



**STAFF REPORT
ACTION REQUIRED**

30 Grand Trunk Crescent - Below-Market Rent Agreement

Date:	June 13, 2012
To:	Government Management Committee
From:	Chief Corporate Officer and General Manager, Economic Development and Culture
Wards:	20 – Trinity - Spadina
Reference Number:	P:\2012\Internal Services\Gm12027re: AFS#15977

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a new Below-Market Rent (BMR) sublease agreement with the Toronto Cultural Advisory Corporation (operates as Toronto Arts Council or TAC) for approximately 5,127 square feet of space located at 30 Grand Trunk Crescent within Toronto Standard Condominium Corporation #1855. The proposed tenancy is for the standard BMR-lease term of five years.

Authority is also sought from City Council to provide the Toronto Arts Council with funding of up to a maximum amount of \$200,000 previously secured for the selected subtenant for capital costs to fit-up the space through the Revised Precinct B Agreement for the Railway Lands East registered on June 28, 2002.

This BMR sublease will allow for affordable and sustainable cultural space for the TAC's offices. This is consistent with the report entitled Creative Capital Gains – An Action Plan for Toronto which was adopted by City Council in May 2011.

RECOMMENDATIONS

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

1. City Council authorize the City to enter into a Below-Market Rent sublease agreement with the Toronto Arts Council for a five (5) year term, substantially based on the terms and conditions set out in the attached Appendix "A", and any

other terms and conditions acceptable to the Chief Corporate Officer, or his or her designate, and in form acceptable to the City Solicitor.

2. City Council authorize the Chief Corporate Officer to administer and manage the sublease 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 consent) to City Council for its determination and direction.
3. City Council authorize the City Solicitor to complete the sublease, deliver any notices, pay expenses and amend the commencement and other dates to such earlier or late date(s), on such terms and conditions, as she may, from time to time, determine.
4. City Council authorize that the approved 2012 Operating Budget for Economic Development and Culture be increased by **\$200,000** gross, \$0 net, fully funded by funds received from the Precinct Agreement under the address of 185 Bremner Boulevard (source account 220331) to provide a grant for the Toronto Arts Council's capital improvements to the second floor community space at 30 Grand Trunk Crescent.
5. City Council authorize that the funding of up to a maximum amount of \$200,000 be forwarded to the Toronto Arts Council in instalments in response to the submission by the Toronto Arts Council detailed plans and cost estimates of the capital improvements and the signing by the Toronto Arts Council of an Undertaking in a form satisfactory to General Manager of Economic Development and Culture and Chief Corporate Officer governing the use of the funds and financial reporting requirements.
6. This report be forwarded to Budget Committee for information.

FINANCIAL IMPACT

The proposed agreement assumes a sublease of 5,127 square feet of space for a nominal net rent consideration. The subtenant shall be responsible for all applicable costs, taxes, charges (including special assessments or any other charges levied by the Condominium Corporation), expenses and outlays of any nature whatsoever arising from or relating to the use and occupancy of the Subleased Premises, as detailed in the Head Lease. (The property taxes are estimated to be approximately \$28,300 including HST.)

The Toronto Arts Council's costs for rented space will be reduced from \$106,784.00 to \$70,300.00 annually. Included in this reduced cost to TAC will be \$28,300 annually for Property Tax and \$150,000 over five years for their contribution to fit up costs. There will be no costs to the City of Toronto as a result of the below market rent sublease with the Toronto Arts Council.

In accordance with the City Policy's on City-Owned Space Provided at Below-Market Rent, the opportunity costs of entering into this agreement must be determined and reported to City Council. Research indicates that the total opportunity cost of the sublease over the 5-year term is approximately \$289,242.

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

DECISION HISTORY

At its meeting on October 1, 2 and 3, 2002, Council adopted "A Policy for City-Owned Space Provided at Below-Market Rent" as the first step in rationalizing how City-owned space is provided to community and cultural organizations.

