

ModernTO: Transfer of Properties to Build Toronto Inc. and Proposed Municipal Capital Facility Agreement

Date: January 6, 2023

To: General Government Committee

From: Executive Director, Corporate Real Estate Management

Wards: All Wards

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 transfer of the City-owned properties identified in Confidential Attachment 1 ("the Properties") from the City to CreateTO's corporate entity, Build Toronto Inc. This report is in response to direction received in Item EX31.10 "ModernTO: Unlocking Eight City-Owned Properties" to report back to City Council with an update on the ModernTO properties to be unlocked in the short-term and specifically to report back on proposed terms for an upcoming transaction on the Properties identified in Confidential Attachment 1.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management recommends that:

1. City Council grant authority to the Executive Director, Corporate Real Estate Management, to enter into an agreement to transfer the lands identified in Confidential Attachment 1, including agreements related thereto, to CreateTO's corporate entity known as Build Toronto Inc., or an affiliate of Build Toronto Inc., substantially on the terms and conditions set out in Confidential Attachment 1 and such other and amended terms and conditions that are acceptable to the Executive Director, Corporate Real Estate Management and in a form satisfactory to the City Solicitor.

2. City Council authorize severally each of the Executive Director, Corporate Real Estate Management, and Director, Transactions Services to execute the documents required to complete the transfer transaction.

3. City Council authorize the Executive Director, Corporate Real Estate Management to enter into a fully net lease with nominal base rent for those parts of the lands identified in Confidential Attachment 1, with Build Toronto Inc. or the subsequent owner of the lands, substantially on the terms summarized in Confidential Attachment 1.

4. City Council pass a By-law pursuant to Section 252 of the City of Toronto Act, 2006, providing authority to:

a. enter into a Municipal Capital Facility Agreement with Build Toronto Inc. or the subsequent owner of the lands, for the lands identified in Confidential Attachment 1, comprised of approximately 16,361 square feet of community space (the "Leased Premises"), for the purposes of providing a Municipal Capital Facility related to the provision of social and health services and ancillary parking; and

b. exempt the Leased Premises and ancillary parking, if any, from taxation for municipal and school purposes, with the tax exemption being effective from the latest of:

i. the commencement date of the Lease;

ii. the date the Municipal Capital Facility Agreement is entered into; and

iii. the date the Tax Exemption By-law is enacted.

5. City Council direct the City Clerk to give written notice of the By-law to the Minister of Finance, the Municipal Property Assessment Corporation, the Toronto District School Board, the Toronto Catholic District School Board, le Conseil Scolaire Viamonde, and le Conseil Scolaire Catholique Mon Avenir.

6. City Council approve, as the approving authority under the provisions of the Expropriations Act, the disposal to Build Toronto Inc. of any property, that forms part of the transactions contemplated by this report, that was acquired by expropriation without giving the original owner from whom the property was expropriated the first chance to repurchase the property.

7. City Council authorize the public release of Confidential Attachment 1 to this report following the closing of the transactions contemplated in Confidential Attachment 1, at the discretion of the Executive Director, Corporate Real Estate Management.

FINANCIAL IMPACT

The Properties will be transferred from the City to Build Toronto Inc. at nominal consideration.

Costs to implement the proposed recommendations are funded through the approved ModernTO Office Optimization Program and have been included in the 2022 Capital Budget. These costs include possible expenses effecting the transfer, such as registration charges, survey fees, appraisals fees, etc. as well as current estimated costs associated with the relocation of the existing municipal non-office uses from these sites in order to fully unlock the Properties.

Estimated additional revenues from the sale of the Properties are described in the transmitted CreateTO Board report respecting this matter, and are included in Confidential Attachment 1.

