

The Wellington Destructor - 677 Wellington Street West

Date: August 30, 2021

To: The Board of Directors of CreateTO

From: Chief Executive Officer, CreateTO

Wards: Ward 10, Spadina-Fort York

REASON FOR CONFIDENTIAL INFORMATION

The attachments to this report are about a position and plan to be applied to negotiations carried on or to be carried on by or on behalf of CreateTO or the City of Toronto.

SUMMARY

The purpose of this report is to seek comments from the Board of CreateTO on the proposed commercial terms of a long term ground lease for the Wellington Destructor property located at 677 Wellington Street West, as outlined in Confidential Attachment 2, to ensure that the terms, beyond those contained in the City's Request for Proposal and the proponent's proposal, are commercially reasonable and reflect the requirements of the Wellington Destructor Head Lessee Request for Proposal, issued by Corporate Real Estate Management.

At its meeting on April 24, 25, 26 and 27, 2018, City Council authorized the Deputy City Manager, Internal Corporate Services to develop and undertake a call process to seek and secure a Head Lessee for the long-term lease of the Wellington Destructor and to report back on the call process with final recommendations. The report also outlined a process for Real Estate Services (now Corporate Real Estate Management) to engage with CreateTO in the determination of commercial terms related to the proposed head lease agreement and ongoing property management of the building prior to reporting back to Council.

Corporate Real Estate Management (CREM) has completed the two-stage call process and proposals were evaluated by an inter-divisional and inter-agency evaluation team including CreateTO. Confidential Attachment 1 to this report outlines the process undertaken by CREM to seek and select a Head Lessee, as well as provides details on the Head Lessee proponent selected. CreateTO has subsequently negotiated the major terms of the head lease agreement to limit risks to the City, as Landlord, and to maximize the obligations of the Head Lessee, as Tenant.

The Wellington Destructor is a 3,700 square metre, purpose-built garbage incinerator that was constructed in 1925 and remained in active use until the incineration of solid waste was halted in the mid-1970s. The building was adapted to be used as a transfer station until 1986, at which time it was decommissioned. The building has been vacant since. In 2013, the Wellington Destructor property was transferred to the Real Estate Services Division, at which time, the building was deemed to be unsafe due to extensive structural repairs required and health and safety concerns. Work was undertaken in 2016 to secure and mothball the site to protect the building until such time as permanent and appropriate uses have been determined.

The Destructor site presents an opportunity for the adaptive reuse of an existing City-owned heritage building as a cultural and community hub, with employment and commercial uses that could generate new income, as well as complement and support the existing and proposed employment uses of the surrounding area.

The Board of Directors of CreateTO is requested to review and recommend the negotiated term sheet between the City of Toronto and the recommended Head Lessee proponent, in anticipation that City staff will bring forward a report to General Government and Licensing Committee and City Council in October and November 2021 to approve the City the staff-administered Wellington Destructor Head Lessee call process and selected proponent.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board of Directors of CreateTO:

1. Recommend that City Council approve the negotiated term sheet between the City of Toronto and the recommended Head Lessee proponent (named in Confidential Attachment 1) for a long term ground lease of 677 Wellington Street West, as outlined in Confidential Attachment 2, subject to the necessary City of Toronto approvals and on terms and conditions acceptable to the City Solicitor.
2. Direct that Confidential Attachments 1 and 2 to this report be made public, once negotiations are complete and at the discretion of the Chief Executive Officer.
3. Direct the Board Secretary to transmit the Board's decision to City Council for consideration when the City staff report is submitted.

FINANCIAL IMPACT

The financial impact of this Report is outlined in the Confidential Attachment 1.

