

Old City Hall - Future Uses Analysis

Date: January 14, 2025

To: Executive Committee

From: Executive Director, Corporate Real Estate Management

Wards: 13 - Toronto Centre

SUMMARY

The purpose of this report is to provide an update on the efforts made by staff to date to occupy and program Old City Hall (OCH) and recommend next steps.

Built between 1889 and 1899, OCH is an example of civic architecture, a widely recognized city landmark at the junction of Bay and Queen Streets and a National Historic Site. Since 1972, the primary tenant of OCH had been the Ontario Infrastructure and Lands Corporation, more commonly known as Infrastructure Ontario (IO), acting on behalf of the Government of Ontario (the "Tenant"). The space was leased for use by the Provincial Courts. OCH has also been home to the Provincial Offenses Courts, managed by the City of Toronto's Court Services Division.

The Provincial Courts have relocated to the new Toronto courthouse adjacent to Toronto City Hall at 10 Armoury Street, and the Provincial Offenses Courts will re-locate to St. Lawrence Market North by the end of April 2025, leaving OCH vacant with no further active uses currently planned.

As directed by City Council in 2018, staff have utilized a variety of strategies to program OCH in anticipation of this vacancy, including seeking a head lessee to implement a long-term mixed-use property management and tenancing model. These efforts were unsuccessful, given a range of factors detailed in this report, including market conditions and the costs associated with bringing the building to a suitable state of good repair for use. For example, in 2019, it was estimated that a full restoration and upgrade of the building would require approximately \$225 million in 2020 dollars. Furthermore, given the historic and complex nature of the building, including an inefficient floor plan and heritage status, any future use will need to consider opportunities to improve the leasable area and the need to conserve and protect the heritage character and attributes of the building.

Staff now recommend renewed actions to facilitate temporary, interim uses, along with undertaking new examinations to determine a longer-term operating model and future uses for OCH. Corporate Real Estate Management (CREM) and CreateTO have assembled a team to identify both short and longer term uses, in consultation with Economic Development and Culture (EDC), Toronto Public Library (TPL) and other relevant City Divisions and Agencies. CreateTO will advise CREM on options for future uses and operating models, while CREM will continue to maintain the property in its role of asset owner.

Previous work to occupy and program OCH will inform staff's next steps for a renewed approach to this historical asset. In addition, the following Revitalization and Management Principles will guide decision-making related to any future long-term uses and programming for OCH:

- *Increase Public Access and Interest;*
- *Conserve the National Historic Site;*
- *Foster Local Economic Development; and*
- *Achieve Financial Sustainability.*

Staff will report back to City Council by the second quarter of 2026 on the findings of this renewed analysis.

As a responsible asset owner, CREM will continue to undertake work to satisfy any health, safety, and legislative requirements to ensure OCH is safe and preserved in its soon-to-be vacant state, pending a broader restoration and upgrade of the building once a long-term use has been identified.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management recommends that:

1. City Council direct the Executive Director, Corporate Real Estate Management and request the Board of Directors, CreateTO to direct the Chief Executive Officer, CreateTO to re-examine potential future uses for Old City Hall, substantially in accordance with the Revitalization and Management Principles outlined in Attachment 1, and other considerations outlined in this report, and report back to City Council by no later than the second quarter of 2026.

FINANCIAL IMPACT

Funding in the amount of \$16 million is included in the Approved CREM 2024 - 2033 Capital Budget and Plan. The funding is also part of CREM's 2025 - 2034 Capital Budget and Plan submission, earmarked to address any health, safety, and legislative requirements to ensure OCH is safe and preserved in its soon-to-be vacant state. The budgeted amount is also available to support the work to be led by CreateTO, in consultation with CREM, on a renewed highest and best use analysis and

recommended potential future uses for OCH, as well as costs associated with activating interim uses.

