

NOTICE OF MOTION

Update of Definition and Reporting of the Delegated Authority on Certain Real Estate Matters

Moved by: Councillor

Moise

Seconded by: Councillor

Pasternak

SUMMARY:

In 2019, the City of Toronto entered into a 15-year lease (comprising an initial 10-year term with one 5-year extension option) for 233 Carlton Street, a three-storey commercial building of approximately 13,000 square feet located in Cabbagetown, at a total lease cost of \$6 million.

The site was selected to replace the Adelaide Women's Resource Centre at 67 Adelaide Street East — a City-owned property — and to be operated as a 24-hour women's drop-in centre, with the lease commencing January 1, 2020. The property owner was also exempted from property taxes for the full duration of the rental period. An initial renovation estimate of \$3.7 million was established for the site and was documented on the Delegated Approval Form tied to the lease.

Six years into the lease, the City has paid more than \$2 million in rent with no women yet served at the facility. A Freedom of Information request has since revealed that by November 2022, the general contractor, BDA Inc., had been awarded a contract of \$8.7 million net of Harmonized Sales Tax, and that forecasted completion costs have since risen to \$13.5 million — approximately 3.5 times the original estimate.

While there continues to be sufficient Council adopted capital budget enabling this initiative to proceed, total anticipated construction and leasehold improvement costs are expected to ultimately exceed the \$10 million threshold for a transaction to proceed under Delegated Approval Authority. Had these costs been known at the initial lease commencement, the threshold would have been exceeded and City Council approval would have been required. In addition, neither my office nor City Council was informed of the cost overruns at any point, despite the scale of the escalation.

This motion does not propose changes to the Delegated Authority itself. Rather, it seeks to explicitly require that construction and leasehold improvement costs, which are included in total financial impact calculations of leasing transactions, be clearly identified and considered when proceeding with capital spending, including the issuance of any contract awards, to ensure a higher standard of transparency and accountability going forward.

RECOMMENDATIONS:

1. City Council direct the Executive Director, Corporate Real Estate Management to include in all applicable capital project staff reports the full details of any major real estate leasing or acquisition transactions that occurred or must occur in support of delivering the project, including the length, terms, and any conditions of the agreement.
2. City Council direct the Executive Director, Corporate Real Estate Management, to include in all reports related to the award of construction contracts for capital projects on leased or newly acquired property, detailed information on how the proposed construction award aligns with the associated real estate authority where applicable, including but not limited to the transaction type, term, and total capital cost commitments, as well as any changes from the original financial estimates, and the rationale demonstrating how any revised approach remains financially sustainable.
3. City Council direct the Executive Director, Corporate Real Estate Management, to report to the General Government Committee as required or as part of an annual report of real estate transactions authorized through delegated authority, on any leased or newly acquired property where construction and leasehold costs reach or exceed the financial impact described in the Delegated Approval Form associated with a transaction.
4. City Council direct that no further financial commitments shall be made until Council has received and considered any report required under Recommendation 3, unless the Executive Director, Corporate Real Estate Management, determines that an urgent operational need exists, in which case the matter shall be reported to City Council at the earliest opportunity.

March 25, 2026