

St. Lawrence Centre for the Arts Redevelopment Project - Supplementary Report

Date: September 17, 2024

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This supplementary report from the Chief Financial Officer and Treasurer has been submitted for Council's consideration in companion with the report from the President and Chief Executive Officer of TO Live entitled Update on the St. Lawrence Centre for the Arts Redevelopment Project (CT11.2).

During the 2024 Budget process, City Council approved preliminary project funding to complete the schematic design phase of the St. Lawrence Centre for the Arts (STLC) Redevelopment Project through the reallocation of \$8.560 million in funding originally planned for State of Good Repair (SOGR) requirements within TO Live's 10-Year Capital Budget and Plan.

City Council also requested the President and Chief Executive Officer, TO Live, in consultation with the Executive Director, Corporate Real Estate Management (CREM), to report back to Executive Committee on refined project cost estimates upon completion of a schematic design. Council also requested that reporting include the status of project financing strategies.

In response to this request, at its meeting on September 12, 2024, the Board of Directors of TO Live received an update from the President and Chief Executive Officer, TO Live on the STLC Redevelopment Project (Item CT11.2), which included:

- An updated project cost estimate of \$421.467 million at the conceptual design stage, upon completion of the schematic design based on a Class D estimate (+/- 20%-30% accuracy).
- Preliminary results of a building condition assessment that is nearly complete that estimates a total cost of between \$70 to \$80 million over the next 10 years to alternatively complete only SOGR and accessibility improvements to the venue.
- A proposed updated financing strategy that includes:

- \$8.560 million in City funding already allocated to the project as part of the 2024 Budget process to complete the schematic design;
 - \$41.903 million in further City funding originally planned for SOGR requirements within TO Live's 10-Year Capital Budget and Plan, with its use contingent on federal and provincial funding commitments towards the project; and
 - \$371.0 million in project costs that are currently unfunded and would need to be secured from federal, provincial, third-party sponsorship, and further City contributions.
- The report also seeks Council authority to advance with the detailed design phase of the project at an estimated cost of \$8.779 million, to be funded by unspent funds from the \$8.560 million noted for the schematic design and an additional draw of \$7.0 million from originally planned SOGR funding within TO Live's 10-Year Capital Budget and Plan.
 - If approved, completion of this next proposed phase would bring the total spent to advance the project to \$15.560 million.

TO Live staff have worked collaboratively with the City on this initiative and engaged staff from within Financial Planning, Economic Development and Culture and Corporate Real Estate Management in preparation of the report (CT11.2). However, City staff advised that they were not supportive of advancing the project further to detailed design or beyond given the project's outstanding financial risks.

- The financing strategy outlined in CT11.2 relies significantly on financial support from the federal and provincial governments, as well as a third-party fundraising, none of which TOLive and the City have yet to secure.
 - In the absence of full funding commitments from other orders of government and third-parties, there is a financial risk that the redevelopment project will not be funded and completed as planned.
 - Should funding not be secured from the other orders of government and third-parties, the project could not proceed without further City funding contributions. If the project does not proceed, any amount reallocated from the originally planned SOGR funding within TO Live's 10-Year Capital Budget and Plan will not be available to meet the immediate needs identified in for TO Live's SOGR plan.
- Furthermore, the City's Financial Planning Division considered this project through the newly developed Capital Prioritization Framework, and the project scored poorly based on established evaluation criteria that aligns with Council priorities.

Given the continued financial risk of the project coupled with its poor rating within the Capital Prioritization Framework, the City's Chief Financial Officer and Treasurer is

recommending that the redevelopment project not proceed to the detailed design phase and instead consideration be given to accelerating and fully addressing SOGR needs at the venue.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that City Council:

1. Delete Recommendation 1 from the Board of Directors of TO Live as part of report CT11.2 and give direction that the St. Lawrence Centre for the Arts Redevelopment Project will not proceed to the detailed design phase.
2. Subject to Council approval of Recommendation 1 from this supplementary report, direct the Chief Financial Officer and Treasurer to include funding in the 2025 Budget for the Mayor's consideration, that will enable TO Live to fully address SOGR and accessibility requirements at the St. Lawrence Centre for the Arts, to be informed by the Building Condition Assessment once completed.

