

Parkdale Hub Project – Acquisition of 1337 Queen Street West

Date: June 17, 2022

To: General Government and Licensing Committee

From: Executive Director, Corporate Real Estate Management

Wards: 4 – Parkdale – High Park

REASON FOR CONFIDENTIAL INFORMATION

This report deals with a proposed or pending acquisition or disposition of land by the City of Toronto (the "City").

SUMMARY

The purpose of this report is to seek City Council authority for the City to acquire a fee simple interest in the property municipally known as 1337 Queen Street West (the "Property") for the purposes of new affordable housing and community program space as part of the strategic city-building initiative, Parkdale Hub project (the "Project"). This report also requests a portion of the acquisition costs be funded through the Land Acquisition Reserve Fund.

In December 2021, City Council authorized the advancement of the Project to Phase Three and provided staff the authority to initiate expropriation proceedings to acquire the Property. Since then, staff have negotiated major terms and conditions with the Property's owner to acquire the Property and have identified additional funding requirements. Staff are proposing the additional funding required to acquire the Property be funded from the City's Land Acquisition Reserve Fund as the acquisition aligns with the Council-adopted Strategic Acquisition Policy under the City-Wide Real Estate model. The details of the major terms and conditions and financial implications can be found in Appendix D and Confidential Attachment 1 to this report.

RECOMMENDATIONS

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

1. City Council increase the 2022-2031 Council Approved Capital Budget and Plan for Corporate Real Estate Management by \$4,657,000 gross and \$0 debt in 2022, funded from the Land Acquisition Reserve Fund (XR1012) and accelerate cash flow of the amount identified in the Confidential Attachment 1 from 2023 to 2022 under account CCA226-10 – Parkdale Hub Acquisition to support the fee simple acquisition of 1337 Queen Street West for the purposes of new affordable housing and community program space as part of the Parkdale Hub project.
2. City Council authorize the City to enter into an agreement of purchase and sale for the fee simple acquisition of the property municipally known as 1337 Queen Street West, as listed in Appendix A and shown on the maps attached as Appendix B, substantially on the terms and conditions set out in Appendix D and Confidential Attachment 1, and on such other terms and conditions that are acceptable to the Executive Director, Corporate Real Estate Management, and in a form satisfactory to the City Solicitor.
3. City Council authorize the public release of Confidential Attachment 1 following the closing of any purchase transaction.

FINANCIAL IMPACT

This report seeks City Council authority to increase the total project cost by \$4.657 million, cash flowed in 2022, by drawing additional funding from the Land Acquisition Reserve Fund ("L.A.R.F.") (XR1012).

This report also seeks City Council authority to accelerate cash flow under account CCA226-10 – Parkdale Hub Acquisition from 2023 to 2022, fully funded from L.A.R.F. to align timing with the expected purchase of the Property. The cost of acquiring the Property will be partially offset by the projected revenue from the commercial leases the City will inherit. Confidential Attachment 1 to this report contains additional details related to the financial impact.

Site remediation and readiness costs will be determined based on further investigations and costing analysis during the due diligence period under the agreement of purchase and sale and through the design process for the Parkdale Hub project. The offer is conditional on the completion of satisfactory environmental and site diligence. Preliminary site investigations have been completed and sufficient funds for necessary remediation and redevelopment is available in the 2022-2031 Council Approved Capital Budget and Plan for Corporate Real Estate Management.

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 February 17, 2022, City Council adopted Item EX30.2 "2022 Capital and Operating Budgets" authorizing the 2022-2031 Council Approved Capital Budget and Plan for Corporate Real Estate Management ("C.R.E.M.") including approval to acquire the Property under account CCA226-10 – Parkdale Hub Acquisition.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EX30.2>

On December 15, 2021, City Council adopted Item EX28.13 "Parkdale Hub Project - Advancing to Phase Three", authorizing the City to initiate expropriation proceedings to acquire the Property as well as other actions to advance to Phase Three of the Parkdale Hub project.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX28.13>

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 November 9, 2021, City Council adopted Item EX27.4 City-wide Real Estate - Next Phase of Implementation, approving the updated Strategic Acquisition Policy and other actions to advance the implementation of the City-wide Real Estate model.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX27.4>

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 and 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. Further to City Council approval in December 2021 (Item EX28.13), CreateTO staff has initiated Phase three of the Parkdale Hub project and will accomplish the work program through 2022 and 2023.

