

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
5 November 2019 / 5 novembre 2019**

**and Council
et au Conseil
27 November 2019 / 27 novembre 2019**

**Submitted on October 25, 2019
Soumis le 25 octobre 2019**

**Submitted by
Soumis par:
Robin Souchen**

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and/et

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SUBJECT: Expansion of Bayview Yards at 7 Bayview Station Road

OBJET: Agrandissement des cours Bayview au 7, chemin Bayview Station

REPORT RECOMMENDATIONS

That Finance and Economic Development Committee recommend Council:

- 1. Receive the Innovation Centre at Bayview Yards (ICBY) Business Plan attached as Document 1, and consent to the construction of a 600-square metre GFA addition and related improvements to the existing building at 7 Bayview Station Road;**
- 2. Permit ICBY to mortgage its leasehold interest in the Innovation Centre building at 7 Bayview Station Road to an upset limit of \$4 million for the purpose of constructing the addition and for upgrades to the building, subject to the review and acceptance of the lender's financing terms by the General Manager of Planning, Infrastructure and Economic Development in consultation with the City Treasurer; and**
- 3. Authorize the City Treasurer and General Manager of Planning, Infrastructure and Economic Development to conclude and execute any consents, agreements or other necessary documents associated with this Report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :

- 1. Prendre connaissance du plan d'activités du Centre d'innovation dans les cours Bayview, ci-joint en tant que document 1, et autoriser la construction d'une annexe d'une SHOB de 600 mètres carrés ainsi que les améliorations connexes au bâtiment se trouvant au 7, chemin Bayview Station;**
- 2. Autoriser le CICB à hypothéquer son droit de tenure à bail dans le Centre d'innovation, jusqu'à concurrence de 4 millions de dollars, en vue de la construction de l'annexe et de la rénovation du bâtiment, sous réserve de l'examen et de l'acceptation par le directeur général de Planification, Infrastructure et Développement économique des modalités de financement du prêteur, en consultation avec la trésorière municipale;**

- 3. Autoriser la trésorière municipale et le directeur général de Planification, Infrastructure et Développement économique à conclure et à signer toute approbation, tout accord ou tout autre document nécessaire en lien avec le présent rapport.**

BACKGROUND

The City's former works yard building at 7 Bayview Station Road was repurposed and renovated for a new purpose in 2016. This \$30 million investment, shared equally between the Province and the City, has resulted in the development of the Innovation Centre at Bayview Yards. The mandate of the Innovation Centre at Bayview Yards is to foster knowledge-intensive business creation, expansion and job growth through the provision of incubation and acceleration space for entrepreneurs, a makerspace and digital media lab to support prototyping, support agency tenancy to deliver entrepreneurial programming on-site, synergistic private and public sector tenancies that facilitate access of entrepreneurs to potential collaborators, supply chains and market channels and common space areas to facilitate networking and cross-pollination of a diversity of tenants and visitors.

The Innovation Centre building has a total area of 5,200 square metres and is operated and managed by the not-for-profit Innovation Centre at Bayview Yards (ICBY) under a long term (99-year) lease with the City. Invest Ottawa, as the anchor tenant in the building, is the City's key program delivery partner for economic development, foreign direct investment and business retention and expansion, which supports the growth and diversification of the City's knowledge-based industry. The building has 1,670 square metres of leased programming space. Tenants include local post-secondary institutions, Women in Communications and Technology, Ottawa Board of Trade, Fed Dev Ontario, Ontario Centres of Excellence, Build in Canada Innovation Program, Federal Industry Science and Economic Development, Centre for Social Enterprise Development, the Ottawa Community Loan Fund and other innovation-based agencies. The building reached full occupancy in August 2017.

ICBY has determined that additional space is needed in the near term, and they are proposing the construction of an addition to bridge the gap in demand for space from ICBY's current configuration in Phase 1 until the implementation of a Phase 2 tower as part of the larger Bayview Yards development.

This report seeks authority to permit ICBY as the City's long-term lessor of the building, to advance its plans for minor renovations to the existing spaces, and to add a modest expansion to the Innovation Centre building to meet a recognised space need. In

addition, ICBY has requested that the City consent to permit the mortgage of the leasehold interest in order to fund the renovations and expansion. This is required by the Land Lease Agreement, which prohibits the lessor (ICBY) to assign, sublet, or in any way charge, mortgage, incumber or pledge the lease, the lands, or its interest in them without the City's written consent.

