

ModernTO: Selection of Proponent for 610 Bay Street and 130 Elizabeth Street

Date: October 15, 2024

To: Board of Directors, CreateTO

From: Chief Executive Officer, CreateTO

Wards: Ward 11 - University-Rosedale

REASON FOR CONFIDENTIAL INFORMATION

The Confidential Attachments to this report relate 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

The purpose of this report is to provide an update on the CreateTO led Request for Proposal (“RFP”) and proponent selection for the redevelopment of 610 Bay Street and 130 Elizabeth Street that prioritizes: the delivery of affordable housing; a Paramedics Multi-Hub; delivery of commercial space targeted to the Medical Sciences sector; and adaptive reuse of a significant heritage building.

On November 24, 2022, under the scrutiny of a Fairness Monitor, CreateTO in conjunction with City stakeholders, issued a Request for Expressions of Interest (“REOI”) to the development and not-for-profit communities as Stage One of a Two-Stage Market Offering Process. Bids were received on February 9, 2023. Under the direction of a Fairness Monitor, the REOI submissions were reviewed, scored, and shortlisted. On June 14, 2023, City Council through Item [2023.GG4.26](#) approved a shortlist of proponents (the “Shortlisted Proponents”). On September 8, 2023, an RFP was issued to the Shortlisted Proponents. Bids were received on December 8, 2023.

On January 26, 2024, a Minister’s Zoning Order (“MZO”) was issued for a new protected air ambulance flight path for St. Michael’s Hospital and the Hospital for Sick Children, limiting the maximum developable height at 610 Bay Street. Meetings were convened with the Fairness Monitor to address the impacts of the MZO and a revised financial package based on a long-term land lease to reflect a change in City priorities

concerning land sales. Following discussions with the Fairness Monitor, an Addendum to the RFP, supported with supplementary reports, and documents were prepared and reviewed by the Fairness Monitor. The Fairness Monitor confirmed there were no fairness concerns with the proposed Addendum.

On April 4, 2024, an Addendum to the RFP, and supplementary reports, documents and directions was released requesting proponents revise their proposals to address the impacts of the MZO and a revised financial package based on a long-term land lease.

Revised bids were received May 13, 2024. Bids were reviewed, evaluated, and scored, resulting in the selection of a preferred development proponent for the mixed-use, mixed-income development at 610 Bay Street and 130 Elizabeth Street.

RECOMMENDATIONS

The Chief Executive Officer, CreateTO, recommends that the Board of Directors of CreateTO:

1. Approve, and recommend City Council approve, the preferred development proponent identified in Confidential Attachment 3 (the "Preferred Proponent") and the key terms as set out in Confidential Attachment 4 (the "Key Terms") to the report (October 15, 2024) for the redevelopment of 610 Bay Street and 130 Elizabeth Street.
2. Recommend City Council authorize the Board of Directors, CreateTO, to direct the Chief Executive Officer, CreateTO, in consultation with the Executive Director, Housing Secretariat, and the Executive Director, Corporate Real Estate Management, to negotiate transaction agreements, including one or more ground leases, one or more municipal housing facility agreements ("Contribution Agreements"), and such other documents as may be necessary to finalize the arrangements with the Preferred Proponent (the "Agreements"), substantially on the terms identified in Confidential Attachment 4 to the report (October 15, 2024) from the Chief Executive Officer, CreateTO, and such other terms and conditions deemed appropriate by the Chief Executive Officer, CreateTO, the Executive Director, Housing Secretariat, and the Executive Director, Corporate Real Estate Management.
3. Recommend City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the Chief Executive Officer, CreateTO, and the Executive Director, Housing Secretariat, to execute, on behalf of the City, one or more ground leases and such other documents as may be necessary to finalize the arrangements with the Preferred Proponent, substantially on the major terms and conditions set out in Confidential Attachment 4 to the report (October 15, 2024) from the Chief Executive Officer, CreateTO, and such other terms as deemed appropriate by the Executive Director, Corporate Real Estate Management, in consultation with the Chief Executive Officer, CreateTO, Executive Director, Housing Secretariat, and in a form satisfactory to the City Solicitor.
4. Recommend City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO and the Executive Director,

