisition.

Before proceeding with the expropriation, staff will report to City Council through the General Government and Licensing Committee for approval of the expropriation (the "Stage Two Report"). The Stage Two Report will identify the estimated funding and the funding source for the fair market value of the Property Requirement, as well as any other anticipated costs including disturbance damages, legal and appraisal costs, land transfer tax costs, and all other associated costs stipulated under the Expropriation Act.

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

On November 22, 2021, the Board of Directors of CreateTO adopted report RA27.6 "Parkdale Hub Project - Completion of Phase 2 Feasibility Study, Advancing to Phase 3" recommending City Council direct CreateTO and relevant City Divisions to lead Phase 3 of the Parkdale Hub project:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.RA27.6>

On October 28, 2021 the Planning and Housing Committee adopted report PF28.2 "Housing Now Initiative – Annual Progress Update and Launch of Phase Three Sites". This report identified the Parkdale Hub as one of five 'pipeline' sites which, subject to satisfactory feasibility assessments, can be added to future phases of the Housing Now Initiative:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH28.2>

On February 18, 2021, City Council adopted report EX21.2 "2021 Capital and Operating Budgets". This included the adoption of the 2021-2030 Capital Plans for Parks, Forestry & Recreation, Toronto Public Library and Corporate Real Estate Management, each of which allocated capital funding towards the Parkdale Hub project over the next ten years. The adoption of this report also enabled the allocation of \$639,400 from the Housing Secretariat's budget towards the costs of undertaking Phase 3 of the Parkdale Hub project in 2022 and 2023, if directed to do so by City Council:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

On May 11, 2021 the Board of Directors of CreateTO reviewed a progress report on Phase 2 of the Parkdale Hub project, which provided an overview of work underway and advised that CreateTO staff would report back with the final findings of the Phase 2 study in Q4 2021. This report was forwarded by the Board to the June 1, 2021 meeting of Council's Executive Committee for information:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.RA22.8>

On December 17, 2019, City Council adopted report EX11.6 "Parkdale Hub Project - Feasibility Study", which provided an overview of the findings and recommendations arising from the Phase 1 feasibility study for the Parkdale Hub project. Based on these findings and recommendations, Council directed CreateTO to lead and collaborate with Corporate Real Estate Management, Parks, Forestry & Recreation, Toronto Public Library, Housing Secretariat, and Toronto Parking Authority in Phase 2 of the Parkdale Hub feasibility study. This report identified a preferred massing concept for the Parkdale Hub site, which included the opportunity for a strategic land assembly to further enhance programming opportunities, including additional affordable housing. Council authorized staff to initiate negotiations for the strategic land assembly, and directed staff to follow the guiding principles of the Housing Now Initiative in the implementation of the Parkdale Hub project:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX11.6>

On December 5, 2017, City Council adopted report GM23.14 from the Deputy City Manager, Cluster A and the Deputy City Manager, Internal Corporate Services, which included authorization for a new affordable housing lease agreement with Toronto Artscape Inc. at 1313 Queen Street West for a five-year term:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM23.14>

On March 28 and 29, 2017, City Council adopted motion MM27.3 and requested the three Deputy City Managers to convene an interdivisional agency table, including: Parks Forestry & Recreation, Toronto Public Library, Shelter Support and Housing Administration, City Planning, Economic Development & Culture, Toronto Parking

Authority, the Affordable Housing Office, Build Toronto, Toronto Public Health, Real Estate Services, and Social Development Finance & Administration to determine the feasibility of a coordinated City plan for City-owned properties located at 1313, 1303 Queen Street West and 220 Cowan Avenue:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.MM27.3>

COMMENTS

Project Background

The Parkdale Hub project Feasibility Study was initiated in 2017 through a Motion to City Council brought forward by the local councillor. The vision and an accompanying design concept for the Parkdale Hub site (Phase one), developed by an interdivisional agency table and informed by community engagement activities, were presented to City Council in December 2019, at which time City Council directed CreateTO to proceed with Phase two of the Feasibility Study. In addition, City Council also requested that 1303 Queen Street West be included in a future phase of Housing Now properties to be considered by City Council, and directed staff to follow the guiding principles of the Housing Now Initiative in the implementation of the Parkdale Hub project.

