

Nominal Lease Agreement with Unity Health Toronto - 50 Richmond Street East

Date: November 5, 2024

To: General Government Committee

From: Executive Director, Corporate Real Estate Management

Wards: 13 - Toronto Centre

REASON FOR CONFIDENTIAL INFORMATION

The Confidential Attachment to this report is about a plan to be applied to any negotiations carried on or to be carried on by or on behalf of the City.

SUMMARY

The purpose of this report is to seek Council authority for the City, as landlord, to enter into a nominal lease agreement (the "Lease") with Unity Health Toronto (the "Tenant") for the property municipally known as 50 Richmond Street East (the "Leased Premises"). The Lease, along with a future service level agreement, will enable the Tenant, in partnership with Toronto Public Health ("TPH"), to operate clinic programming to enhance services to respond to urgent health needs in the downtown core. TPH is relocating some of its clinical services as a result of the ModernTO Council-approved sale of 277 Victoria Street. Details associated with existing tenants at the Leased Premises are identified in Confidential Attachment 1.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management recommends that:

1. City Council authorize the Executive Director, Corporate Real Estate Management, on behalf of the City as landlord, to enter into an up to ten-year nominal lease agreement (the "Lease") with Unity Health Toronto (the "Tenant") for the property municipally known as 50 Richmond Street East (the "Leased Premises"), as identified in Attachment 2, on terms and conditions acceptable to the Executive Director, Corporate

Real Estate Management, or their designate, including base building and Accessibility for Ontarians with Disabilities Act work to be carried out by the Tenant at the Leased Premises in which the City will contribute up to \$10.025 million (net of Harmonized Sales Tax), in consultation with the Medical Officer of Health, and in a form satisfactory to the City Solicitor.

2. City Council adopt the confidential instructions to staff contained in Confidential Attachment 1 to this report.

3. City Council authorize the public release of the confidential instructions to staff contained in Confidential Attachment at the discretion of the Executive Director, Corporate Real Estate Management.

FINANCIAL IMPACT

The Lease will be provided to the Tenant for nominal rent over an up to ten-year term. Funding required for any operating expenses that are the responsibility of the City pursuant to the Lease will be requested by TPH through the 2026 budget process. The estimated total opportunity cost of the Lease over the ten-year maximum term is \$4.36 million.

The City will fund the Tenant to perform base building and Accessibility for Ontarians with Disabilities Act compliance work on the Leased Premises. A preliminary cost estimate values this work at \$10.025 million (net of Harmonized Sales Tax). Funding in the amount of \$3.980 million is available in Corporate Real Estate Management's Council Approved Capital Budget. The remaining funding of \$6.045 million is included in TPH's 2025-2034 Capital Budget and Plan and Submission with the cash flow of \$5.660 million in 2026 and \$0.385 million in 2027. The funding source is currently Debt. TPH is exploring various capital grants to support part of the construction. If successful, TPH will request funding reallocation through future budget process.

Financial details associated with existing tenants at the Leased Premises are identified 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

On April 7, 2022, the City Council adopted Item EX31.10 – "ModernTO: Unlocking Eight City-Owned Properties" which authorized the Chief Executive Officer, CreateTO in consultation with the Executive Director, Corporate Real Estate Management, to negotiate the sale of 277 Victoria Street at market value, subject to Council approval of the negotiated terms and conditions of sale.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EX31.10>

COMMENTS

Background

In April 2022, City Council approved the ModernTO portfolio strategy which aims to address City needs and city building objectives through the redevelopment and repurposing of eight strategically important City-owned real estate assets. This included the sale of 277 Victoria Street, where several TPH clinical programs and administrative offices are located. Since then, the building has been sold for redevelopment and TPH must vacate 277 Victoria Street by April 2025. Most of the TPH administrative offices are relocating to the City of Toronto offices at Union Station and eventually Metro Hall. The last day for clinical operations and occupancy in the 277 Victoria Street building will be March 31, 2025.

Relocation of Clinical Services to 50 Richmond Street East

TPH has been working with CreateTO, and Corporate Real Estate Management ("CREM") to examine relocation options. Over 40 locations were reviewed and determined to be unsuitable locations to offer clinical services. 50 Richmond Street East was identified as a suitable relocation option given its size, location in the downtown core, and proximity to Unity Health Toronto's St. Michael's Emergency Department and other health and social service providers in the area. 50 Richmond Street is currently used for office market rental and has been underutilized for a significant period of time, including being at less than 50 percent occupancy for the last three years.

In 2023, TPH announced a partnership with Unity Health Toronto to relocate some of its clinical services. Unity Health Toronto is a large hospital network comprised of St. Michael's Hospital, St. Joseph's Health Centre, and Providence Healthcare. Integrating public health with hospitals services for the provision of health services will enable a streamlined and coordinated model of client-centred care that is best equipped to meet the needs of vulnerable and equity-deserving clients.

Lease Agreement

In order to facilitate TPH's partnership with the Tenant, staff recommend entering into a nominal lease agreement with the Tenant for use of the Leased Premises to provide clinical services, along with a future service level agreement that will dictate the terms, including outlining funding, roles and responsibilities, of the provision of clinical services and facilities management at the Leased Premises.

