

<b>TO:</b>	<b>CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON MONDAY, JULY 16, 2012</b>
<b>FROM:</b>	<b>JOHN M. FLEMING DIRECTOR OF PLANNING AND CITY PLANNER</b>
<b>SUBJECT:</b>	<b>INFORMATION REPORT 165 ELMWOOD AVENUE EAST (NORMAL SCHOOL)</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Director of Planning and City Planner, the following actions **BE TAKEN** regarding the potential acquisition and re-use of the property located at 165 Elmwood Avenue, the former London Normal School:

- A. The attached Expression of Interest to solicit community partners for the on-going operation and occupancy of the former London Normal School **BE ENDORSED**, subject to further Administrative review, including Finance and Purchasing and Supply; and,
- B. That the following report **BE RECEIVED** for information, it being noted that the attached Expression of Interest has been provided to Infrastructure Ontario for their information.

**IT BEING NOTED** that no funds have been identified for the acquisition of this building, or for any of the required building improvements.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Information Report, Planning and Environment Committee, March 26, 2012.

Information Report, Planning Committee, August 21, 2006.

Municipal Council Resolution, December 6, 2005.

Delegation, Planning Committee, September 13, 2004

<b>BACKGROUND</b>
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On April 19, 2012, Infrastructure Ontario (IO) declared the former London Normal School surplus and available to the City. This action initiated a 90 day review period in which the City would be able to undertake its due diligence to evaluate if it wished to acquire the property. It should be noted that this 90 day period expires on July 18, 2012, however, while the Province would not confirm in writing that it would consider an extension of this deadline, discussions with the Province did indicate that if the City was in a process to find partners for the use of the building, then the Province would allow this process to proceed.

The City has expressed an interest in securing the open space associated with the property since 2004. This was reiterated to the Province again in 2012 when we were advised that the Province, through Infrastructure Ontario, would be declaring the property surplus to the Province's needs. Through a previous internal liaison process, it was determined that there was no City need for the building, however, as previously noted, the City did reiterate its desire that the Green adjacent to the building be conveyed to the City for parks purposes to address a parkland deficiency in the old

South neighbourhood, and that the building itself played an important role as a landmark in the community, and that it should be retained.

In normal circumstances where there is no identified municipal need for a property to be declared surplus, the City would inform IO that there was no municipal need, and the property would be disposed of through IO's process that would invite private offers for the lands.

On April 11, 2012, Council resolved that:

*I hereby certify that the Municipal Council, at its session held on April 10 and 11, 2012 resolved:*

*That, on the recommendation of the Director, Land Use Planning and City Planner, the following actions be taken with respect to the property located at 165 Elmwood Avenue East (the former Normal School):*

- a) *Infrastructure Ontario (IO) **BE ADVISED** of the previous position of Municipal Council (September 21, 2004, as attached to the March 26, 2012 staff report) regarding the "Village Green", noting that this remains the position of the Municipal Council regarding this significant community open space;*
- b) *Infrastructure Ontario (IO) **BE ADVISED** that Municipal Council considers the retention of the former Normal School and its re-use in an appropriate manner as important and significant to the City and the Old South community; and*
- c) *Infrastructure Ontario (IO) **BE REQUESTED** to provide a minimum of six months for the City to undertake a process to determine possible municipal needs and potential community partners for the appropriate re-use of the Normal School building, and to undertake the due diligence required should the City wish to acquire the Normal School to ascertain the requirements and costs associated with ensuring that the building meets current Building Code and accessibility requirements for possible future public use;*

*it being noted no funds have been identified for the acquisition of this property. (2012-L15-00) (11/11/FASC)*

City Staff met with IO on May 9, 2012 to discuss various matters associated with the process that the City intended to undertake to find partners for the use and on-going operation of the building. On May 18, 2012, the City responded to the notice of surplus lands, and informed IO that the City would initiate an Expression of Interest process to determine if there were any partners who could occupy and maintain the property, and provided IO with a copy of the April 11, 2012 resolution noted above.