Any interim use(s) or activation while staff examine future use options for OCH would result in incremental operating costs, including enhanced security. Any revenues generated from interim uses would need to be considered against the costs to enable the interim use and available budget, prior to implementing.

Implementing future, longer-term uses for OCH will also require significant capital investments to bring it up to modern technological, operating, and safety standards, as well as to conserve the historic attributes of the building. As part of the 2019 competitive process to seek a head tenant for OCH, it was estimated that a full restoration and upgrade of the building would require approximately \$225 million in 2020 dollars. Further analysis of options for future uses will re-examine capital and operating costs and any required funding would be addressed through future budget submissions.

The Chief Financial Officer and Treasurer has been advised of the financial impacts associated with this program to be considered along with other priorities in future budget processes.

DECISION HISTORY

At its meeting on January 31, 2018, City Council adopted recommendations in EX 30.8 Old City Hall - Future Uses and Tenant Options. The report provided recommendations and analysis to support locating the Museum of Toronto, Toronto Public Library branch and wedding chamber, as well as other complementary uses and themes for tenanting the property. CS&P Architects and Avison Young Commercial Real Estate Ontario Inc. were retained to analyze the market for potential leasing options and to adaptively reuse the property, which has resulted in recommendations for a long-term Head Lessee for tenanting the building.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.EX30.8>

At its meeting on November 3 and 4, 2015, City Council adopted recommendations in GM 7.5 Old City Hall – Future Tenant Options. Recommendations include a strategy to secure and manage new tenants for Old City Hall once the provincial and municipal courts vacate the building. This report also provides analysis of potential uses and themes for tenanting the property with a ground lease capital partner.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM7.5>

At its meeting on May 17, 18 and 19, 2011, City Council adopted recommendations in GM 3.17 Old City Hall – Future Uses. The C provided recommendations for staff to enter into negotiations with the major lease tenant (Provincial Courts) to establish a new lease beyond 2016. GM3.17 further reported the results of analysis which determined that the use of the OCH courtyard for a Toronto Museum will result in a solution that provides optimal space for the museum, allowing the prime space within the building to be leased to a third party as well as providing a positive revenue stream for the City. Staff also examined the potential for retaining the current major lease tenant.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM3.17>

At its meeting on May 26 and 27, 2008, City Council adopted recommendations in GM 14.9 Lease Extension for Old City Hall to Her Majesty the Queen in Right of Ontario as Represented by the Minister of Public Infrastructure Renewal. The purpose of the report was to obtain authority to enter into a Lease Renewal Agreement with Ontario Realty Corporation, acting as agent on behalf of Her Majesty the Queen in right of Ontario as represented by the Minister of Public Infrastructure Renewal, for the extension of the lease at 60 Queen Street West. The proposed Lease Renewal is for a ten (10) year term, commencing retroactively on January 1st, 2007.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2008.GM14.9>

COMMENTS

Background

Built between 1889 and 1899, OCH is an example of historic civic architecture; a widely recognized city landmark at the junction of Bay and Queen Streets; and an expression of Toronto's civic identity. OCH is a National Historic Site and is also included on the City's Inventory of Heritage Properties as a designated site under Part IV of the Ontario Heritage Act.

The building was designed by architect E.J. Lennox, one of Toronto's premiere architects from that time. The building's exterior and interior have been well maintained and many of its best heritage features have been preserved. Due to its use as a courthouse since 1972 and related security requirements, public access to the building has been limited.

Current Use and Pending Vacancy of OCH

Since 1972, the primary tenant of OCH had been the IO, acting on behalf of the Government of Ontario. The space was leased for use by the Provincial Courts.

The Provincial Courts have relocated to the new Toronto courthouse adjacent to Toronto City Hall at 10 Armoury Street. Provincial Offenses Courts, managed by the City of Toronto Court Services, will vacate OCH, and re-locate to St. Lawrence Market North by the end of April 2025. Upon completion of the relocation of the Provincial Offenses Courts, OCH will be vacant with no further active uses planned.