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

At its meeting on November 18, 2022, CreateTO Board adopted RA1.4 "ModernTO: Properties to be Unlocked in the Short-Term" which provided an update on the ModernTO properties to be unlocked in the short-term and to report back on proposed terms for an upcoming transaction on City-owned lands.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2023.RA1.4>

At its meeting on July 19, 2022, City Council adopted GL32.21 "Transfer of Strata Property to Build Toronto - 1978-2002 Lake Shore Boulevard West" which Council approved the transfer of a stratified portion of 1978-2002 Lake Shore Boulevard West for development purposes.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.GL32.21>

At its meeting on April 6 and 7, 2022, City Council adopted EX31.10 "ModernTO: Unlocking Eight City Owned Properties" which provided an outline on the recommended portfolio strategy that optimizes city-building opportunities on eight City-owned properties included in the ModernTO program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EX31.10>

At its meeting on October 9 and 10, 2021, City Council adopted EX27.4 "City-wide Real Estate - Next Phase of Implementation" which included a City Council direction on the implementation of a strategic investments policy.

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

At its meeting on November 3, 2020, Executive Committee adopted EX18.2 "ModernTO Workplace Modernization Program Business Case and Implementation Plan" which provided an update regarding the implementation of the ModernTO program originally adopted by City Council in 2019, including more aggressive targets for overall space reduction staff mobility ratios.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX18.2>

At its meeting on October 29 and 30, 2019 City Council adopted EX9.2 “ModernTO – City-Wide Real Estate Strategy and Office Portfolio Optimization” which directed the Deputy City Manager, Corporate Services to report back with a detailed business case and an execution plan for completing office optimization in primary office buildings and city-building opportunities to be pursued for eight properties unlocked through portfolio consolidation: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.2>

At its meeting on May 14, 2018, Executive Committee adopted a staff report entitled "Optimizing the City-Wide Office Portfolio" and endorsed key directions to modernize and find efficiencies in the City-wide office portfolio.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX34.4>

At its meeting on October 2, 3 and 4, 2017, City Council adopted EX27.12 “City-Wide Real Estate – Delegated Authorities Framework and Transition Plan”, which established a framework for centralizing City-wide real estate authorities with the new City-wide real estate model approved by City Council in May 2017.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.12>

At its meeting on May 24th, 2017, City Council adopted EX25.9 "City-Wide Real Estate Transformation". Council requested that the CEO, CreateTO, in collaboration with Deputy City Manager and affected City Divisions, Agencies and Corporations, to develop a City-wide real estate strategy for City Council approval in 2019.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9>

COMMENTS

At its meeting on April 6 and 7, 2022, City Council adopted Item EX31.10 "ModernTO: Unlocking Eight City Owned Properties" which provided an outline of the recommended portfolio strategy to optimize city-building opportunities on eight City-owned properties included in the ModernTO program. Through that report, City Council identified five sites to be unlocked for redevelopment in the short-term.

Also through that report, the CreateTO Board and City Council directed the Chief Executive Officer, CreateTO, in consultation with the Executive Director, Corporate Real Estate Management, to report back with an update on the five ModernTO properties to be unlocked in the short-term and specifically to report back on the proposed terms for an upcoming transaction on the City-owned properties (the "Properties") identified in Confidential Attachment 1 of EX31.10.

Since then, CreateTO and Corporate Real Estate Management staff have negotiated terms for an upcoming transaction on the Properties. The details of the upcoming transaction, the proposed terms and the associated financial impacts are summarized in the transmitted supplementary CreateTO Board report RA1.4 "ModernTO: Properties to be Unlocked in the Short-Term".

In order to facilitate the necessary negotiations and the sale of the Properties, this report seeks City Council authority to transfer the Properties from the City to Build Toronto Inc.

The transfer of Properties from the City to Build Toronto Inc. is consistent with historical practice, whereby certain City-owned properties are transferred to Build Toronto Inc. for city-building/development purposes (i.e. Item GL32.21). The proposed terms of the transfer are outlined in Confidential Attachment 1.

CONTACT

Alison Folosea, Director, Transaction Services, Corporate Real Estate Management,
416-338-2998, Alison.Folosea@toronto.ca

SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

ATTACHMENTS

Confidential Attachment 1 - Details of the Proposed Transfer of Properties to Build Toronto Inc.