

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON FEBRUARY 18, 2020
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER AND GREGG BARRETT DIRECTOR, PLANNING AND CITY PLANNER
SUBJECT:	OLD VICTORIA HOSPITAL LANDS PHASE II - LANDS DISPOSITION

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, and the Director, Planning and City Planner, with the concurrence of the Manager, City Building and Design, on the advice of the Manager, Realty Services, with respect to the Old Victoria Hospital lands, the following actions **BE TAKEN**:

- a) the City owned lands, shown on Appendix "A", **BE DECLARED** surplus;
- b) the City owned lands ("Surplus Lands") **BE DISPOSED OF** in compliance with the City's Sale and Other Disposition of Land Policy via a tender process;
- c) the Civic Administration **BE DIRECTED** to undertake a tender process for the "Surplus Lands" for the purposes of redevelopment and the adaptive reuse of the Health Services Building and the 1922 portion of the War Memorial Children's Hospital; and
- d) the Civic Administration **BE DIRECTED** to undertake a City initiated Zoning By-law amendment consistent with the policies of the *Old Victoria Lands Secondary Plan* for the lands shown on Appendix "A".

PERTINENT REPORTS RELATED TO THIS MATTER

September 25, 2012	Investment and Economic Prosperity Committee, "South Street Campus Lands Redevelopment Process: Master Development and Secondary Plans"
June 20, 2013	Planning and Environment Committee, "Draft Old Victoria Hospital Lands Secondary Plan"
June 9, 2014	Investment and Economic Prosperity Committee, "Old Victoria Hospital Development Plan Update"
June 17, 2014	Corporate Services Committee, "London Health Sciences Centre South Street Campus Decommissioning" <i>Confidential</i>
June 17, 2014	Planning and Environment Committee, "Old Victoria Hospital Lands Secondary Plan and Associated Official Plan Amendments. Old Victoria Hospital Lands Zoning Study"

August 26, 2014	Corporate Services Committee, “Old Victoria Hospital Lands: Request for Proposals Update”
October 7, 2014	Planning and Environment Committee, “City of London Zoning By-law Review: Old Victoria Hospital Lands Zoning Study”
March 2, 2015	Planning and Environment Committee, “Heritage Building Retention Old Victoria Hospital Lands”
March 9, 2015	Planning and Environment Committee, “Old Victoria Hospital Lands”
September 26, 2016	Strategic Priorities and Policy Committee, “London Health Sciences Centre South Street Campus Decommissioning”
September 26, 2016	Report to Strategic Priorities and Policy Committee, “Information Report on Old Victoria Hospital Lands Request for Proposal”
January 20, 2020	Corporate Services Committee, London Health Sciences Centre South Street CAMPUS Decommissioning (Phase B) Confidential

BACKGROUND

The Old Victoria Hospital Lands, which are generally located along the Thames Valley Corridor, between Waterloo Street and Colborne Street, represent a prominent site within London.

In 1977, a decision was made to relocate the hospital facilities to a new health complex on lands adjacent to Commissioners Road.

In 2013, the last patients in the South Street (Old Victoria Hospital) complex were relocated to the new hospital site.

As London Health Sciences Centre (LHSC) approached the conclusion of its multi-year project to relocate the hospital facilities, discussions began with respect to the future of the buildings and lands on the South Street site. It was recognized that the buildings were owned by LHSC, but the majority of the lands on which they were situated were owned by the City. The removal of some, or all, of the buildings would require an expensive demolition process. With regard to potential costs, an agreement was made between the City and LHSC that would see the hospital contribute to the costs associated with demolition and the remediation of the site. While the agreement is complex in nature, it is important to recognize that it represents significant financial contributions by LHSC to demolish and clear these lands.

In 2011, the City commissioned heritage consultant, Nancy Tausky, to provide a detailed assessment of the cultural heritage resources related to the Old Victoria Hospital lands. Subsequently, the City also commissioned specific building condition reports from heritage architects with respect to four of the buildings identified as significant and worthy of retention by Tausky’s report. On March 10, 2015, Municipal Council advised of their intention to retain the Colborne Building, the Health Services Building (Building 50), and the 1922 portion of the War Memorial Children’s Hospital (Building 52).