FINANCIAL IMPACT

TO Live has been provided with spending authority up to \$8.560 million to complete the schematic design phase for the St. Lawrence Centre for the Arts Redevelopment Project. To date, TO Live has spent \$6.781 million for this work and has a remaining balance of \$1.779 million that is expected to be unspent by the end of 2024.

- Note that the funds set aside for the schematic design are part of the \$50.463 million in funding that had previously been budgeted for planned SOGR works at the venue over the 10-year planning period within the TO Live Capital Plan.

The schematic design estimates the total cost for the STLC Redevelopment project at \$421.467 million (in 2027 dollars) which includes all design, construction costs, and contingency costs (+/- 20%-30% accuracy).

As noted in report CT11.2, beyond \$50.463 million in City funding (\$8.560 million Council approved reallocation of SOGR, and a remaining \$41.903 million of potential reallocation of SOGR contingent on federal and provincial funding commitments), the remaining balance of \$371.0 million in project cost is currently unfunded. The financing strategy developed by TO Live staff and included as a confidential attachment to CT11.2 expects remaining funds to be secured from federal, provincial, third-party sponsorship, and further City contributions, but does not identify any commitments secured to date.

Through the update report, TO Live is requesting Council authority to advance the project to the Detailed Design phase and to reallocate additional cash flow commitments in the amount of \$8.779 million from the remaining \$43.683 million in SOGR funding for this purpose. In the absence of full funding commitments from other

levels of government, this amount, and all amounts reallocated to the project from SOGR are at risk, which could mean the project does not advance without added City funding contributions.

Furthermore, if the project does not proceed, the City would need to replenish SOGR funds that had been allocated to the redevelopment project that are now needed to address the venues SOGR and accessibility requirements.

- An updated building condition assessment of the STLC is underway with preliminary SOGR and accessibility cost estimates for the venue now totaling \$70-\$80 million over the next 10 years.

DECISION HISTORY

At its September 12, 2024 meeting, the Boards of Directors of TO Live adopted item CT11.2, which directed the President and Chief Executive Officer, TO Live, in consultation with the Executive Director, Corporate Real Estate Management and the Executive Director, Financial Planning to proceed with the detailed design phase, of the Stage Gate Process, and amend the 2024-2033 Capital Budget and Plan for TO Live to reallocate \$8.779 million in funding commitment from the remaining cash flow funding originally intended for State of Good Repair to advance the detailed design phase and to complete detailed design with further City Council approval required to proceed to the contract documents and tender phase.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.CT11.2>

At its February 14, 2024 meeting, City Council adopted Item CC15.1 (#18), requesting the Board of Directors of TO Live to direct the President and Chief Executive Officer, TO Live, in consultation with the Executive Director, Corporate Real Estate Management, to continue to advance the design refinement of the St. Lawrence Centre for the Arts Redevelopment project funded through existing approved capital budget, and report back to Executive Committee, during the first or second quarter of 2024, on the refined project cost estimates upon completion of a schematic design with appropriate Class Estimates, and status on the financing strategies, as outlined in the report EX6.13 entitled “St. Lawrence Centre for the Arts Redevelopment”, for City Council consideration prior to the next phase of development.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.CC15.1>

On July 19, 2023, Council adopted item EX6.13, which approved the St. Lawrence Centre Design Competition jury's selection of Hariri Pontarini Architects, LMN Architects, Tawaw Architecture Collective, Smoke Architecture and SLA as the winning submission for the St. Lawrence Centre for the Arts Design Competition. This report also transitioned the next stages of this building program, including design and construction of the St. Lawrence Centre, within existing approved, and other available funds, to City Corporate Real Estate Management, to enter into an agreement with Hariri Pontarini Architects to complete the schematic design phase at a total cost not to exceed the existing approved capital budget for St. Lawrence Centre for the Arts - Studies and Redevelopment Planning of \$8.560 million (exclusive of Harmonized Sales Tax). TO Live was directed to seek consideration to reallocate the remaining amount

in the approved St. Lawrence Centre State of Good Repair funding towards the next phases when preparing the 2024 budget, incorporating information provided in the Business Case.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX6.13>

COMMENTS

Current Status of the STLC Redevelopment Project

On July 19, 2023, as part of Council's adoption of the St. Lawrence Centre Design Competition jury's selection of HPA, City Council requested the Board of Directors of TO Live to direct the President and Chief Executive Officer, TO Live, in consultation with the Executive Director, CREM and the Executive Director, Financial Planning, to establish a stage gate process once the 2024 budget was approved and seek consideration to reallocate the remaining \$41.903 million in debt funding approved for St. Lawrence Centre SOGR towards the next phases of the redevelopment.