CreateTO has now completed the Phase two Feasibility Study which includes a demonstration plan informed by the preferred massing concept identified in the Phase one Feasibility Study, the functional programs provided by Parks, Forestry & Recreation and the Toronto Public Library for their respective future facilities, as well as the desire to provide replacement space for Artscape's Parkdale Arts & Culture Centre program. Further to City Council direction in EX11.6, 2019, the design team has worked collaboratively with City Planning to maximize height and density for affordable housing.

Further, the Housing Secretariat worked closely with CreateTO to review the affordable housing opportunities presented by the Parkdale Hub project, and the team are pursuing a development approach based on a proposed partnership with a non-profit housing group. In this case, a competitive call for a non-profit developer, or a non-profit-led partnership, would be managed by the Housing Secretariat. 1303 Queen Street West and 1337 Queen Street West could either be marketed together or separately. This project will serve as a catalyst supporting the ongoing social, cultural and economic vibrancy of the community and contributing to the City's broader city-building objectives including much needed affordable housing. Pending City Council approval, CreateTO staff will initiate Phase three of the Parkdale Hub project which will accomplish the work program through 2022 and 2023. Full details of the project can be found in the CreateTO Board report.

The following sections outline the City staff-led activities that will support the advancement to Phase three of the Parkdale Hub project, including the lease with Toronto Artscape Inc., the implementation plan for new community space, and the expropriation of 1337 Queen Street West.

1. Lease with Toronto Artscape Inc.

As the current tenant and operator of one of the properties within the Parkdale Hub site (1313 Queen Street West), Toronto Artscape Inc. ("Artscape") has been a key stakeholder throughout the Parkdale Hub project's history. The ongoing delivery of Artscape's cultural hub program - which provides affordable live-work housing for local artists as well as an art gallery and community office space - is essential to the residents and organizations that currently sub-lease units from Artscape at 1313 Queen Street West, making it a key element to the success of the proposed Parkdale Hub. Pending City Council direction, CreateTO and the Housing Secretariat will proceed into Phase three on the understanding that the residential sites within the proposed Parkdale Hub will include replacement space for Artscape's "Parkdale Arts and Culture Centre" program, including nine live-work units for artists, an art gallery and community space.

In 2017, City Council authorized a new five-year lease term between the City and Artscape at 1313 Queen Street West. This current lease term will expire on August 14, 2022, after which there are no further options to renew. In order to provide Artscape and its subtenants security of tenure as the Parkdale Hub project advances, Corporate Real Estate Management ("C.R.E.M."), with City Council's direction and in consultation with the Housing Secretariat and CreateTO, will initiate negotiations for a new lease with Artscape and report back with key terms and conditions for approval.

2. Implementation Plan for New Community Space

The creation of new inclusive and accessible community space has been a key objective of the Parkdale Hub project since the project's outset. A number of community organizations currently operate out of the Masaryk-Cowan Community Recreation Centre and the Parkdale Library. There is a desire for these groups to be provided with the opportunity to continue operating out of dedicated program areas in the proposed Parkdale Hub. There is also an opportunity to create new community spaces to facilitate the delivery of additional community-led programs and services to the Parkdale neighbourhood.

The demonstration plan presented in the CreateTO Board Report indicates that up to 1,550 square metres (16,700 square feet) of ground floor community space can be created through the proposed project. Approximately 400 square metres (4,300 square feet) of this space will be allocated as Artscape replacement space, leaving up to 1,150 square metres (12,400 square feet) of ground floor space for new community-led programs and services. There may be opportunity for additional basement level community spaces, depending on building support and servicing needs (to be confirmed in the next phase of work).

During the next phase of the Parkdale Hub project, Social Development, Finance & Administration ("S.D.F.A."), C.R.E.M., CreateTO and other appropriate City Divisions will work together to develop an implementation strategy for the proposed new community spaces within the proposed Parkdale Hub. This work will take place in collaboration with local community organizations and stakeholders, and will build on the conversations that have been underway with these groups since the project was initiated in 2017. CreateTO and City staff will also work together to develop a plan for

the subsequent phase of development and report back to Council in early 2023. A submission for capital funding will be made at the appropriate time.