As part of the first phase of redevelopment of the Old Victoria Hospital lands, the property associated with the Colborne Building was individually designated under Part IV of the *Ontario Heritage Act*. The properties associated with the Health Services Building (Building 50) and the 1922 portion of the War Memorial Children’s Hospital (Building 52) are currently listed on the Register of Cultural Heritage Resources and it is anticipated that these properties will be individually designated through the second phase of redevelopment of the Old Victoria Hospital lands.

SITE CONDITIONS

DECOMMISSIONING

Following community discussions in 2012 and 2013, including consultation with the London Advisory Committee on Heritage (LACH), Municipal Council took a number of steps with respect to the disposition of buildings on the Old Victoria Hospital lands. Approvals were given in 2012 for the removal of buildings on the south side of South Street, with the exception of the Colborne Building. The removal of these buildings was described as Phase A of the demolition project. Demolition activities on the structures on the south side of South Street began in 2014 and were largely completed by the end of the year.

Phase B includes the removal of buildings located on the lands bounded by Waterloo Street, South Street, Colborne Street and Hill Street, with the exception of Building 50 and Building 52. Abatement of designated substances (as defined in the Ontario Regulation 490/09: DESIGNATED SUBSTANCES) including asbestos was included as part of Phase B in both of the remaining buildings. Phase B has been completed and these two buildings have been turned over to the City for future adaptive reuse.

SITE REDEVELOPMENT & DISPOSITION

PHASE I

In 2014, Municipal Council directed that a Request for Expressions of Interest (REOI) be issued seeking private sector parties interested in undertaking the first phase of redevelopment of the Old Victoria Hospital lands. The REOI was released on October 22, 2014 and submissions were received on December 22, 2014. Following Municipal Council's direction to continue to a Request for Proposals (RFP) process with short-listed REOI respondents, the RFP document was prepared and released to qualified respondents in January 2016.

The City has since entered into an Agreement of Purchase and Sale with the successful respondent, Medallion Corporation, with a transfer of the lands in early 2020. A site plan application has been submitted by Medallion Corporation for these lands which consists of a two tower residential development with a total of 586 units, a public courtyard, and the extensive retrofitting of the Colborne Building for office and retail uses. This future development and adaptive reuse of a cultural heritage resource represents substantial investment in the area and is a transformational project that will implement the vision of the *Old Victoria Hospital Secondary Plan*. Construction of this project is expected to begin in 2020.

PHASE II

Phase II of the Old Victoria Hospital lands redevelopment process will include the disposition of 124 Colborne Street (0.80 acres), as well as the lands bounded by Waterloo Street, South Street, Colborne Street and Hill Street (5.45 acres), which includes the Health Services Building (Building 50) and the War Memorial Children's Hospital (Building 52), excluding lands reserved for the future construction of a public square. These lands are identified in Appendix "A".

In preparation of the transfer of the balance of the Old Victoria Hospital lands to the City, conceptual modelling exploring the redevelopment opportunities and options of the Phase II lands were prepared both by the City and by a+LiNK Architecture Inc. These models include the integration and adaptive reuse of Building 50 and 52 in combination with new development on the cleared lands. Assumptions regarding building heights, densities and land uses were guided by the policies of the *Old Victoria Hospital Secondary Plan*. Conceptual redevelopment scenarios illustrating the maximum heights and densities that could be obtained through a bonus zone have been produced and demonstrate that approximately 400 to 650 new residential units can be accommodated on the lands.

A financial pro forma analysis of the development potential of the site was undertaken by urbanMetrics and was based on the modelling and cost assumptions prepared by both the City and a+LiNK Architecture Inc. Through this analysis, preliminary indicators are that there is a reasonable expectation that a developer would be able to meet the minimum internal rate of return in the higher density scenarios, while taking on the stabilization of the two buildings.

PHASE II LAND DISPOSITION

The City's Sale and Other Disposition of Land Policy provides for a variety of methods of sale of surplus lands: a tender process, Request for Proposal, listing with a real estate broker, public auction and direct negotiations. As previously mentioned, the first phase of disposal of the Old Victoria Hospital lands was released through a Request for Expressions of Interest (REOI) followed by a Request for Proposals (RFP). This process did not result in many interested submissions in the Phase I lands and resulted in a lengthy process.

