



## STAFF REPORT ACTION REQUIRED

### Lease agreement with The Theatre Centre at 1115 Queen Street West

<b>Date:</b>	February 24, 2010
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer and General Manager, Economic Development & Culture
<b>Wards:</b>	Ward No. 18 – Davenport
<b>Reference Number:</b>	P:\2010\Internal Services\RE\Gm10020re – (AFS 11422)

#### **SUMMARY**

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The purpose of this report is to obtain City Council authority to enter into a new Below Market Rent lease agreement with The Theatre Centre for approximately 9,300 square feet of space located at 1115 Queen Street West.

#### **RECOMMENDATIONS**

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**The Chief Corporate Officer and the General Manager of Economic Development & Culture recommend that:**

1. City Council authorize a new Below Market Rent lease agreement with The Theatre Centre, for a ten (10) year term plus two (2) renewal options of 5-years each, based on the terms and conditions set out in the attached Appendix “A”, and on such other terms and conditions acceptable to the Chief Corporate Officer, and in a form acceptable to the City Solicitor.
2. City Council authorize the Chief Corporate Officer to administer and manage the lease agreement including the provision of any consents, approvals, notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

3. City Council authorize the City Solicitor to complete the lease, deliver any notices, pay expenses and amend the commencement and other dates to such earlier or later date(s), on such terms and conditions, as she may, from time to time, determine.
4. City Council grant an exemption to the Below Market Rent Policy to allow The Theatre Centre to become a tenant at 1115 Queen Street West without the need to solicit a request for proposals as required by the Below Market Rent Policy.

## **Financial Impact**

The proposed agreement assumes a lease of 9,300 square feet of space for a nominal net rent consideration. All operating costs related to the building occupancy (currently estimated at \$186,000 per year based on a rate of \$20.00 per square foot) will be paid by the tenant, resulting in no cost to the City of Toronto. The Theatre Centre will take carriage of the building when it becomes vacant in October 2011 or later depending on completion of the new space for Public Health, which currently occupies the building. The Theatre Centre will need to have the building vacant and available for construction/renovation for approximately two years and will pay the operating cost during that period. The Province has made all Theatres under 1,000 seats exempt from property tax. Public Health does not currently pay property tax resulting in no Property Tax loss to the City. The Theatre Centre development plan for the Occupancy Costs of the renovated building includes an allowance for capital repair and maintenance.

The Theatre Centre has developed a detailed capital program for the renovation of the building to accommodate its operation as a cultural centre. Renovations of the building are estimated to cost approximately \$5.2 million, with funding projected to be secured from a \$1 million Section 37 contribution and from other levels of government, foundations and private donations. To date the Section 37 contribution and \$225,000 of foundation funding have been confirmed.

In accordance with the City's Below Market Rent Policy, the opportunity costs of entering into the Below Market Rent agreement must be determined and reported to City Council. Research indicates that the total opportunity cost of the lease over the 10-year term is approximately \$1.6 million. If the lease is renewed for an additional 5-year term, the opportunity cost for the 5-year lease extension term is approximately \$.6 million, for a total opportunity cost of \$2.2 million over the fifteen (15) year period. If the lease is then renewed for the 2<sup>nd</sup> 5-year renewal term, the opportunity cost for the 5-year lease extension term is approximately \$.5 million, for a total opportunity cost of \$2.7 million over the twenty (20) year period.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

In recent years, City Council has considered numerous redevelopment applications within the West Queen West neighbourhood. Within this creative community lies a City-owned heritage building known as the Carnegie Library, located at 1115 Queen Street West. It is currently occupied by Toronto Public Health, but is envisioned to be a performing arts hub that would be the focal point within the redeveloped West Queen West neighbourhood. Community benefits to this end have been secured through a lengthy Ontario Municipal Board hearing.

Specifically, the developer of 150 Sudbury Street is required to contribute \$1.25 million under a Section 37 agreement. \$250,000 of this amount will be used to relocate Toronto Public Health to a new building located at 45 Lisgar Street sometime in 2011. The remaining \$1 million will be used to renovate the former Carnegie Library into a performing arts hub.

Furthermore, the developer of 45 Lisgar Street has secured development approvals contingent on providing 10,000 square feet of space on the ground floor of the building, which will house Toronto Public Health, allowing the former Carnegie Library to be made available for use as a performing arts hub occupied by the Theatre Centre.

Public Health will lease the designated space at 45 Lisgar Street for a term of 25 years with a single option to renew for an additional 25 years less a day (total term of 50 years less a day) at the nominal rent of \$2.00 per annum. Public Health will be responsible to pay for all taxes if applicable, operating and maintenance costs associated with their space as well as its proportionate share of the common elements within the building that it utilizes.