Factors Affecting OCH's Future Use

While OCH is a unique and important City landmark, it does present challenges for revitalization and future uses given the historic and complex nature of the building. From a modern leasing standard, the building has an inefficient floor plan, due to the grand nature of the interior public spaces. Of the 430,000 square feet of gross floor area, 177,000 square feet is rentable area. The opportunity to improve the leasable area of the building is limited to due a range of factors, although staff will continue to examine options such as using the courtyard space and attic as ways to maximize rentable area of the building.

The building is also a significant heritage asset, protected by City Council under the Ontario Heritage Act, and Federally recognized as a National Historic Site. Any future

use will need to be considerate of the need to conserve and protect the heritage character and attributes of the building.

Future uses would likely require significant capital investments in the building to bring it up to modern technological, operating, and safety standards, as well as to conserving the heritage attributes of the building. For example, as part of the 2019 competitive process to seek a head tenant for OCH, it was estimated that a full restoration and upgrade of the building would require approximately \$225 million in 2020 dollars. Further analysis of options for future uses will re-examine capital and operating costs and any required funding would be addressed through future budget submissions.

Summary of Previous Efforts to Activate and Occupy OCH

2018 Highest and Best Use Analysis

In 2018, staff reported to Council regarding the analysis for future uses and tenancing options for OCH. The report recommended a mix of food service, leisure, event, and civic uses, and secondary office uses, based on a highest and best use study, completed by Avison Young with CS&P architects and EVOQ architects.

“Retail shops can be grafted into a mix with other complimentary uses such as food service and increasingly with leisure facilities, creating a broad spectrum of consumer use. Key issues governing development of such a centre are: Social Return; Planning/Design; Retail Economics. What is important to note is that attractive retail venues can double up to provide civic destination space and furthermore support other special purpose uses (i.e., museums, event space) that are otherwise economically challenged.”

Through Avison Young, staff initiated a competitive Request for Proposals (RFP) process in 2018 to seek a head tenant to help implement this highest and best use vision. Through the evaluation of the proposals, and subsequent negotiations led by CreateTO with a preferred proponent, potential private sector partners were unable to provide a sufficient capital contribution towards the upfront costs of retrofitting OCH for future use, and as such, the City did not award the RFP.

The impact of COVID-19 on feasibility and demand for office space in the Financial District has further complicated staff efforts to find new uses and have narrowed options for a viable use. Between 2019 and 2024, CREM and CreateTO continued to examine and test alternative approaches to achieving the objectives of the 2018 Highest and Best Use Study.

In 2021 CreateTO re-engaged CS&P Architects to undertake a Phasing and Interim Use Feasibility Study, with the intention of phasing in the 2018 vision for OCH over time, as the City's financial resources allowed. This study proposed focusing investment on areas of the building that are suitable for permanent uses, where heritage restoration and base building improvement costs are minimal. In areas identified for complementary interim uses, minor building repairs and improvements could be completed. In addition to base building work needed to support these permanent and interim uses, the City would be required to undertake Accessibility for Ontarians with Disabilities Act

improvements, life safety repairs, and state of good repair work. These improvements were not made as the uses explored proved viable in a phasing strategy at the time.

Initial Interim Uses Considered

In recent years, the City has received some interest and inquiries for the temporary use of OCH. The City has explored each potential opportunity, though none have resulted in a binding commitment.

For example, in late 2022, a third party expressed interest in exploring OCH to address a temporary space need. City staff attended multiple site visits with representatives of the third party to present OCH as the most attractive option for the third party's intended use. Subsequently, a Request for Proposal (RFP) was issued by the third party in search of a site, and the City submitted a non-binding proposal in response. The RFP has not yet been formally awarded and staff continue to be open to exploring this use should the need continue to exist.

Staff continue to be open to interest from third parties, pending the proposed length of tenancy and other factors.