In consideration of the capital and operating costs required for the stabilization of Building 50 and 52, including their security and maintenance over a period of at least two years, the sale of Phase II lands through a tender sale process may be considered as a more efficient and less costly process. It may be possible to complete a tender process for the sale of the subject lands within the next two months on an "as is" basis in an effort to save the costs of a full stabilization. However, a conditional period for the sale will likely take up to or exceed six months.

A sale by tender would include conditions to the sale including, but not limited to:

- Land and buildings are sold on an "AS IS WHERE IS" basis;
- Zoning: The City shall be provided 200 days to complete a City-initiated Zoning By-law amendment, consistent with the policies of the *Old Victoria Hospital Lands Secondary Plan*;
- Conservation of Heritage Buildings – The Purchaser acknowledges that Building 50 and 52 will be retained in an "as is" condition and with the full intention of conserving the entire structures of both buildings. The Purchaser will assume continued security and preventative maintenance of the buildings until a heritage conservation project commences;
- Heritage Designation – The City will have 180 days from the date of acceptance of an Agreement of Purchase and Sale to designate Building 50 and 52 under Part IV of the *Ontario Heritage Act*;
- Construction Commencement – The Purchaser shall commence restoration of the Building 50 and 52 and development of the site by working on plans, approvals, or permits within one year of the registration of the deed or transfer of the lands;
- Heritage Community Improvement Plan – The City's total grants to conserve the heritage resources on the site shall be capped at the cost to conserve Buildings 50 and 52 of approximately \$4 million;
- Development Charges Demolition and Conversion Credits – The City's Development Charges By-law provides demolition and conversion credits applicable to the subject property and the City will provide the Purchaser with these credits applicable to the buildings demolished on the site. This is estimated at \$6 million. This value will be refined upon review of drawings submitted as part of the building permit process.

It should be noted that to proceed with the sale of the Phase II lands, the lands described above and in Appendix "A" will need to be declared surplus. Staff is recommending that Municipal Council proceed with declaring these lands surplus at this time.

Should the results of a tender sale process not achieve a qualified purchaser acceptable to Municipal Council, then Municipal Council could decide to sell the subject property through an alternative process such as a two stage procurement process. The two stage process would include a Request for Qualifications (RFQUAL) followed by a Request for Proposals (RFP). The RFQUAL process would seek to find qualified proponents who would then be invited to submit for the subsequent RFP. The decision on a full stabilization of the two buildings would then be necessary and a Source of Financing to accompany the full stabilization costs, as well as the associated operating costs, would need to be considered.

To help ensure the success of the alternative procurement process, additional resources and associated costs would need to be considered. A Procurement Advisor may be required to assist staff throughout the procurement process and provide external knowledge and experience, which will be valuable in ensuring a competitive, fair, and successful process. A Marketing Advisor may be required to provide access to a wider market and knowledge and experience that will assist staff at strategic stages in the procurement process. In addition, a Fairness Advisor may be required to ensure a fair and reasonable RFQUAL and RFP process for Phase II, as was done for the Phase I disposition. The total cost for these additional resources is estimated to be approximately \$110,000.00. A Source of Financing to accompany this additional cost would be required.

LAND USE PERMISSIONS

Old Victoria Hospital Secondary Plan

The lands generally located at South Street and Colborne Street, which includes the War Memorial Children's Hospital (Building 52), are designated as The Four Corners. The intent for The Four Corners policy area is to provide for the development of a mid-rise, mixed-use residential district that provides a focal point for the neighbourhood. The permitted uses envisioned for this area include a wide range of uses including residential, small-scale commercial, and uses which serve the community, such as day care centres. Within The Four Corners policy area, permitted heights can reach 11 storeys through site-specific bonus zoning.

The lands generally located east of Waterloo Street between the War Memorial Children's Hospital (Building 52) and South Street, which includes the Health Services Building (Building 50), are designated Mid-Rise Residential. The intent for the Mid-Rise Residential policy area is to allow for increased residential density through street and stacked townhouse forms as well as apartment buildings, while allowing for community facility uses to support the new residential population. Within the Mid-Rise Residential policy area, permitted heights can reach eight storeys through site-specific bonus zoning.

