

## **Supplemental Report - ModernTO: Selection of Proponent for 610 Bay Street and 130 Elizabeth Street**

**Date:** October 30, 2024

**To:** Executive Committee

**From:** Deputy City Manager, Corporate Services and Deputy City Manager,  
Development and Growth Services

**Wards:** Ward 11 - University-Rosedale

### **REASON FOR CONFIDENTIAL INFORMATION**

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The Confidential Attachment to this report relates to both a proposed or pending disposition of property by 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 the City.

### **SUMMARY**

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This supplemental report is intended to accompany the transmittal of the decision of the CreateTO Board [Item RA14.1 - "ModernTO: Selection of Proponent for 610 Bay Street and 130 Elizabeth Street"](#) (October 15, 2024) from the Chief Executive Officer, CreateTO on the redevelopment of 610 Bay Street and 130 Elizabeth Street (the "Properties") and includes confidential financial recommendations as well as recommendations to provide financial incentives for the affordable rental housing secured as part of the redevelopment, as communicated to all proponents as part of the market offering process.

The Properties are one of eight high-value City-owned sites selected through the ModernTO program for city-building purposes. ModernTO is designed to modernize the City's office portfolio, reduce the City's office footprint, and free up underutilized properties for city-building opportunities.

Subject to City Council approval, CreateTO staff will work with the Executive Director, Housing Secretariat, Executive Director, Corporate Real Estate Management and the City Solicitor to negotiate and execute the transactions described.

## **RECOMMENDATIONS**

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The Deputy City Manager, Corporate Services and Deputy City Manager, Development and Growth Services, recommend that:

1. Subject to City Council adoption of Recommendations 1, 2, 3, and 4 in the letter (October 29, 2024) from the Board of Directors of CreateTO, City Council direct the Deputy City Manager, Corporate Services and the Chief Financial Officer and Treasurer to direct the revenue generated by the redevelopment of the Properties in the amount identified in Confidential Attachment 1 to the Land Acquisition Reserve Fund (XR1012).
2. Subject to City Council adoption of Recommendations 1, 2, 3, and 4 in the letter (October 29, 2024) from the Board of Directors of CreateTO, City Council:
  - a) authorize the affordable rental housing units to be constructed on the Properties to be eligible, under the City's Rental Housing Supply Program, for waivers of fees for planning applications, building permits, and exemptions from parkland dedication, community benefit charges and development charges, unless already paid or exempted by provincial legislation; and
  - b) authorize an exemption from taxation for municipal and school purposes for the duration of the term for the affordable rental housing units to be developed on the Properties.
3. City Council authorize City staff to cancel or refund any taxes paid after the effective date of the exemption from taxation for municipal and school purposes as set out in the municipal housing facility agreement (the "Contribution Agreement").
4. City Council authorize the Executive Director, Housing Secretariat to execute, on behalf of the City, any security or financing documents required by the proponent to secure construction and conventional financing and subsequent refinancing, including any postponement, tripartite, confirmation of status, discharge or consent documents where and when required during the term of the Contribution Agreement, as required by normal business practices, and provided that such documents do not give rise to financial obligations on the part of the City that have not been previously approved by City Council.
5. City Council direct that the information in Confidential Attachment 1 remain confidential at this time as it relates to a proposed or pending disposition of properties by 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 the City.
6. City Council authorize the public release of Confidential Attachment 1 at the discretion of the Deputy City Manager, Corporate Services and the Deputy City Manager, Development and Growth Services.