Corporate Real Estate Management undertook Council's direction to start to negotiate a consulting services agreement which limited the procurement to the completion of Schematic Design, with a total cost not to exceed the existing capital budget for the STLC – Studies and Redevelopment Planning of \$8.560 million (exclusive of Harmonized Sales Tax). To date, \$6.781 million has been spent to complete the schematic design activities. Therefore, the remaining funding from the schematic design phase is \$1.779 million.

Financing Concerns

The estimated total project costs, including contingencies for the St. Lawrence Centre Redevelopment is \$421.467 million (+/- 20%-30%) based on the schematic design as noted above.

Beyond \$50.463 million in City funding (\$8.560 million Council approved reallocation of SOGR, and a remaining \$41.903 million of potential reallocation of SOGR contingent on federal and provincial funding commitments), the remaining balance of \$371.0 million in project cost is currently unfunded. The financing strategy developed by TO Live staff and included as a confidential attachment to CT11.2 expects remaining funds to be secured from federal, provincial, third-party sponsorship, and further City contributions.

The financing strategy outlined in CT11.2 relies significantly on financial support from the federal and provincial governments, as well as a third-party fundraising, none of which TOLive and the City have yet to secure.

- In the absence of full funding commitments from other orders of government, there is a financial risk that the redevelopment project will not be funded and completed as planned.

- Should funding not be secured from the other orders of government and third-parties, the project could not proceed without further City funding contributions; and if the projects does not proceed, any amount reallocated from the originally planned SOGR funding within TO Live's 10-Year Capital Budget and Plan will not be available to meet TO Live's immediate SOGR needs.

Should the project not proceed due to financial risks, the City would need to replenish SOGR funds that have been allocated to the redevelopment project that are now needed to address the venue's SOGR and accessibility requirements.

- An updated building condition assessment of the STLC is underway with preliminary SOGR and accessibility cost estimates for the venue now totaling \$70-\$80 million over the next 10 years.

Capital Prioritization Process

Following completion of the 2024 budget process, staff developed a comprehensive framework for capital prioritization, which provides the City with an objective tool and approach for prioritizing capital projects within the City's financial and project delivery capacity, based on a set of weighted criteria.

The framework considers a variety of criteria that enhances the City's existing prioritization process, including capital project categories, state of good repair requirements as informed by the City's Asset Management Plan, contributions to Council priorities, project status, funding availability, project risks and anticipated impacts on the operating budget.

The City's Financial Planning Division independently assessed the STLC Redevelopment Project with the newly developed Capital Prioritization Framework. The project performed poorly within the framework, scoring lower than the majority of the initial grouping of projects assessed within the prioritization framework.

Conclusion

Since Council's first consideration of the STLC Redevelopment Project on July 19, 2023, only City funding has been committed or secured towards the project.

With a financing strategy that relies significantly on financial support from the federal and provincial governments and third-party fundraising, which are not yet secured, this project presents a considerable financial risk for the City.

The request from TO Live to advance the project to the detailed design stage at a cost of \$8.779 million, which is additional to the \$8.560 million budget previously approved to complete the schematic design, is not supported by City staff in Financial Planning, Economic Development and Culture, and Corporate Real Estate Management, who have worked with TO Live on this initiative.

Given the continued financial risks of the project, coupled with the projects poor rating within the Capital Prioritization Framework, the City's Chief Financial Officer and Treasurer is recommending that the redevelopment project not proceed to the detailed design phase, and instead consideration be given to accelerating and fully addressing SOGR needs at the STLC venue.

CONTACT

Stephen Conforti, Chief Financial Officer and Treasurer
Tel: 416-397-4229, Email: Stephen.Conforti@toronto.ca

Althea Hutchinson, Executive Director, Financial Planning
Tel: 416-338-7840, Email: Althea.Hutchinson@toronto.ca

Patrick Matozzo, Executive Director, Corporate Real Estate Management
Tel: 416-392-9158, Email: Patrick.Matozzo@toronto.ca

Patrick Tobin, General Manager, Economic Development and Culture
Tel: 416-392-4166, Email: Patrick.Tobin@toronto.ca

SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer