



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENTS

ModernTO: Properties to be Unlocked in the Short-Term

Date: November 3, 2022

To: The Board of Directors of CreateTO

From: Chief Executive Officer, CreateTO

Wards: Ward 13 - Toronto Centre

REASON FOR CONFIDENTIAL INFORMATION

The Confidential Attachments to this report relate to both a proposed or pending acquisition or disposition of property belonging to the City and a plan to be applied to negotiations carried on or to be carried on by or on behalf of the Board of Directors of CreateTO and City of Toronto.

SUMMARY

The purpose of this report is to respond to direction received in EX31.10 (ModernTO: Unlocking Eight City-Owned Properties) to report back to the CreateTO Board and 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 City-owned properties identified in Confidential Attachment #1 (the "Properties"). Following review and input from the CreateTO Board, this report will be forwarded to the appropriate committee for consideration.

Details of the proposed transaction and proposed negotiated terms are summarized in Confidential Attachment #1.

RECOMMENDATIONS

The Chief Executive Officer, CreateTO recommends that:

1. The Board of Directors of CreateTO approve the negotiated terms for the proposed transaction involving the City-owned properties identified in Confidential Attachment #1 (the "Properties") with the entity identified and in accordance with the terms outlined in Confidential Attachment #1.

2. The Board of Directors of CreateTO recommend that City Council authorize the transfer of the Properties to Build Toronto Inc. or an affiliate of Build Toronto Inc.
3. The Board of Directors of CreateTO authorize the Chief Executive Officer, CreateTO and the Chief Legal Counsel & Corporate Secretary, CreateTO, to negotiate and execute all agreements, including a transfer agreement and all closing documents, register any required documents on title, and take all other necessary steps to accept the transfer of the Properties.
4. The Board of Directors of CreateTO authorize the Chief Executive Officer, CreateTO and the Chief Legal Counsel & Corporate Secretary to negotiate and execute agreements, including an agreement of purchase and sale and all closing documents, register any required documents on title, and take all other steps necessary to enable the completion of a transaction for the disposition of the Properties, to the entity identified and substantially in accordance with the terms outlined in Confidential Attachment #1.
5. The Board of Directors recommends that City Council authorize the Executive Director, Corporate Real Estate Management to execute a lease, as tenant, with the entity identified and substantially on the terms summarized in Confidential Attachment #1.
6. The Board of Directors of CreateTO authorize the Chief Executive Officer to ensure the proceeds from this transaction are allocated and paid substantially as outlined in Confidential Attachment #2.
7. The Board of Directors of CreateTO authorize the public release of (i) the address of the Properties at the discretion of the Chief Executive Officer, CreateTO, and (ii) the public release of the balance of Confidential Attachments #1 and #2 following the closing of any agreement of purchase and sale transaction, at the discretion of the Chief Executive Officer, CreateTO.
8. The Board of Directors of CreateTO recommend that City Council authorize the public release of Confidential Attachments #1 and #2 following the closing of any agreement of purchase and sale transaction, at the discretion of the Chief Executive Officer, CreateTO.
9. The Board of Directors of CreateTO request the Board Secretary to forward its recommendations to City Council to the appropriate committee for consideration with the report from the Executive Director, Corporate Real Estate Management regarding the transfer of the Properties.

FINANCIAL IMPACT

As outlined in the “ModernTO – Workplace Modernization Program Business Case and Implementation Plan Update” Report (EX18.2) in November 2020, there are many financial benefits that will be realized with the implementation of the Workplace Modernization Program including reductions in annual operating cost, reductions in annual capital cost, reduction in the City’s state of good repair (SOGR) backlog; and the unlocking of land value for city-building purposes. The proposed upcoming transaction on the Properties would reduce operating, capital and SOGR cost associated with each property and provide funding for future city-building objectives.

Additional details of the financial impacts of the proposed upcoming transaction are outlined in Confidential Attachment #2.

Costs associated with this program are funded through the approved ModernTO Office Optimization Program and have been approved in the 2022 Capital Budget and included in the 2023 Capital Budget request.

DECISION HISTORY

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 EX31.10 "ModernTO: Unlocking Eight City Owned Properties" which provided an outline on the recommended portfolio strategy to optimize city-building opportunities on eight City-owned properties included in the ModernTO program, including five sites identified to be unlocked for re-development in the short-term.

Through that report, the CreateTO Board and City Council also directed the Chief Executive Officer, CreateTO in consultation with the Executive Director Corporate Real Estate Management to report back with proposed terms for an upcoming transaction on the Properties. Details of the proposed transaction and proposed negotiated terms are summarized in Confidential Attachment #1 and details of the financial impacts of the proposed upcoming transaction are outlined in Confidential Attachment #2.

This report seeks to provide an update to the CreateTO Board on the properties to be unlocked in the short-term through the ModernTO program and seeks approval of the proposed transaction terms outlined in Confidential Attachment #1. Following review and input from the CreateTO Board, this report will be forwarded to the appropriate committee for consideration.

CONTACT

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SIGNATURE

Vic Gupta
Chief Executive Officer

ATTACHMENTS

Confidential Attachment #1 - Details of the Proposed Transaction

Confidential Attachment #2 - Financial Impacts