DISCUSSION

Having successfully delivered on their mandate since the facility became operational in 2016, ICBY has now identified a need for expansion of the current Innovation Centre building at 7 Bayview Station Road. ICBY has determined that an addition with 600 square metres gross floor area (GFA) would permit growth in several categories of demand and optimize tenant mix for the ideal business support ecosystem. With current demand, and the ability to offer larger contiguous spaces, the Innovation Centre will be able to attain the synergies intended in the initial space and accommodate growth of Invest Ottawa programming to build and diversify the knowledge-based sector of the Ottawa economy.

Invest Ottawa and ICBY representatives have met with City staff in the Corporate Real Estate Office (CREO) and in Economic Development and Long Range Planning (EDLRP) to discuss potential opportunities to meet their immediate additional space needs. ICBY has provided staff with a business plan that details the approach to developing new office space at Bayview Yards.

The business plan supports the construction of a 600-square metre GFA expansion on the lands that are currently leased by ICBY at 7 Bayview Station Road, shown as the hatched area on the Location Map included as Document 2. A proposed concept plan for the expansion is included as part of the Business Plan in Document 1 to this report. The proposed addition is located within ICBY's original lease boundary and will be of a size and scale that will not trigger Site Plan Approval or an amendment to the lease. The proposed addition will require a building permit application with review by Building Code Services staff.

The business plan outlines the need to finance \$450,000 for the purpose of undertaking renovations to the existing building that will improve the user experience at the Innovation Centre and will generate a positive return on investment as a result of the renovation. This work is planned to be completed between February and June 2020. An additional \$3.55 million financing is needed to complete construction of the proposed new addition. Construction is proposed to begin in June of 2020, with occupancy expected in Q1 2021. The business plan projects that a 25-year term leasehold

mortgage at a market rates can be justified, achieving positive cash flows early in the mortgage term. ICBY is requesting that the City provide its consent to use the building as collateral for debt.

Appropriate City staff will work with ICBY to establish appropriate financing terms prior to providing written consent or executing any waiver of conditions within the lease that will allow the building to be mortgaged, the intent being to protect the City's financial interests and to provide options and remedies in the event of default.

RURAL IMPLICATIONS

There are no rural implications associated with the recommendations in this report.

CONSULTATION

The Innovation Centre at Bayview Yards sub-committee met on several occasions to advance the design of the addition as well as the business plan and feasibility study. The business plan and feasibility analysis were reviewed by City staff and approved by the Innovation Centre Board of Directors on October 3, 2019.

COMMENTS BY THE WARD COUNCILLOR

Councillor Leiper is aware of this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

The proposed financing arrangement does not intend for the City to act as guarantor. In the event of a default on the mortgage, ICBY would remain the Lessor and Property Manager of the building, unless the lender requested an assignment of the lease, in which case, such assignment would provide the lender with step in rights to lease the Innovation Centre building. If the lending agreement does include an assignment of the lease, a clause will need to be added giving the City the first right of refusal and step in rights. If the City did decide to exercise this right, then the City would then be responsible for repayment of any amounts outstanding on the mortgage at the time of the default but would also take over the right to lease.

FINANCIAL IMPLICATIONS

ICBY has access to an operating line of credit to a maximum of \$975,000. The City is a guarantor on the line of credit, but this agreement ends in 2021. The current balance is zero.

There is no expectation for the City to guarantee the \$4 million loan described in this report. If ICBY were to default on this mortgage, and the lender had included an assignment of the lease in the loan agreement and if the City decided to step in, then the City would be responsible for any outstanding amount owing on the loan.

ACCESSIBILITY IMPACTS

The existing building was renovated to meet AODA standards as required. Any further renovations to the existing building, as well as the proposed new expansion building will conform with AODA standards for accessibility, where it applies to interior and exterior public spaces.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications related to the proposed waiver for financing purposes. The proposed expansion building will be constructed on the existing Innovation Centre property which has approved environmental risk management measures in place.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priority:

- Strategic Initiative 23 – Sustainable Environmental Services, which specifically promotes the development of Bayview Yards.

SUPPORTING DOCUMENTATION

Document 1 ICBY Business Plan for an Addition to 7 Bayview

Document 2 Location Map

DISPOSITION

CREO, in collaboration with EDLRP, Corporate Finance and Legal Services, Innovative Client Services staff to review and execute any consents, agreements or other documents needed to permit ICBY to mortgage its leasehold interest in the Innovation Centre building to an upset limit of \$4 million for the purpose of financing upgrades to the existing building and construction of a new 600-square metre GFA addition.

Document 2 – Location Map



		LOCATION MAP / PLAN DE LOCALISATION	
		Document 1 - Bayview Yards Document 1 - chantiers de Bayview	
19-1208-B		 Innovation Centre Leased Lands	
I:\CO\2019\Location\Bayview_7_89			
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