One very important fact was clarified at the May 9, 2012 meeting with IO. It was confirmed that if the City was to acquire the former Normal School, a provision of the Agreement of Purchase and Sale includes a Participation Agreement that expressly intends that there shall be no speculation with respect to any portion of the property. As a provision of the Agreement of Purchase and Sale, if the City was to sell or proposed to sell a portion of the property at any time within twenty (20) years from the date of closing, then IO would have the right to repurchase the property at the same price as paid by the City, or in the alternative, 100% of the of the profit from the sale by the City, less the aggregate of the cumulative total of any and all capital improvements to the property made by the City after the date of closing, any real estate commission payable by the City in disposing of the property, and any reasonable legal and accounting fees payable by the City in disposing of the property.

While no acquisition price has been set by the Province, an outcome of this ownership requirement is that if the City is to proceed with this Expression of Interest (EOI) process, then the City may be acquiring this building for at least 20 years. While the EOI may include some acquisition cost recovery as part of the partner contribution, this cost may be too large to be fully recouped through leasing the building to a community partner or partners.

This requirement that the City would actually need to acquire and retain the building for a period of 20 years will be further clarified with the Province during the EOI period. The

actual conditions of the acquisition of the property by the City will be part of the subsequent negotiation process with the Province, and will be in part dependent upon the results of the EOI. The City may find an appropriate purchaser through this EOI process.

For example, staff are aware that there have been inquiries from realtors about acquiring the building. The disposition of the property to another party would be subject to the Participation Agreement through Infrastructure Ontario. As the City has advised the Province that it is initiating an EOI process for community partners to operate and maintain the building, the Province is not considering other expressions of interest in the property at this time.

#### Why is the City initiating the Expression of Interest process?

The former Normal School and “Village Green” are important landmarks in the Old South community. The building was constructed between 1898 and 1900, and was the location of the third Normal School (Teacher’s College) in the Province after Toronto and Ottawa, and served that purpose until 1958. Between 1958 and 1963, the building was occupied as a Junior High School, and then as the Education Centre offices for the London Board of Education until 1984. In 1985, it became the headquarters of the London and Middlesex County Roman Catholic Separate School Board, who remained there until 2004. The building has been vacant since that time.

The entire property (165 Elmwood Avenue East) was designated by the City in 1985 under Section 29 (Part IV) of the Ontario Heritage Act. The property is also subject to a Heritage Conservation Easement held by the Ontario Heritage Trust. The City’s designation applies to the entire property, and relates to the exterior and the interior entrance hall and grand staircase. The Heritage Conservation Easement relates to the same building elements, as well as the green space associated with the building.

The site is designated “Office Area” in the City’s Official Plan, which is intended to provide for small and medium scale (up to 5000 square metres) of office uses outside the Downtown in purpose designed office buildings. A limited range of secondary uses, such as eat-in restaurants and financial institutions are also permitted. The lands are zoned HER/OF, which would permit professional offices up to 5000 square metres. The HER zone does not permit additions in the front or exterior side yard, and would require that any replacement building occupy the same volume, floor area, height, mass and general design as what existed on the site prior to its demolition or removal.

The Province has recently completed significant exterior restoration work to the Normal School. Staff have also been provided access to the building to observe its current condition. Staff have not undertaken an evaluation of the building systems (HVAC, mechanicals, etc), nor has there been an assessment of possible designated substances by the City. The Province has provided information and reports to the City that have been undertaken to evaluate possible uses for the building.

Due in large part to the significance of this property, the City wishes to pursue opportunities for community use of the building. If this process is not successful, then the City would confirm that there is no municipal interest in the building, and that the Province’s disposition process could proceed. The City wishes to acquire the Green as soon as possible.

The attached draft Expression of Interest (EOI) is intended to provide a process to solicit community interest and partners for the on-going occupancy and operation of the building. The attached draft includes those excerpts specific to this project. The full EOI document, including those appendices noted in the attached draft, will be finalized with the Purchasing Division upon Council’s confirmation that this is the process to be followed.

The EOI is limited to the building; the City’s position is that there is a municipal need and interest in the Green, and the process for the acquisition of the Green for municipal purposes should proceed independent of the EOI process. It is important to note that to date, the Province has not expressed any interest in having discussions regarding the disposal of the Green and the building separately.

The EOI also notes that the building is to be considered in its “as is” condition, and that the City has not identified funding for any costs associated with either ensuring that the building is fully compliant with all Ontario Building Code requirements or for ensuring that the building meets the City’s Facilities and Accessibility Design Standards (FADS) and/or Accessibility for Ontarians with Disabilities Act (AODA) standards.

The EOI identifies the municipal interest in retaining the building for public purposes. It also contains criteria for both the partners that the City would work with, as well as criteria to evaluate the strength of any submission. The EOI also identifies the role of the community in the EOI process.

Three possible options for community input into the partner selection process were reviewed, and are summarized below:

1. Two-sided process:  
This option would have both the City and the community have an evaluation team who would each evaluate all of the proposals using the same criteria. The proposals would be scored by each evaluation team, and the results would then be combined to determine the overall ranking.
2. Community representation on the evaluation team:  
This option would have a community representative as a voting member of the evaluation team.
3. Separate community evaluation:  
This option is similar to the two-sided option, except that the community would use its own criteria to evaluate the proposals, and would use those criteria to rank the proponents separately from the City’s ranking. The overall ranking of the proponents would be a combination of these scores.

Option 3 is recommended as the preferred method to obtain community input into the evaluation. In both Options 1 and 2, the community would be using the same criteria as the City to evaluate the proposals. While there is much overlap in both the community and the City interests regarding the future of the building, the City would likely place a higher value on the economic and financial aspects of the proposals than the community, for example. Also, there may be reluctance among proponents to share confidential financial information with public reviewers.

The EOI process will also provide the City with additional time to continue undertaking its due diligence. To date, the Province has shared much information regarding the property, but discussions regarding the value of the property and what amendments, if any, could be considered to the heritage easement if this is required. For example, a literal reading of the heritage easement could preclude many park improvements that would be considered as appropriate in a neighbourhood park from occurring if the City is successful in securing the Green. The easement does not permit structures or changes in the grade in the Green. This could prevent the installation of play equipment or pathways, two features commonly associated with neighbourhood parks development.

#### Proposed Timeline

It is recommended that the EOI be released by August 1, 2012, and that proponents have two months to respond. This longer than usual process is recommended for a number of reasons, including the complexity of the project, and the likelihood that no single proponent will likely be able to undertake the project, but will likely require a group of partners. Also, the City, with the community, will use the time to seek out possible proponents. The request for partners is not a common practice, and who possible partners may be in this endeavour are not well known.

Another reason for the longer timeline recognizes that this project is getting underway in the summer, so possible partners may not be expecting proposals to be issued during the summer.

Once the proposal call closes, the City and community evaluation, including proponent interviews, will occur in October. This would result in a recommendation to Committee and Council by November.

<b>CONCLUSION</b>
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The process to solicit community partners for the on-going operation and maintenance of the Normal School building is complex. While there is no identified City need for the building, the City is committed to securing appropriate users of the facility to ensure that it remains a viable component of the Old South community. The City is also committed to securing the Green for public park purposes, and will continue to negotiate with the Province for this transfer to occur independent of the Expression of Interest process.

<b>SUBMITTED BY:</b>
<b>GREGG BARRETT, AICP MANAGER, CITY PLANNING AND RESEARCH</b>
<b>RECOMMENDED BY:</b>
<b>JOHN M. FLEMING, MCIP, RPP DIRECTOR OF PLANNING AND CITY PLANNER</b>

Attach: Draft Expression of Interest

cc. Steven Kresak, Infrastructure Ontario

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