## **ISSUE BACKGROUND**

Established in 1979, The Theatre Centre has spent the past 30 years fulfilling its mission to develop, create and promote innovative, interdisciplinary and accessible high quality theatre through creative collaboration between artists, staff and audience. Through its residency program The Theatre Centre gives artists the resources of space, time and dramaturgy to create new work. Artists who have benefited from the programs and support include Daniel MacIvor, Darren O'Donnell, the Independent Aunties and Jennifer Tarver.

The Theatre Centre has been forced to move seven times in its 30-year history as a result of gentrification and rising rents. Since 2000, The Theatre Centre has leased the lower level of the Great Hall at Queen Street West and Dovercourt Road. In 2005, the Great Hall was sold and the Theatre Centre's multi-year lease was not renewed. The space is currently rented to the Theatre Centre on a month to month basis. In late 2005 the Theatre Centre entered into discussions with the City of Toronto regarding the adaptive reuse of the Carnegie Library at 1115 Queen Street West as an arts hub for the West Queen West neighbourhood.

Listed by the Toronto Historical Board for its historical and architectural importance, the 1115 Queen Street West property was constructed in 1909 as part of the Andrew Carnegie philanthropic grant program that helped finance free public libraries worldwide. Currently, the building is utilized by the Toronto Public Health Division operating as the Beatrice Lillie Health Centre. Toronto Public Health has agreed to vacate their current location and move to the new space on the understanding that it does not negatively impact either their capital or operating budget.

## **COMMENTS**

The City of Toronto has a long history of entering into below market rent tenancies within many of its heritage buildings to theatres such as the Buddies in Bad Times Theatre, Lorraine Kimsa Theatre for Young People, CanStage's Berkely Street Theatre Complex and more recently Theatre Passe Muraille in order to provide affordable and sustainable creative space within Toronto without the City incurring any ongoing operating costs.

From a policy perspective, entering into a below market lease with the Theatre Centre is in keeping with the following:

### 1) Culture Plan for the Creative City

Recommendation No. 10 of the Culture Plan states that the City should develop partnerships with the private and not for profit sectors as well as other levels of government to foster culture through renovated, expanded and new cultural facilities.

Recommendation No. 11 states that Culture Services should implement Council's policy to provide the arts and cultural community with access to City-owned facilities and properties for use as venues, in education and training programs and as studio, rehearsal, storage and administrative space.

Recommendation No. 44 states that the City should recognize the vital role played by not for profit arts groups in the social and economic life of Toronto and reinvest in the arts and culture sector.

2) Imagine a Toronto...Strategies for a Creative City

“Imagine a Toronto...Strategies for a Creative City” was a product of a year long partnership between Toronto (Canada) and London (U.K.) in 2006 to develop specific strategies to enhance the growth and development of the “creative economy” in both cities.

The report presents trends in the local and regional economy, the most current research and best practices occurring in Toronto and other international cities and recommendations on how to further develop and enhance Toronto’s creative sector for both economic and cultural benefits for the city and province. The report specifically states that Toronto should take a systematic, coordinated and strategic approach to ensuring an adequate and stable supply of affordable creative spaces.

3) Policy of City-Owned Space Provided at Below-Market Rent

Historically, the City has supported the community-based service sector and cultural organizations through the provision of space for administrative and program delivery purposes.

The provision of City-owned space at below-market rent is a form of partnership and investment in community and cultural organizations that help the City serve its stakeholders and residents. These organizations, in turn, provide community benefits that complement City-mandated programs and services.

“Below-market rent city space” is a term referring to arrangements between the City and outside organizations, where:

- a) the organizations have exclusive use of City-owned space, such as entire buildings or an assigned space within a building, and
- b) the organizations have use of the space over an extended period of time; and
- c) the space is provided at a cost less than the full market rental rate of the space.

The Theatre Centre qualifies for below market rent from the City as they meet the eligibility criteria (i.e. the Theatre Centre is incorporated as a not for profit with charitable status; its activities support City objectives and serve City residents as well as the organization’s mandate is not the responsibility of any senior level of government).

Other cultural organizations such as Buddies in Bad Times Theatre, CanStage, Lorraine Kimsa Theatre for Young People and Theatre Passe Muraille enjoy similar privileges that were recognized from the staff report titled "Providing City-Owned Space to Community Organizations at Below-Market Rent" as adopted by City Council on November 19 and 20, 2007.

## **CONTACT**

Joe Casali  
Director, Real Estate Services  
Real Estate Services  
Tel: (416) 392-7202  
Fax: (416) 392-1880  
[jcasali@toronto.ca](mailto:jcasali@toronto.ca)

Rita Davies  
Executive Director, Cultural Services  
Economic Development and Culture  
Tel: (416) 397-5323  
Fax: (416) 392-5600  
[rdavies@toronto.ca](mailto:rdavies@toronto.ca)

## **SIGNATURE**

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Bruce Bowes, P. Eng.  
Chief Corporate Officer

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Michael H. Williams  
General Manager  
Economic Development & Culture

## **ATTACHMENTS**

Schedule "A" – Major Terms & Conditions  
Schedule "B" – Location Map