## FINANCIAL IMPACT

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The relevant information related to site specific financial impacts to City Divisions, Agencies and Corporations that will occur as a result of the proposed redevelopment of the Properties is set out in Confidential Attachment 1 to this report, as it involves a proposed acquisition or disposition of land by the City of Toronto.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

## DECISION HISTORY

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At its meeting on October 29, 2024, the Board of Directors of CreateTO adopted "RA14.1, ModernTO: Selection of Proponent for 610 Bay Street and 130 Elizabeth Street" and recommended a preferred proponent and key terms and sought City Council's approval and authority to negotiate transaction agreements, including ground leases and contribution agreements, and such other documents as may be necessary to finalize the arrangements with the preferred proponent.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.RA14.1>

At its meeting of June 26 and 27, 2024, City Council adopted item PH13.8 - "Launching the Rental Housing Supply Program", approving a new program to provide City funding and/or incentives to eligible affordable rental and rent-controlled projects.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH13.8>

At its meeting on November 8, 2023, City Council adopted EX9.3 "Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes" which prioritized the creation of rent-controlled homes, including affordable rental housing and Rent-Geared-to-Income homes.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX9.3>

At its meeting on June 14 and 15, 2023, City Council adopted GG4.26 "ModernTO: 610 Bay Street and 130 Elizabeth Street - Results of Request for Expression of Interest" approving the shortlist of preferred proponents for the redevelopment of 610 Bay Street and 130 Elizabeth Street and authorizing CreateTO to issue a Request for Proposal to the Shortlisted Proponents as Stage Two of a Two-Stage Market Offering Process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2023.GG4.26>

At its meeting of April 6, 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, including the properties at 610 Bay Street and 130 Elizabeth Street with the authorization to proceed with the issuance of a Request for Expression of Interest to the development and non-for-profit communities as Stage One of a Two-Stage Market Offering Process.

<https://secure.toronto.ca/council/agenda-item.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 key principles to guide strategic real estate investments and Property Acquisitions/Transfers, and the direction that a minimum of 20 percent of the land value that is unlocked or generated from portfolio optimization initiatives, as determined by the Chief Financial Officer and Treasurer on a recommendation from the Chief Executive Officer, CreateTO, in consultation with the Deputy City Manager, Corporate Services, be deposited in the Land Acquisition Reserve Fund.

<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” from the Board of Directors of CreateTO which established the strategic framework to optimize the city-wide real estate portfolio and launched the Office Optimization Plan (“ModernTO”). The report identified assets as underutilized and as opportunities to unlock value and address City needs and City building objectives, such as affordable housing, employment uses and community infrastructure, including 610 Bay Street.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.2>

At its meeting on May 14, 2018, Executive Committee adopted EX34.4 “Optimizing the City-Wide Office Portfolio” and endorsed key directions to optimize the City-wide office portfolio over a multi-year period and phased approach.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX34.4>

## COMMENTS

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### Background

ModernTO includes the consolidation and modernization of the City’s office portfolio to redevelop and repurpose eight strategically important City-owned real estate assets. The total market value of these assets was estimated to be approximately \$450 million in 2020, as identified via [EX18.2: ModernTO - Workplace Modernization Program Business Case and Implementation Plan Update](#). ModernTO seeks to:

- Modernize the City’s office portfolio and reduce the City’s office footprint;
- Maximize the use of key assets like City Hall, Metro Hall and the civic centres in Scarborough, North York, and Etobicoke; and
- Unlock eight high-value City-owned properties for city-building purposes, including the delivery of affordable housing and other City services.

The Properties are one of the eight sites identified by City Council as currently underutilized, with opportunities to unlock value and address City needs.

610 Bay Street is bounded by Bay Street to the east, Edward Street to the north, and Elizabeth Street on the west, with 130 Elizabeth Street located west of 610 Bay Street, as shown in Figure 1.



Figure 1: Location of 610 Bay Street and 130 Elizabeth Street

To support the ModernTO objectives, the Properties were transferred to the City from Toronto Transit Commission ("TTC"). In 2022, TTC identified an outstanding \$4.2 million loan balance between the TTC and their subsidiary Toronto Coach Terminal Inc., due to lost rent revenues from the termination of the lease of the Properties to Greyhound and Coach Canada Toronto Operations LTD. A payment in the amount of \$4.2 million (\$4,365,395 inclusive of non-recoverable Harmonized Sales Tax and Provincial Land Transfer Tax) was to be incorporated into the property transfer arrangement as the Properties are transacted upon through the ModernTO program.