<http://www.toronto.ca/legdocs/2002/agendas/council/cc021001/pof13rpt/cl001.pdf>

Through subsequent reports, Council has refined the BMR policy framework and has authorized the extension of existing BMR lease agreements. The most recent report was submitted to City Council on November 19-20, 2007 titled "Providing City-Owned Space to Community Organizations at Below-Market Rent".

<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-7803.pdf>

The Below-Market Rent Policy establishes a framework for the leasing of City-owned space to not-for-profit community and arts organizations at below-market rent where these organizations further the delivery of Council priorities. The proposed tenancy is consistent with this framework.

ISSUE BACKGROUND

Pursuant to a Precinct Agreement dated November 20, 1996, and amending agreements made in February and June 2002, Antelope Hills Construction Ltd. (the owner) agreed to construct, complete and maintain at its expense and to lease to the City at nominal rent inclusive of operating expenses but exclusive of property taxes, premises for Community Services and Facilities. As a result, the City has entered into a head lease agreement with Antelope Hills Construction Ltd. dated September 15, 2005 (the "Head Lease") for approximately 5,000 square feet of space on the second floor with an at-grade entrance within the 35-storey tower at 185 Bremner Blvd, now municipally known as 30 Grand Trunk Crescent.

While initially there was difficulty in finding a prospective subtenant, the City of Toronto recently posted a Request for Expression of Interest (REOI) and the Toronto Arts Council responded, as well as being selected, as a qualified cultural organization to occupy the City designated space at a below market rent on the second floor of 30 Grand Trunk Crescent.

The Toronto Arts Council (TAC) is a not-for-profit organization that supports the development, accessibility and excellence of the arts in Toronto through volunteer committees and board members. As an arm's length organization funded by the City of Toronto, the Toronto Arts Council delivers grants programs to the city's arts organizations and professional artists. The TAC invests in a broad range of activities from individual creation and small start-up projects to some of Canada's largest and most renowned arts institutions.

The REOI process, through an open call, asked for applications to be submitted to the City. The REOI document outlined the City's priorities for the focus area and the assessment process in order to determine the best match between potential subtenant organizations, the City, identified community needs and the available City space.

The Toronto Arts Council is anxious to move into the 30 Grand Trunk Crescent space should City Council give its authority since the TAC's current leased space located at 141 Bathurst Street expires in October 2012. However, the landlord for the 141 Bathurst Street space has agreed to an extension until December 31, 2012 if the premises are not yet leased to another tenant.

COMMENTS

The proposed BMR subtenant use has been deemed compatible with the existing recreation uses in the facility, compatible with the City's mandate and priorities and the proposed subtenant meets the eligibility requirements under the Below-Market Rent Policy.

The Toronto Arts Council by securing a below market rent sublease with the City will be better able to ensure stability in their administrative duties and not be subject to fluctuating market rents which in recent years have been a challenge for the TAC's operating budget.

\$200,000.00 is to be used to complete the fit-ups within the second floor space at 30 Grand Trunk Crescent for the TAC with the funding coming from Deferred Revenue Account No. 220331. The \$200,000.00 is as per the requirements of Section 14.2(a) of Revised Precinct B Agreement registered on June 28, 2002.

The Toronto Arts Council has been in their current office space at 141 Bathurst Street since 2002 when they had three fewer full-time equivalents (FTEs), very few volunteers and interns and far fewer adjudication meetings. The extra 1,474 square feet of space in the 30 Grand Trunk Crescent premises will allow the Toronto Arts Council to accommodate their current levels of staff, volunteers and adjudication meetings.

CONTACT

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

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

SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer

Michael H. Williams, General Manager
Economic Development and Culture

ATTACHEMENTS

Appendix "A" - Major Terms and Conditions
Appendix "B"- Location Map
Appendix "C"- Comparison of Costs for Existing and proposed TAC Premises