

CITY OF ORILLIA

TO: Council Committee – January 14, 2019
FROM: Waterfront Development Team
DATE: January 10, 2019
REPORT NO: WWG-19-02
SUBJECT: **70 Front Street North Demolition Update and Request to Lease**

Recommended Motion

THAT Council authorize \$300,000 for the demolition of the southern portion of the 70 Front Street North plaza, to be allocated from the City's Land Acquisition Reserve.

THAT pending capital budget approval for ongoing environmental monitoring of 70 Front Street North, Council authorize staff to enter into a lease agreement with Elections Canada for two units within the 70 Front Street North plaza, not to exceed a lease term date of November 30, 2019.

Purpose

The purpose of this report is to provide Council with an update on plans for the demolition of the 70 Front Street North plaza.

A lease request for a portion of the plaza has also been received and has been addressed within this report.

This report should be read in conjunction with Closed Session Report WWG-19-01.

Background & Key Facts

- At the Special Council Meeting held on December 1, 2017, the Waterfront Working Group (WWG) brought forward report [WWG-17-03](#) regarding the Development Analysis of 70 Front Street North.
- A further report was brought forward on February 21, 2018, which outlined an Implementation Process.
- On July 16, 2018, confidential reports WWG-18-02 and WWG-18-03 were brought forward to provide an update on the due diligence process and legal opinion respectively.
- On August 13, 2018, the Waterfront Development Team brought forward Report WWG-18-04. This report included a comprehensive Waterfront Development Implementation Plan.

Options & Analysis

Option 1 – Recommended

THAT Council authorize \$300,000 for the demolition of the southern portion of the 70 Front Street North plaza, to be allocated from the City’s Land Acquisition Reserve.

THAT pending capital budget approval for ongoing environmental monitoring of 70 Front Street North, Council authorize staff to enter into a lease agreement with Elections Canada for two units within the 70 Front Street North plaza, not to exceed a lease term date of November 30, 2019.

Plaza Demolition

Within Report WWG-18-04, staff contemplated that the southern portion of the plaza would be demolished between January and June of 2020. As confidential tenant lease matters need to be resolved prior to demolition, a timeline for demolition cannot be confirmed at this time.

Deloitte has advised that in order to optimize the sale price of 70 Front Street North (the subject lands), reduce risks associated with the demolition, and mitigate impacts such as tenant relocation, and the need for required permits, the City should consider demolition of the plaza. Staff have considered this, but due to current lease provisions and the timing of the sale, staff do not consider a demolition prior to the sale of land to be feasible.

Deloitte has advised, “Ideally, developers would prefer a clean site, but completing minor demolitions is not a problem—if the risks are known.”

In lieu of demolition of the southern portion of the plaza, potential purchasers will want to know if the southern portion of the plaza can be demolished to accommodate new development, who will be responsible for demolition, and how much the demolition will cost, so that they can take this into account when preparing their bids.

The reduction of unknown factors, and/or the removal of development barriers is referred to as “de-risking” the site. De-risking has the ability to not only improve the number and quality of bidders for a project, but in many cases can result in a direct positive impact to the Offer price.

Subsequently, the City should include as much information about the demolition as possible within the Request for Proposal (RFP) document, which is currently in development and is anticipated to be released by summer 2019. Staff is bringing this matter forward now so that the decision can be incorporated into the RFP, instead of waiting until the demolition has been scheduled.

Staff is recommending that the City proceed with engineering studies to demolish the building to pad/foundation. This would allow the City to present the Engineering Study to

potential purchasers at the time the RFP is issued to show them how to demolish the plaza and rebuild the wall of Metro (which would become an exterior wall facing the Coldwater Road extension). This would reduce uncertainty related to the demolition by identifying any existing hazardous substances which may require special removal. Costs for this project in the amount of \$30,000 were approved by Council in February 2018.

Staff is also seeking Council's approval to allocate \$300,000 to the demolition of the building. Staff is recommending that these funds be allocated to the Land Acquisition Reserve. It is not yet known who will be responsible for demolition of the southern portion of the plaza, however, Council's allocation of funds will provide assurance to potential purchasers that the building will either be demolished to its foundation slab by the City or that the purchaser will receive a credit up to the amount of these funds to take on this task (subject to alignment with the City's Coldwater Street extension plans).