Public Consultations

In November 2016, Real Estate Services (now Corporate Real Estate Management) led a public consultation event and online survey, and created a dedicated webpage to document feedback on potential uses for OCH including a Museum of Toronto. The event was attended by approximately 80 people including major news outlets.

Feedback was also received from the public through an online survey, which garnered 873 completed responses and 236 partial responses. The public consultation consisted of a presentation by staff, an expert panel, questions and answers, and breakout tables where participants could share ideas for the building.

The session included participation from Museums and Heritage Services (EDC), Heritage Preservation Services and Real Estate Services. MASS LBP was retained to conduct, moderate and report on the consultation event. In addition, the Ryerson City Building Institute (now City Building Toronto Metropolitan University) and a fourth year Ryerson University (now Toronto Metropolitan University) Architecture studio were invited to present their analysis and ideas on the future reuse of the building.

The event was well received with positive feedback and ideas from the public. The survey found that there is broad support for a Museum of Toronto at OCH. While there was concern about chain stores and incompatible retail, there was support for other commercial uses such as restaurants, event space, specialized retail offerings, including some that complement the Museum of Toronto. Public access to the building was a primary concern.

New public consultations will be undertaken by CreateTO and CREM during any new analysis of potential future uses.

Renewed Approach to Examining the Future Use of OCH

Staff now recommend renewed actions to facilitate temporary, interim uses, along with additional investigation to determine a longer-term operating model and future uses for OCH. CREM and CreateTO will report back to City Council by the second quarter of 2026 on the findings of this renewed analysis. Details of this planned work are outlined below.

Revitalization and Management Principles

A set of management principles will help guide decision making for the project and property, for both long-term future uses and interim uses. These principles are supplementary and complementary to City and CREM strategic plans and align to, and support other initiatives related to OCH, including complementary social enterprise uses being considered as part of the ongoing Reimagining the Civic Centres study led by CREM.

The recommended management principles and rationale set out in Attachment 1 are informed by previous public consultation feedback and address several community and Council priorities.

Renewed Highest and Best Use Analysis

Since 2020, the retail and office leasing environment has changed dramatically due to COVID-19 and the proliferation of hybrid work. To better understand current market forces and potential uses, a new analysis should be undertaken to determine how the 2018 conditions and recommendations have changed, and to ensure any solution reflects the current market conditions.

When it adopted the staff report for OCH Future uses on January 31, 2018, Council directed staff to pursue three priorities, outlined below. These priorities remain outstanding as a future-use for OCH is to be determined. CreateTO and CREM will work with stakeholders to ensure a complete assessment of the viability of these priorities is completed as part of the renewed future uses analysis:

- Further develop plans, including a Museum of Toronto, a Toronto Public Library branch and wedding chamber with complementary uses such as a museum café and shop, public event space, and institutional uses;
- Consult with the Art Gallery of Ontario, the Royal Ontario Museum, the National Gallery of Canada, and the Canadian Museum of History, to identify best practices to make optimal use of all the available space for a new City of Toronto museum within OCH; and
- Consult with Toronto Transit Commission staff and principals working on a Toronto Transit Commission museum to explore possible joint opportunities and synergies.

Operational models will also be analysed to determine the best way to ensure the success of OCH once the future uses and revitalizations are determined. Options can include direct management of the property and tenants (as at St. Lawrence Market), commercial management by a head Lessee (as at Union Station), or a full lease of the building to an operator. A simple model of using third party property management services to administer leases and tenant matters could also be employed.

The operating model should be determined once a general approach for the property is set, and financial objectives have been determined.

Potential Interim Uses

During the analysis of future long-term uses for OCH, CREM will endeavour to engage in short-term agreements to animate and facilitate access to the building. Once Court Services completely vacates the building, there is an opportunity to allow access to some floors for public use. The third and fourth floors of OCH should remain closed to the public, deactivated, and preserved to ensure they can be utilized in any future use analysis.