The lands generally along the south of Hill Street are designated as Low-Rise Residential. The intent for the Low-Rise Residential policy area is to minimize shadowing, view obstruction and loss of privacy to the existing low-rise residential uses by limiting residential forms to single-detached, semi-detached, duplexes, triplexes, fourplexes, street townhouses, and stacked townhouses. Through a bonus zone, the maximum height in the Low-Rise Residential policy area is five storeys and the maximum density is 75 units per hectare.

The Old Victoria Hospital Land Use Designation Map is illustrated in Appendix "B".

Zoning

The current zoning applied to the Phase II lands has not yet been amended to implement the vision as set out by the *Old Victoria Hospital Lands Secondary Plan*. The block bounded by South Street, Waterloo Street, Hill Street, and Colborne Street is currently zoned R7/ R9-3/RF. The R7 zone variation permits senior citizen apartment buildings, handicapped persons apartment

buildings, nursing homes, retirement lodges, continuum-of-care facilities, and emergency care establishments. The R9-3 zone variation permits apartment buildings, lodging house class 2, senior citizens apartment buildings, handicapped persons apartment buildings, and continuum-of-care facilities. The RF zone variation permits a variety of regional facilities uses, such as hospitals. The site also has an h-5 which stipulates that to ensure that development takes a form compatible with adjacent land uses, agreements shall be entered into following public site plan review specifying the issues allowed for under Section 41 of the *Planning Act*, R.S.O. 1990, c. P.13, prior to the removal of the "h-5" symbol. As well, a maximum height of 12 meters and a maximum density of 150 units per hectare is applied to the site.

124 Colborne Street is currently zoned R3-1/R7/R9-7. The R3-1 zone variation permits single detached dwellings, semi-detached dwellings, duplex dwellings, triplex dwellings, converted dwellings, and fourplex dwellings. The R7 zone variation permits senior citizen apartment buildings, handicapped persons apartment buildings, nursing homes, retirement lodges, continuum-of-care facilities, and emergency care establishments. The R9-7 zone variation permits apartment buildings, lodging house class 2, senior citizens apartment buildings, handicapped persons apartment buildings, and continuum-of-care facilities. As well, a maximum height of 24 meters and a maximum density of 150 units per hectare is applied to the site.

A map of the current zoning is outlined in Appendix "C".

ZONING BY-LAW AMENDMENT

An integral part in the disposition process is initiating a Zoning By-law amendment for the Phase II lands. Undertaking a City-initiated Zoning By-law amendment at this time will allow the zoning contemplated through the *Old Victoria Hospital Lands Secondary Plan* to be applied to the lands and to clearly identify the facilities, services, and matters through bonusing provisions as a requirement to obtain increased density.

It also should be noted that the ability to put a bonus zone in place will be affected as a result of Bill 108; bonusing by-laws can continue to be enacted and existing bonusing by-laws can be amended through the Zoning By-law amendment process up until the earlier of a new Community Benefit Charges by-law being enacted on January 1, 2021. Bonus zones can be implemented after this deadline; it is only the creation and modification of such by-laws that are restricted. Rezoning the lands now also reduces the time, risk, and cost associated with future redevelopment.

A Transportation Impact Study has already been completed by the City and will be used in the evaluation of the Zoning Bylaw Amendment. Additional technical studies may be required at the Site Plan Application stage once the successful bidder has a specific development proposal. The cost of these additional studies will be the responsibility of the developer.

CONCLUSION

Phase B of the decommissioning process for the Old Victoria Hospital Lands is nearing completion, at which time the Health Services Building (Building 50) and the War Memorial Children's Hospital (Building 52) will be transferred to the City.

Phase II of the disposition process is recommended to begin shortly now that the lands and building are under the City's ownership and proceed through a tender process. The identified lands will need to be declared surplus prior to beginning disposition. There are no associated costs with the tender process.

A City initiated Zoning By-law amendment for the lands identified in Phase II will reduce the time, risk, and cost associated with future redevelopment. It will also set the framework for implementing the *Old Victoria Hospital Lands Secondary Plan* vision and policies and improve the marketability of the lands.