Corporate Real Estate Management, to execute, on behalf of the City, one or more municipal housing facility agreement(s) ("Contribution Agreement(s)") and such other documents as may be necessary to finalize the arrangements with the Preferred Proponent, substantially on the major terms and conditions set out in Confidential Attachment 4 to the report (October 15, 2024) from the Chief Executive Officer, CreateTO, and such other terms as deemed appropriate by the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO, Executive Director, Corporate Real Estate Management, and in a form satisfactory to the City Solicitor

5. Direct, and recommend City Council direct, that Confidential Attachments 1, 2, 3, and 4 remain confidential as they relate to 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.

6. Authorize, and recommend City Council authorize, the public release of the name of the Preferred Proponent at the discretion of the Chief Executive Officer, CreateTO, in consultation with the Executive Director, Corporate Real Estate Management, and the Executive Director, Housing Secretariat.

7. Subject to Recommendation 1 and 2, authorize the Chief Executive Officer, CreateTO, in consultation with the Executive Director, Housing Secretariat, and the Executive Director, Corporate Real Estate Management, to negotiate the Agreements in Recommendation 2, substantially on the terms set out in Confidential Attachment 4, and such other terms and conditions deemed appropriate by the Chief Executive Officer, CreateTO, the Executive Director, Housing Secretariat, and the Executive Director, Corporate Real Estate Management.

8. Request the City Clerk to transmit the Board's decision to the Executive Committee for consideration with the report from the Deputy City Manager, Development and Growth Services, and Deputy City Manager, Corporate Services, regarding the redevelopment of 610 Bay Street and 130 Elizabeth Street.

FINANCIAL IMPACT

Costs associated with this market offering process are funded through the approved ModernTO Office Optimization Program and have been approved in the 2023 Capital Budget. There is no financial impact on CreateTO.

DECISION HISTORY

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 affordable rental housing.

<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 on April 24, 2023, the CreateTO Board adopted RA4.6 “ModernTO: 610 Bay Street and 130 Elizabeth Street - Results of Request for Expression of Interest” which provided approval of the shortlist of preferred proponents resulting from a Request for Expressions of Interest, along with direction to invite the shortlisted proponents to respond to a Request for Proposal as Stage Two of a Two-Stage Market Offering Process, which decision was forwarded to the General Government Committee and City Council as GG4.26 “ModernTO: 610 Bay Street and 130 Elizabeth Street - Results of Request for Expression of Interest”.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2023.RA4.6>

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 March 7, 2022, the CreateTO Board adopted RA29.1 “ModernTO: Unlocking Eight City-Owned Properties” which provided an outline of 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, which decision was forwarded to the Executive Committee and City Council as EX31.10 “ModernTO: Unlocking Eight City Owned Properties”.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.RA29.1>

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 24, 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 authorized CreateTO in consultation with City stakeholders, to undertake a two-stage market offering process for the redevelopment of 610 Bay Street and 130 Elizabeth Street (the “Properties”) that prioritizes the creation of affordable housing, the delivery of a Paramedic Services Multi-Hub and the promotion of employment/office uses associated with the life science and biomedical sectors consistent with this property’s location within the Health Sciences District as identified in the Downtown Plan. Other city-building priorities include public realm improvements along Edward and Elizabeth Streets all while ensuring the adaptive reuse of the existing heritage bus terminal. Real Estate Advisory Services were procured through Colliers International, and the Spanier Group (the “Real Estate Advisors”) and Optimus SBR Inc. was the successful Fairness Monitor who served as an independent and impartial third party to observe, monitor, provide oversight and ensure a fair and transparent marketing and selection process and report on the procurement process for the Property.

Stage One, Market Offering Process

On November 24, 2022, CreateTO’s Real Estate Advisors issued a Request for Expressions of Interest (“REOI”) and due diligence materials in an online data room that were made available to the development and not-for-profit communities as Stage One of a Two-Stage Market Offering Process. Bids were received on February 9, 2023. The REOI submissions were reviewed, scored, and shortlisted. On June 14, 2023, City

Council through Item [2023.GG4.26](#) approved a proponent shortlist (the “Shortlisted Proponents”).