In addition to operating clinical services at the Leased Premises, the Tenant will: a) lead the design and construction to retrofit the Leased Premises for operating clinical services and to comply with the Accessibility for Ontarians with Disabilities Act ("AODA"); b) seek approval from Ontario Health, the Provincial Ministry of Health and the Unity Health Board of Directors, to approve the Tenant's lease of the Leased Premises as required by the Public Hospitals Act; and c) managing all facilities of the Leased Premises (i.e. custodial services, security, technology, etc.). Corporate Real Estate Management will review and oversee design and construction work to ensure

TPH's requirements and City due diligence are met. Funding for the base building and AODA work to be carried out by the Tenant at the Leased Premises will be provided by the City.

Details associated with existing tenants at the Leased Premises are identified in Confidential Attachment 1.

CONTACT

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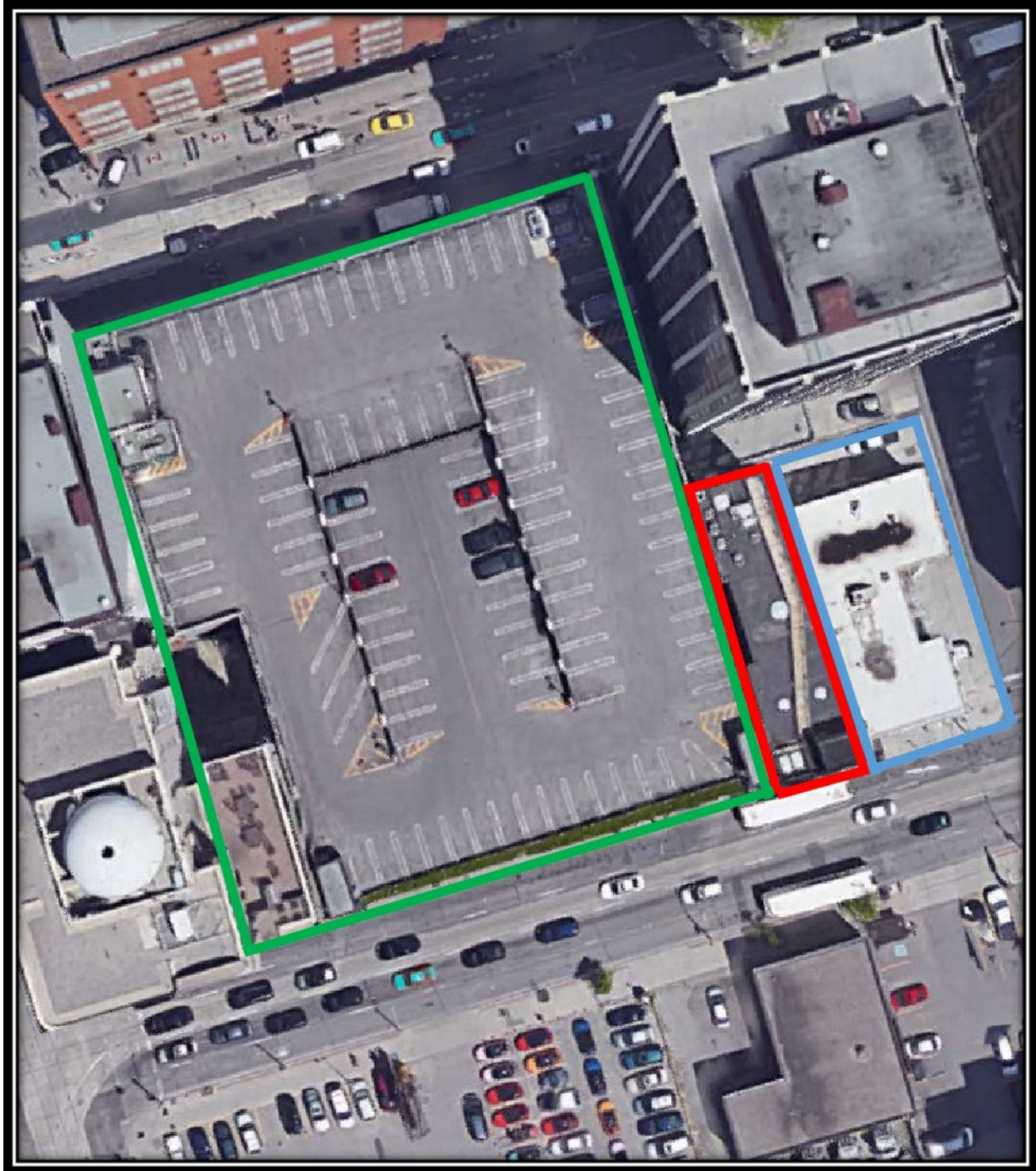
SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

ATTACHMENTS


Attachment 1 - Location Map of Leased Premises
Attachment 2 - Property Survey of Leased Premises
Confidential Attachment 1 - Confidential Information

Attachment 1 - Location Map of Leased Premises



 50 Richmond Street East

 Municipal Car Park 26

 EMS Station #40

Attachment 2 - Property Survey of Leased Premises