Acquisition of 1337 Queen Street West

As part of the December 2021 City Council approval, City Council also authorized Corporate Real Estate Management ("C.R.E.M.") to continue negotiations and initiate expropriation proceedings for the acquisition of the Property 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 representing an estimate of total acquisition costs from the Land Acquisition Reserve Fund for the acquisition, pending final City Council authorization of the transaction.

Since then, C.R.E.M. has negotiated major terms and conditions, including the purchase price, with the owners of 1337 Queen Street West to acquire the Property. As such, this report seeks City Council authority to enter into an agreement of purchase and sale with the Property owners substantially on the major terms and conditions settled to date, and to withdraw additional funding from the L.A.R.F. to support the acquisition of the Property.

The use of the L.A.R.F. aligns with the criteria set out in Table 1 of Attachment 3 - Strategic Acquisition Policy of Item EX27.4 including the ability to leverage other planned or ongoing capital projects, potential for interim lease cash flow, and fit with Council's Strategic Plan. The acquisition of the Property is deemed to be strategically important to the City.

The details of the major terms and conditions and the amount of additional funding required to acquire the Property can be found in Appendix D and Confidential Attachment 1 to this report.

The Property 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. Should the agreement of purchase and sale not be executed, staff will pursue the acquisition of the Property by way of expropriation. In such case, staff may 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.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

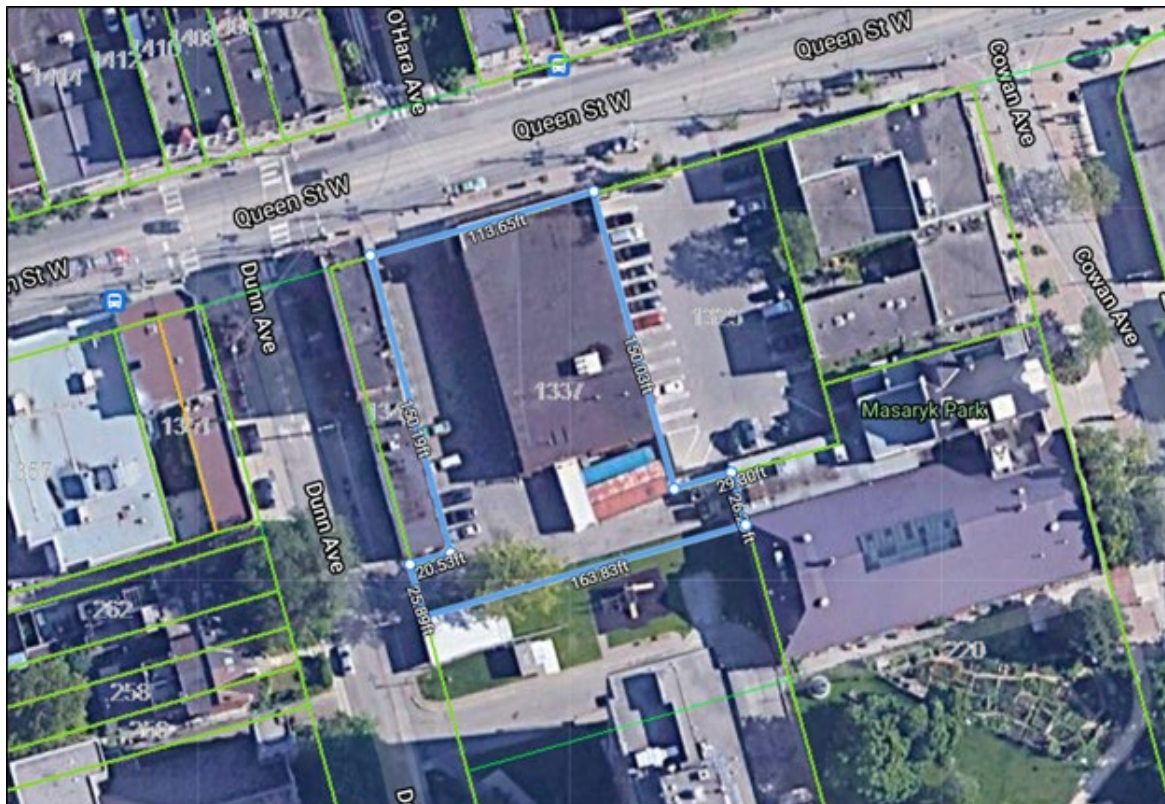
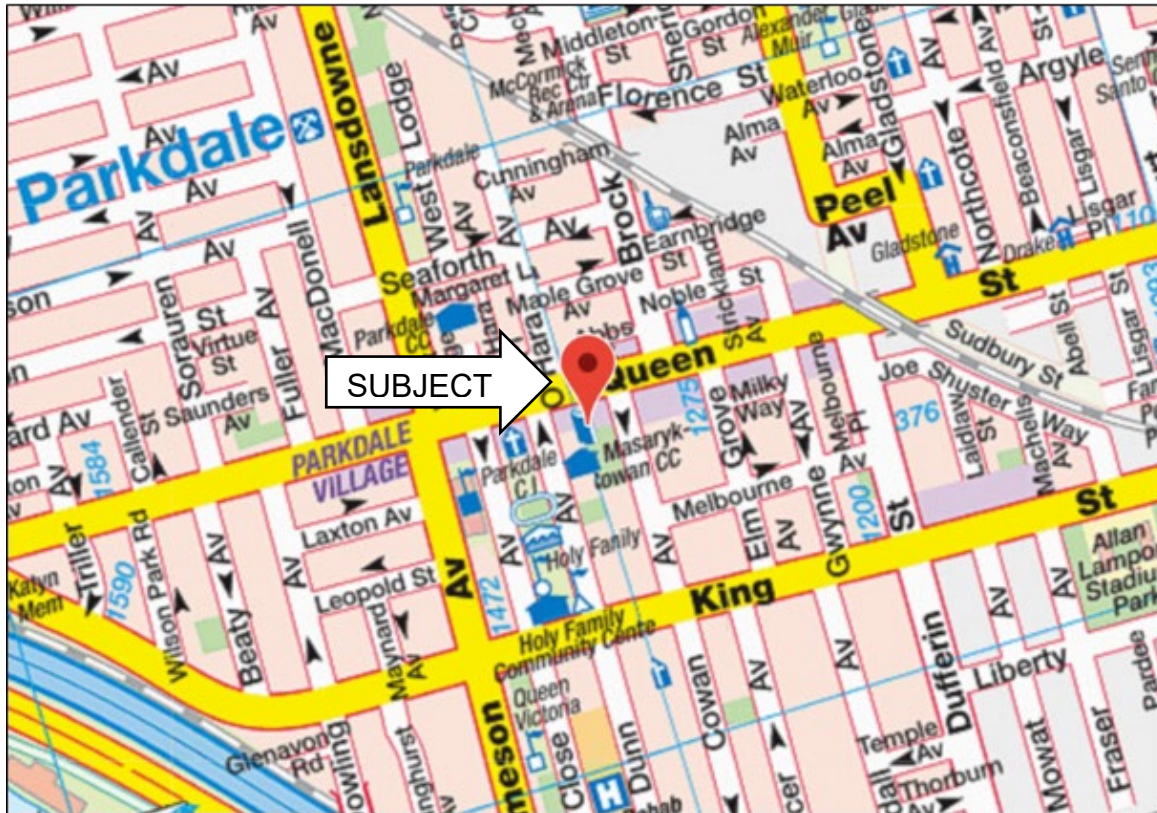
ATTACHMENTS