### **Redevelopment of 610 Bay Street and 130 Elizabeth Street**

Home to the now decommissioned Toronto Coach Terminal, the Properties present a unique opportunity for redevelopment.

The vision was to redevelop the Properties into mixed-income and mixed-use development that includes affordable housing, a new Toronto Paramedic Services hub, and employment opportunities with a preference for innovative uses that take advantage of the Properties' unique location within the Discovery District of Toronto. The redevelopment would also include adaptive reuse of the existing heritage building, as well as streetscape improvements, all while maximizing financial returns to the City.

CreateTO, in close partnership with City of Toronto divisions (including Housing Secretariat, City Planning, and Toronto Paramedics Services) led the market offering



process to redevelop the Properties. The proposed redevelopment achieves the following goals of the ModernTO program, as detailed below:

- **Delivering affordable rental housing.** Affordable housing has been identified as one of the highest priority outcomes for the ModernTO portfolio. Overall, the target is to have a minimum of 33 per cent of all residential units built on ModernTO sites be affordable and this redevelopment achieves that outcome. The proposed development will include 33 per cent affordable rental homes with the remainder of the units being market rental. The affordable rental homes will meet the City's income-based affordable rents definition.
- **Creating a new centralized emergency medical services hub.** The proposed redevelopment will accommodate a new 23,000 square foot Toronto Paramedic Services hub.
- **Adaptive re-use of the heritage bus terminal and bus shed facade.** The Properties are home to the former Coach Terminal, which for nearly 100 hundred years served as Toronto's hub of intercity bus service. The proposed redevelopment will include preservation and adaptive re-use of the terminal, which is on the City's heritage registry.
- **Maintaining and enhancing employment opportunities.** Enhancement of employment opportunities on the Property through the creation of office and/or lab space with a preference for innovative uses that take advantage of the property's unique location within the Discovery District.
- **Enhancing the public realm.** Formalized pedestrian corridors will be created around the Properties on Edward and Elizabeth Streets.
- **Achieving sustainable development.** The proposed redevelopment will be required to meet, at a minimum, Tier 2 of the [Toronto Green Standards – Version 4](#).
- **Promoting design excellence.** The Properties will be designed to be compatible with the surrounding area, emphasizing relationships to lower-scale buildings, to support creating a safe, comfortable, accessible, vibrant, and attractive public and pedestrian realm.

Subject to the conclusion of the negotiations on transaction agreements, it is anticipated that the preferred proponent will commence work to secure the required planning approvals and financing from the Canada Mortgage and Housing Corporation. The projected construction completion and leasing of rental units for the Properties are as follows:

- 610 Bay Street lease-up (a process of filling vacant rental units in a property) in the first quarter of 2029; and

- 130 Elizabeth Street lease-up in the first quarter of 2030. Staggered completion dates are due to differences in construction requirements.

Further details on the market offering, selection process and proposed redevelopment are set out in the transmittal of the decision of the CreateTO Board Item RA14.1- ModernTO: Selection of Proponent for 610 Bay Street and 130 Elizabeth Street (October 15, 2024) from the Chief Executive Officer, CreateTO, for the redevelopment of the Properties.

## **Next Steps**

Subject to City Council approval, CreateTO staff will work with the Executive Director, Housing Secretariat, Executive Director, Corporate Real Estate Management, Deputy City Manager, Development and Growth Services, Deputy City Manager, Corporate Services, and the City Solicitor to finalize the transaction agreements with the preferred proponent, as set out in Recommendation 1 in the letter (October 29, 2024) from the Board of Directors of CreateTO.

## **CONTACT**

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## **SIGNATURE**

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## **ATTACHMENTS**

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Confidential Attachment 1