DECISION HISTORY

At its meeting on July 4, 2018, Toronto and East York Community Council adopted TE34.94 "The Wellington Destructor, 677 Wellington Street West - City-Initiated Zoning Amendment - Preliminary Report" and directed staff to schedule and provide notice for a community consultation meeting with the Ward Councillor to present the proposal for the lands at 677 Wellington Street West to the public and obtain public input.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.TE34.94>

At its meeting on April 24, 25, 26 and 27, 2018, City Council adopted GM26.2 "Wellington Destructor: Adaptive Reuse Strategy," and authorized the Deputy City Manager, Internal Corporate Services to commence necessary work with Brookfield Financial (BFIN) to develop and undertake a call process to seek and secure a Head Lessee for a long-term lease of the Wellington Destructor, and to report back to City Council in 2019 on the results of the call process with final recommendations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM26.2>

At its meeting on August 25, 26, 27, and 28, 2014, City Council adopted OPA 273 to implement the recommendations of the South Niagara Planning Strategy, with respect to the City's vision for the South Niagara area. OPA 273 re-designates lands from Regeneration Areas to Mixed Use Areas, Neighbourhoods and Parks and Open Space Areas.

<https://www.toronto.ca/legdocs/mmis/2014/pg/bgrd/backgroundfile-71922.pdf>

COMMENTS

The Wellington Destructor site is a 0.85 hectare City-owned property that includes a 3,700 square metre vacant heritage building, formerly used as a garbage incinerator and transfer station. The property also includes a small office building, temporary winter camp structures and parking lot, which are currently used by Transportation Services staff and their contractors associated with the Wellington Works Yard property at 701 Wellington Street West.

In April 2018, City Council authorized the Deputy City Manager, Internal Corporate Services to develop and undertake a call process to seek and secure a Head Lessee for a long term lease of the Wellington Destructor, and to engage with CreateTO in the development of the commercial terms related to the proposed head lease agreement and ongoing property management of the building.

A Financial Advisor consultant, Brookfield Financial Real Estate Group (BFIN), was retained by CREM in 2018 to develop and undertake the two-stage call process on the City's behalf, which included a Request for Qualifications (RFQ) and Request for Proposals (RFP). Through the call process, the City sought creative proposals for the adaptive reuse and tenanting of the heritage-listed building. Primary objectives and guidelines for the Project were developed by City staff, based on feedback from the community and the local Councillor and based on the directions from the South Niagara Planning Strategy, as follows:

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- The contemplated reuse, any additions to the structure, and the contemplated mix of tenants should not result in any ongoing costs to the City, but more importantly should balance cultural, economic, environmental and social benefits.
- The project may include additions to the existing building provided that they are in keeping with the recommendations of the City's Technical Consultant (EVOQ Architecture) and subject to securing all required planning approvals.
- The project should include a tenant or a mix of tenants that will activate the site and draw visitors from across the City, as well as visitors to Toronto. Uses that animate the space in a thoughtful and interesting way are encouraged, including community and cultural facilities. Residential uses are prohibited.
- The Project should interpret and incorporate the history of the building.

Request for Qualifications (RFQ) Process

The RFQ was issued externally by BFIN in May 2018 and closed in July 2018. As part of the submission process, applicants were asked to provide a summary of their corporate profile and project team structure, a description of their relevant project experience on adaptive reuse projects involving heritage components completed within the previous five years. Applicants were also asked to demonstrate their financial capacity and experience financing similar real estate projects.

Four submissions were received through the RFQ process. Following review and evaluation of the submissions based on the criteria set out in the RFQ, two proponents were shortlisted and invited to participate in the second stage RFP.

Request for Proposal (RFP) Process

The RFP was issued by BFIN to the two shortlisted proponents in December 2018, with a closing date in March 2019.

Through the RFP process, proponents were asked to demonstrate how they expect to meet the adaptive reuse objectives of the Wellington Destructor through a distinctive design concept, sustainable site and building design, and a deliberate mix of uses or tenants that successfully combines community or public uses and open spaces with complementary commercial uses. These commercial uses are expected to offset the costs of any rent subsidies required for community or public uses. RFP proponents were encouraged to propose specific public or community uses and/or identify potential partners in their submissions. Proponents were also required to demonstrate the ongoing financial sustainability of the project, how the City's initial capital contribution would be repaid over the lease term, how the City could participate in revenue sharing, and how the development would be financially viable.

Proposals were extensively reviewed and evaluated by an interdivisional team of representatives from CREM (Real Estate Services and Financial Planning & Business Analysis), Environment & Energy, City Planning, Economic Development & Culture, and CreateTO, and monitored for fairness by BFIN, based on criteria described in the RFP. Following this evaluation, staff recommend securing the Head Lessee proponent identified in Confidential Attachment 1. CreateTO staff have been negotiating the major The Wellington Destructor, 677 Wellington Street West

terms of a ground lease agreement with the Head Lessee proponent, with CREM, and which are summarized in Confidential Attachment 2.