ACKNOWLEDGEMENTS

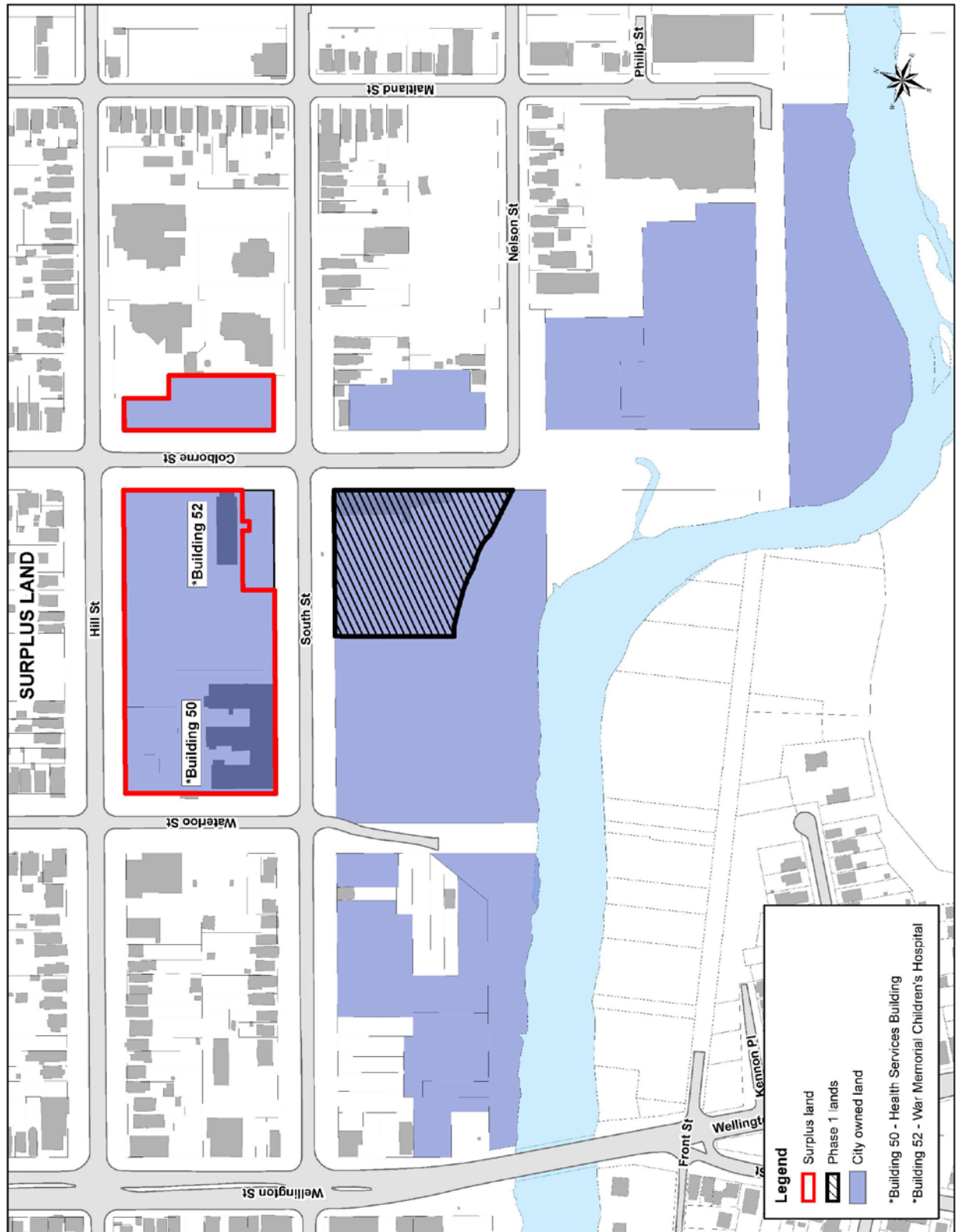
This report was prepared by Kerri Killen, Senior Planner, City Building Design, and Bill Warner, Manager, Realty Services.