CREM will issue calls for short-term uses and activations including revenue and non-revenue generating uses, in consultation with EDC, other relevant City divisions, and CreateTO. These uses may be managed through a third party.

Potential interim uses could include:

- Temporary retail, food, and beverage pop-ups;
- Event rentals;
- Cultural programming (i.e. Nuit Blanche and Doors Open);
- Filming and music; and
- Opportunities for local artists and businesses.

All interim uses should be light touch, temporary, easily demountable, reversible, and appropriate for the building. Interim uses should also be able to operate in the building as-is, without the need for capital upgrades. Opening hours of OCH will be determined by the nature and duration of temporary uses in the building.

Consideration of Civic Priorities

An assessment of the City's needs relative to its portfolio will be undertaken to determine if there are internal needs or uses that should be addressed before a highest and best use analysis is completed. The following is a preliminary list of considerations:

- City Clerk's Office for legislative meetings and services;
- Economic Development and Culture for museum and culture needs (in 2018 report to Council);
- Toronto Public Library branch (in 2018 report to Council); and,
- Revenue generating uses to achieve financial sustainability.

Owner's Representative

To ensure management continuity and sustainability of revitalization conclusions in operation, CREM will remain deeply involved throughout the process, as the Owner's Representative. The Owner's Representative will be the de-facto client for the project, while CreateTO will provide a strategic consulting and advisory role. In this way, the expertise of CREM in operating national historic sites such as St. Lawrence Market and Union Station can be utilized to guide and advise on the capital project, viable operating models, and the overall program.

The Owner's Representative will also ensure continuity and a holistic view as the project moves from analysis and program development to capital delivery, and eventually

leasing. Maintaining a consistent Owner's Representative presence from beginning to end will ensure that the project vision and intent is maintained and creates accountability for centralized decision making.

Ontario Line Construction Impacts

At its meeting of December 15, 2021, Council approved the temporary full road closure to vehicular traffic on Queen Street West, between Bay Street and Yonge Street, from May 1, 2023, to November 30, 2027, for construction of the Ontario Line Queen Station. Council also approved the temporary road closure of James Street between Queen Street West and alterations to Albert Street from May 1, 2023, to November 30, 2027.

The construction of the Ontario Line will have significant impacts on the daily operation and on the construction of building improvements to OCH between 2023 and 2027. All three accessible entrances into OCH remain open during construction of the Ontario Line; however, vehicle drop-off is limited to the north entrance of the building on Albert Street, which has been converted to a two-way road with reduced on-street parking. James Street will remain closed to vehicles between Albert Street and Queen Street West, but an accessible sidewalk remains open to provide access to OCH visitors on the east side of the building.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

ATTACHMENTS

Attachment 1 - Revitalization and Management Principles

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Increase Public Access and Interest

- OCH's conspicuous location and landmark architecture make it a natural draw and focus for the public and tourists. Already a focus for Remembrance Day ceremonies due to the co-location of the cenotaph, OCH holds a reverence within the city, and is a place of curiosity. Given its public and civic significance, efforts should be made to expand public access to OCH, so it can be a point of connection, commemoration, and celebration for the city.

Conserve the National Historic Site

- A conservation approach that reflects the historic importance of this site should inform the building's future uses. The heritage significance of the building creates a unique opportunity to communicate the importance of civic institutions and government.

Foster Local Economic Development

- Situated at the intersection of Bay Street and Queen Street West, OCH is a conspicuous, landmark presence in both the Financial District and adjacent government precinct. It is the point of connection between the two areas and creates a unique opportunity to attract tourism, business, and events. The opportunity for a mix of businesses, including small and local business where possible, to participate in the success of OCH is important.

Achieve Financial Sustainability

- As feasible, OCH can also generate revenue to offset its costs of operations and maintenance in the near term. This financial objective should be revisited and elaborated upon the implementation of a comprehensive future uses strategy.