The proposal submitted by the recommended Head Lessee proponent provided the highest financial returns on the City's capital investment and included an innovative vision for the conservation of the heritage Destructor building as well as construction of a new low rise pavilion fronting along Wellington Street. All new uses within the property will fall within the following three programmatic categories: education, creation and innovation. A combination of retail, market rate and affordable commercial, and community spaces will be provided. The project will also include performance and event space, as well as outdoor common areas providing additional flexible space.

Stakeholder Engagement

During the project planning stages in April 2017, City staff led a public consultation event and online survey, as well as created a dedicated webpage to document feedback on the potential uses for the Wellington Destructor. This feedback was used to develop the vision and guiding principles for the reuse of the Wellington Destructor, outlined in the Head Lessee RFP. A Community Stakeholder Workshop was also held in September 2019 to consult with local stakeholder groups to re-affirm the vision and guiding principles. Feedback from this invited workshop was provided to the City's RFP Evaluation Committee to assist with the evaluation of proposals.

A stakeholder engagement plan will be developed by the Head Lessee in consultation with CreateTO and relevant City divisions. Public consultation sessions will be held following execution of the lease agreement, to present the project vision, design proposal and use strategy to the community. Staff will work with the local Councillor to coordinate consultation opportunities. Feedback received through the consultation process will be used to inform project development and the rezoning process.

Heritage Preservation

Following execution of the lease agreement, a City Council report will be required recommending that City Council state its intention to designate the Destructor heritage building under Part IV, Section 29 of the Ontario Heritage Act and give authority to enter into a Heritage Easement Agreement with the selected Head Lessee. Approval will also be required for any alterations proposed to the Destructor building.

Official Plan and City-Initiated Zoning By-Law Amendment

OPA 273 of the Toronto Official Plan re-designated the Wellington Destructor site as Parks and Open Space Areas, and allows for additional floor space on site, in accordance with applicable heritage policies, to achieve adaptive reuse. The Wellington Destructor site must adhere to heritage policies and encourage adaptive reuse of the structure for community and cultural space, potentially including office and small scale retail uses, food-related uses, and other non-residential uses that are compatible with the surrounding community.

On July 4, 2018, City Planning brought forward a Preliminary Report to Toronto and East York Community Council for a City-initiated Zoning By-law Amendment application to seek zoning permissions for additional uses and to help facilitate the adaptive reuse of the Wellington Destructor site, in accordance with the South Niagara Planning Strategy. The types of additional use permissions will be informed by community consultations, and the uses proposed by the Head Lessee proponent as part of the Wellington Destructor call process. The report provided preliminary information on the City-initiated application and recommendations seeking Community Council's direction on further processing of the application and on the community consultation process.

City Planning staff are currently assessing any necessary Zoning By-law Amendments to the Destructor property to allow for the range of uses and opportunities, beyond that are allowed by the current Zoning.

The proposed Head Lessee is expected to abide by these policies surrounding design and future uses of the Destructor, which would provide public benefit and align with the feedback received through stakeholder consultations.

Next Steps

Pending CreateTO Board endorsement of the Term Sheet, outlined in Confidential Attachment 2, staff will submit a joint report with CREM to General Government and Licensing Committee and City Council for approval.

Subject to City Council approval, and subject to the approval of the City's capital funding contribution to the Wellington Destructor Project to be brought forward in the 2022 Budget process, staff will work with City Legal and CREM to complete the negotiations of the ground lease agreement and will work with the Head Lessee to develop a community engagement strategy, in consultation with the local Councillor.

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Images of the Wellington Destructor

Confidential Attachment 1 - Head Lessee Proponent and Project Proposal

Confidential Attachment 2 - Major Terms and Conditions of Lease Agreement

Attachment 1: Images of the Wellington Destructor



Figure 1: Image of the Wellington Destructor in 1925



Figure 2: Image of the Wellington Destructor Today