Appendix A – Legal Description of 1337 Queen Street West
Appendix B – 1337 Queen Street West, Location Map and Property Outline
Appendix C - Parkdale Hub Site Overview
Appendix D - Major Terms and Conditions
Confidential Attachment 1 - Major Terms and Conditions and Financial Implications

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



Appendix C - Parkdale Hub Site Overview



Appendix D - Major Terms and Conditions

Property Address:	1337 Queen Street West, Toronto
Owners:	Grand Beach Housing Limited, Alshire Limited and Halcyon Hills Enterprises Ltd. (collectively, the "Vendor")
Legal Description:	Lot 5, Plan 382 Parkdale; Part of Lots 4, 6 and 92, Plan 382 Parkdale, all as more particularly described in instrument number CA268851; City Of Toronto, being all of PIN 21302-0043 (LT)
Purchase Price:	Refer to Confidential Attachment 1
Deposit:	Refer to Confidential Attachment 1
Due Diligence Date:	60 days following the execution of the Agreement by the City, subject to a right in favour of the City to extend this date for a further period not exceeding 45 days solely for the purposes of environmental investigations.
Closing Date:	60 days following the Due Diligence Date.
City Conditions:	Satisfactory results of due diligence, including environmental due diligence and lease reviews.
Key Provisions:	<ol style="list-style-type: none">1. City is to assume the obligations of the Vendor as landlord under the existing leases with Dollarama L.P. and Outfront Media.2. Upon delivery of a notice of satisfaction of its due diligence conditions, the City shall be precluded from advancing any claims against the Vendor as a result of the environmental condition of the Property.