SUBMITTED BY:	REVIEWED AND CONCURRED BY:
BILL WARNER, BA, AACI, P.APP MANAGER, REALTY SERVICES	BRITT O'HAGAN, MCIP, RPP MANAGER, CITY BUILDING AND DESIGN
RECOMMENDED BY:	RECOMMENDED BY:
GREGG BARRETT, AICP DIRECTOR PLANNING AND CITY PLANNER	ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER

February 5, 2020

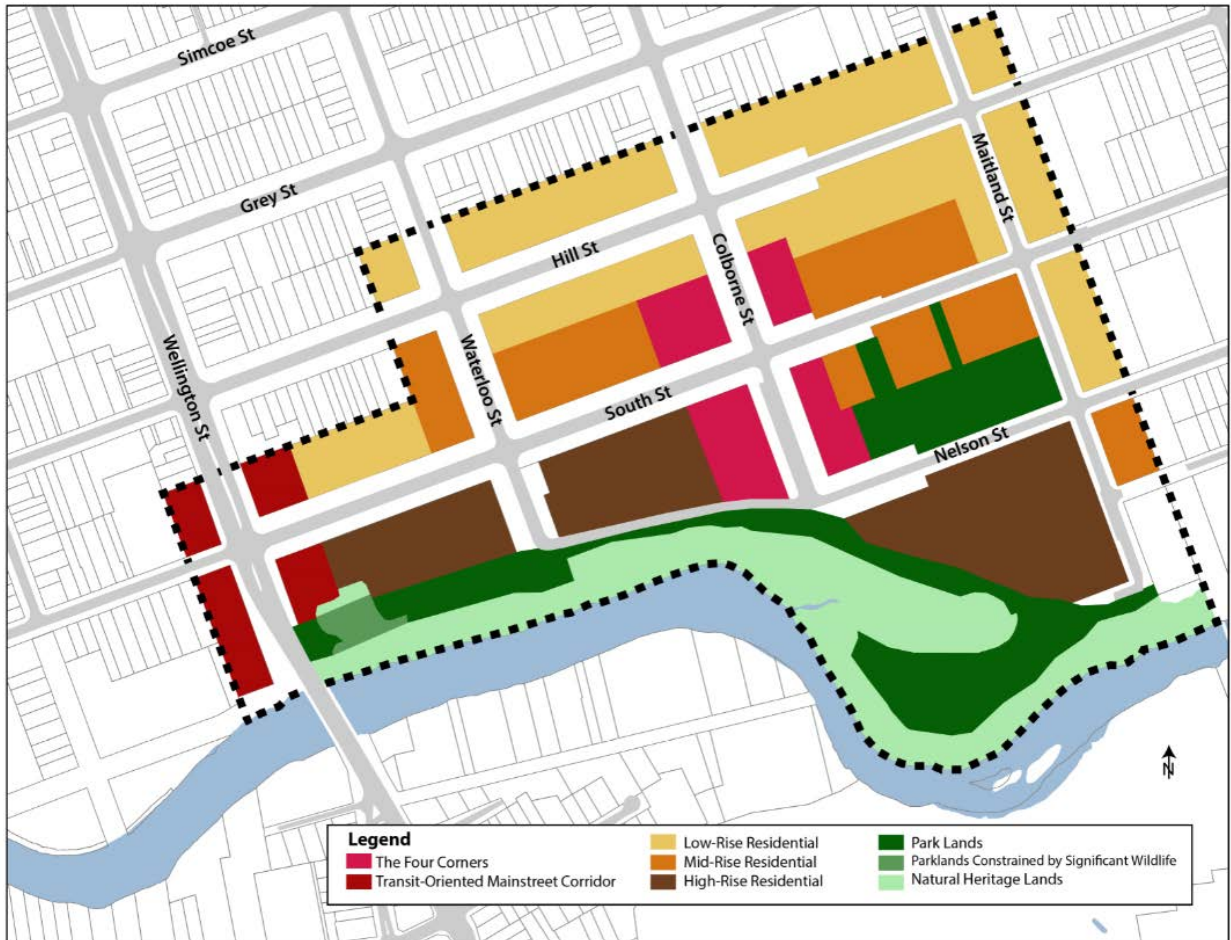
- Appendix A: Map of Surplus Land
- Appendix B: Old Victoria Hospital Secondary Plan
- Appendix C: Current Zoning Map

APPENDIX A: MAP OF SURPLUS LAND



APPENDIX "B"

OLD VICTORIA HOSPITAL LANDS SECONDARY PLAN



APPENDIX "C"

CURRENT ZONING MAP