Stage Two, Market Offering Process

On September 8, 2023, a Request for Proposal (“RFP”) was issued to the Shortlisted Proponents. The RFP set out the guiding principles and key city building objectives for the redevelopment of the property (the guiding principles can be found in Attachment 1) as well as the process, timing, deliverables, and scoring for this final stage of the market offering process. The RFP was released on September 8, 2023, and concluded with a bid date of December 8, 2023.

Stage Two, Addendum 8

On January 26, 2024, a Minister's Zoning Order (“MZO”) was issued that created a new, protected air ambulance flight path for St. Michael’s Hospital and the Hospital for Sick Children, with the effect of limiting the development at 610 Bay Street. CreateTO engaged with City Planning, Urban Design and Heritage Preservation Services to assess the impact of the new flight path to the development potential of the site and to solution opportunities to maximize development potential across both the 610 Bay Street and 130 Elizabeth Street properties. The assessment also included clarifying City Hall Heritage View Corridor and height restrictions for development at 130 Elizabeth Street. Revised site concepts were developed to illustrate development potential that addressed the MZO impacts and direction regarding the City Hall Heritage View corridor.

In addition, to align with Council’s direction, as adopted on November 8 and 9 through Item [2023.EX9.3](#) “Generational Transformation of Toronto’s Housing System to Urgently Build More Affordable Homes” the financial transaction was changed from land sale to long-term land lease, to reflect changing City priorities regarding retention of public land.

Accordingly, it became necessary to issue a post-closing Addendum to the RFP to address two primary issues:

1. Revised massing envelopes due to the issuance of Minister’s Zoning Order, Ontario Regulation 10/24; and
2. A Financial Transaction based on a long-term land lease, to reflect changing City priorities regarding retention of public land.

On April 4, 2024, an Addendum, reviewed and confirmed for fairness by the Fairness Monitor, was issued to address these two primary issues.

The market offering concluded with a bid deadline on May 13, 2024.

Proponent Selection

The bids were analyzed and evaluated by a selection committee made-up of representatives from the Housing Secretariat, City Planning and CreateTO under the guidance of a Fairness Monitor and CreateTO's Procurement team (the "Evaluation Committee"). The Evaluation Committee submitted individual scores, based on the scoring matrix of weighted evaluation criteria outline in the RFP and Addendum 8 (refer to Confidential Attachment 2) to the CreateTO procurement team and the Fairness Monitor prior to a first consensus scoring review held on June 5, 2024.

Upon completion of the first consensus meeting, the Evaluation Committee created questions of clarification forwarded to the Shortlisted Proponents. Responses were received in advance of the Proponents' interviews held on June 13 and 14, 2024. The Evaluation Committee reconvened on June 18 and June 21, to review and discuss any revisions to the consensus scores based on the Proponent interviews and written responses of clarification. Upon completion of the evaluation process, the Evaluation Committee agreed on the final weighted scores. The highest ranked proponent was selected to enter negotiations on the terms of the development project with the intent of confirming the selection process. The highest ranked proponent is identified in Confidential Attachment 3. CreateTO, in collaboration with the Housing Secretariat, negotiated a term sheet containing the major business terms with the final bidder on terms satisfactory to the proponent, CreateTO and the City. Based on the successful negotiations of the term sheet, a recommended proponent was selected. The key terms are summarized in Confidential Attachment 4.

Subject to CreateTO Board and Council approval of the recommendations in this report, CreateTO staff will work with the Executive Director, Housing Secretariat, and the Executive Director, Corporate Real Estate Management, and the City Solicitor to negotiate and finalize the definitive Agreements with the successful bidder, based on key terms summarized in Confidential Attachment 4.

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SIGNATURE

Vic Gupta
Chief Executive Officer

ATTACHMENTS

Confidential Attachment 1 - RFP Guiding Principles

Confidential Attachment 2 - Evaluation Criteria

Confidential Attachment 3 - Bid Summaries and Recommended Proponent

Confidential Attachment 4 - Summary of Key Terms