It should be noted that upon demolition there will be a Development Charge Credit that applies to the portion of the plaza which is demolished. This credit expires within four years of the date of the demolition permit. Staff will further discuss this credit with Deloitte to better understand how this credit impacts the RFP package.

Lease request

Staff are also seeking Council's support to lease the two units adjacent to Metro to Elections Canada for the months of September through November 2019.

While staff have delegated authority to enter into lease agreements on behalf of Council, in 2016 Council directed staff not to pursue additional tenants to fill the vacant tenant spaces at 70 Front Street North by passing a motion stating that the property should "remain status quo at this time" and further directing staff to focus expenditures for building repairs on urgent matters only. Staff believe that Council may wish to consider this lease because the lease term is very short (approximately 3 months), the lease is required for a community purpose (federal election) and a representative from Elections Canada has advised that they would take the units "as is" and undertake any required cleaning on their own.

Should Council approve this lease, staff would be required to undertake environmental monitoring of the space. This could be done within the proposed capital budget (and work plan) for ongoing environmental monitoring of the site. The approval for the lease would be contingent upon capital budget approval.

Financial Impact

Staff is seeking Council's approval to allocate \$300,000 to the demolition of the southern portion of the plaza, and recommend that these funds be allocated from the Land Acquisition Reserve. Staff believes that this is the most appropriate funding source because the City's consultants have advised that the de-risking of the site through removal of the plaza (or offsetting of such fees by the developer) is anticipated to be reflected within the purchase price for the property.

Lease fees obtained through the Elections Canada lease (based on market lease rates) would be allocated to the lease revenue for 70 Front Street North. The net operating revenue is transferred to the Land Acquisition Reserve to offset the carrying cost of acquiring the property.

It should be noted that the funds requested for demolition are not inclusive of all costs required for demolition, and do not take into account future updated cost estimates (which would be sought at the time of demolition), costs for removal of the pad/foundation, site remediation, relocation of utilities and/or any additional costs related to recommendations contained within the Engineering Study for the demolition (if applicable).

Future costs related to the demolition of the pad/foundation required to accommodate the Coldwater Road extension will be dealt with through subsequent reports to Council.

Consultation

The Waterfront Working Group has been consulted on this report and the Waterfront Working Group supports the recommendation contained within.

Robert Wood and Deloitte have also reviewed the report and are supportive of the recommended motion.

Economic Development Impact

The transformation of the City's waterfront lands could be catalytic and spur the redevelopment of not only 70 Front Street North, but also the surrounding lands, and lands in the downtown core.

Although a date for demolition of the southern portion of the plaza is not yet known, the recommendation motion will de-risk the demolition process by providing detailed information on how to demolish the southern portion of the plaza, and by providing potential purchasers with assurance that fees have been allocated for this purpose.

The allocation of funds is required at this time in order to include the information within the RFP, which is currently in development and will be released by summer 2019.

Communications Plan

Should Council approve the recommended motion, staff will include information pertaining to the allocation of funds for demolition of the southern portion of the plaza within the RFP document.

As communications with tenants of the plaza are ongoing, information regarding the City's plan for demolition of the southern portion of the plaza will be appropriately relayed to existing tenants.

Relation to Formal Plans, City of Orillia Policy Manual and/or Guiding Legislation

The recommendation included in this report is related to the following formal plans, City policies and/or guiding legislation:

- The recommendation supports the following project/goals identified in Council's Corporate Plan:
 - 2.3. Enabling Economic Development
 - Facilitate waterfront development through the Port of Orillia Area Public Realm Project.
- The recommendation included in this report also supports several initiatives within the Downtown Tomorrow Plan:
 - Initiative #1: Facilitate waterfront development
 - Initiative #17: Extend the retail experience to the waterfront
 - Initiative #21: Build new streets to the waterfront
 - Initiative #28: Develop small gathering spaces and neighbourhood parks

Conclusion

Council strategically acquired 70 Front Street North to enable transformational development of the waterfront area. In order to proceed with this transformation, Deloitte recommends that the City prepare the lands for sale by “de-risking” the site to optimize the purchase price. Staff recommends that Council approve funds for a demolition of the southern portion of the plaza in the amount of \$300,000. Additionally, staff is seeking Council's support to lease a portion of the plaza to Elections Canada in the fall of 2019.

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