3. Expropriation of 1337 Queen Street West

This report also seeks authority to initiate expropriation proceedings for a fee simple ownership of the property municipally known as 1337 Queen Street West (the "Property") for the purpose of a land assembly with adjacent City-owned properties to create new affordable housing units and community program space through the Parkdale Hub project.

1337 Queen Street West is located near the intersection of Queen Street West and Dunn Avenue, immediately to the west of the City-owned lands that comprise the Parkdale Hub site, and north of the Toronto Community Housing Corporation property (245 Dunn Avenue). Immediately to the west of the site is 1347 Queen Street West, which was also assessed by the project team in Phase one for its potential value to include for the Parkdale Hub project, but was determined not to have strategic value due to its limited lot size and heritage designation.

1337 Queen Street West fronts on the south side of Queen Street West and has an area of approximately 1,984 square meters (21,356 square feet). The site is currently encumbered by a one-storey building constructed in 1969 with a gross floor area of 8,500 square feet, and a surface parking lot. The property is privately-owned and is leased to Dollarama. The terms of the lease are not known at this time. Through Phases one and two of the Parkdale Hub Feasibility Study, the project team identified the significant potential benefits of acquiring and redeveloping 1337 Queen Street West as part of the proposed Parkdale Hub project, including:

- Opportunity to construct up to 109 additional housing units on this site (including at least 50 percent affordable units, which could be delivered through the Housing Now Initiative);
- Opportunity to construct up to 800 square metres (8,500 square feet) of community space at grade;
- Unlocking a key piece of property (70 square metres or 700 square feet) for vehicular access to the Parkdale Hub site from Dunn Avenue, which would provide critical access to the community recreation centre and library for loading and site servicing;
- Opportunity to strategically phase construction work over three sites (City lands east of Cowan Avenue, City lands west of Cowan Avenue, and 1337 Queen Street West) in order to minimize disruption of essential programs and services during construction; and
- Creation of a cohesive street wall on Queen Street West, advancing City Planning objectives for the area.

In 2019, Council authorized C.R.E.M. to initiate negotiations for acquisition of 1337 Queen Street West as part of the Parkdale Hub project, on the basis that any resulting transaction will be subject to approval by City Council with a report that identifies budgeted funds being available for such purposes. Through C.R.E.M.'s 2021 - 2030 Capital Plan, City Council allocated a budget of \$17.1 million from the Land Acquisition Reserve Fund for the acquisition, pending final City Council authorization of the transaction.

C.R.E.M. has made multiple attempts to progress negotiations with the owners of 1337 Queen Street West. This includes the use of an agent, directly reaching out via letter, and submitting a formal offer of purchase and sale subject to City Council approval. However, negotiations have stalled as the owners have expressed they are not interested in negotiating a transaction at this time and so expropriation may be required. This report therefore seeks authority to initiate Stage One of the expropriation proceedings at this point in time as 1337 Queen Street West is required as part of the next phase of the Parkdale Hub project, which will include a City-initiated rezoning application to prepare all of the Parkdale Hub sites for redevelopment. This is Stage One of the expropriation process. Should City Council adopt the recommendations in this report, staff will serve and publish the Notice of Application for Approval to Expropriate on each registered owner. Owners, as defined in the Expropriations Act (the "Act"), will have 30 days to request a hearing into whether the City's proposed taking is fair, sound and reasonably necessary.

Staff will report back to City Council with a Stage Two report, providing details on property values and other costs, and if a hearing is requested, the report of the Ontario Land Tribunal. The proposed expropriation would only be effected, after adoption by City Council, as approving authority, of the Stage Two report, by registration of an expropriation plan, which would then be followed by the service of notices as required by the Act.

Before the City can take possession of the expropriated property, offers of compensation based on appraisal reports must be served on each registered owner.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

ATTACHMENTS

Appendix A – Legal Description of 1337 Queen Street West
Appendix B – 1337 Queen Street West, Location Map and Property Outline

Appendix A – Legal Description of 1337 Queen Street West

| Municipal Address | Legal Description | Approximate Area |
|------------------------|---|--------------------|
| 1337 Queen Street West | LT 5 PL 382 PARKDALE; PT LT 4, 6, 92 PL 382 PARKDALE AS IN CA268851 | 21,356 square feet |

Appendix B – 1337 Queen Street West, Location Map and Property Outline

