



STAFF REPORT ACTION REQUIRED

Below-Market Rent Lease Agreements at 125 Manse Road and at 1652 Keele Street

Date:	February 5, 2013
To:	Government Management Committee
From:	Chief Corporate Officer and Executive Director, Social Development, Finance and Administration
Wards:	Ward 44 – Scarborough East Ward 12 – York South-Weston
Reference Number:	P:\2013\Internal Services\RE\Gm13009re (AFS #16937)

SUMMARY

The purpose of this report is to obtain authority for a Below-Market Rent (BMR) lease agreement with Good Shepherd Non-Profit Homes for approximately 3,000 square feet of space located at 125 Manse Road, in Ward 44 Scarborough East.

This report also seeks authority to amend an existing BMR lease to grant approximately 1,307 square feet of additional space to For Youth Initiative at 1652 Keele Street in Ward 12 York South-Weston.

RECOMMENDATIONS

The Chief Corporate Officer and Executive Director, Social Development, Finance & Administration (SDFA) recommend that:

1. City Council authorize a new Below-Market Rent lease agreement with Good Shepherd Non-Profit Homes Inc. at 125 Manse Road for a five (5) year term, substantially based on the terms set out in the attached Appendix “A”, with such revisions thereto, and such other terms and conditions acceptable to the Chief Corporate Officer, or her designate, and in a form acceptable to the City Solicitor.

2. City Council authorize an amendment to the existing Below-Market Rent lease agreement with For Youth Initiative to add approximately 1,307 square feet of additional space on the second floor of the building located on the property known municipally as 1652 Keele Street, substantially based on the terms set out in the attached Appendix “B”, with such revisions thereto and such other terms and conditions acceptable to the Chief Corporate Officer, or her designate, and in a form acceptable to the City Solicitor.
3. City Council authorize an exemption to the BMR policy and procedures to allow Good Shepherd Non-Profit Homes Inc. to continue their occupancy of 125 Manse Avenue as BMR tenant without the need to solicit a Request for Expression of Interest (REOI) as required by the BMR Policy.
4. City Council authorize the Chief Corporate Officer to administer and manage the lease agreements referred to above 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.

Financial Impact

Good Shepherd Non-Profit Homes Inc. ("GSNP")

The proposed lease agreement will provide GSNP with 3,000 square feet of space for a nominal net rent consideration. All operating costs related to the building occupancy (currently estimated at \$45,000 per year based on a rate of \$15 per square foot) will be paid by the tenant, resulting in no cost to the City of Toronto.

In accordance with the City’s Policy 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 lease over the 5-year term is approximately \$110,250.

For Youth Initiative ("FYI")

The additional 1,307 square feet of space for FYI will be for a nominal net rent consideration. All operating costs related to the FYI's occupancy of the additional space, currently estimated at \$15.16 per square foot or \$19,814 per year, will be paid for by the tenant, resulting in no cost to the the City. The opportunity cost of the proposed expansion space is approximately \$ 117,630 over the 5-year lease term.

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. On October 15 2007, City Council approved the BMR lease renewal for Scarborough Hospital to continue providing housing support services at 125 Manse Road:

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

At its meeting on December 1, 2008 City Council authorized a BMR lease renewal for FYI at 1652 Keele Street for a 10 year term. The extended term was authorized as FYI was to provide a \$1,380,001.00 capital investment in the property to renovate and furnish the basement level of the property:

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2008.MM27.13>).

The Below-Market Rent Policy establishes a framework for the leasing of City-owned space to non-profit community organizations at below-market rent where their services or programs align with approved Council priorities. The proposed tenancies are consistent with this framework.

ISSUE BACKGROUND

Good Shepherd Non-Profit Homes Inc.

The property at 125 Manse Road has been operating under the below-market rent framework since 1986. From that time until this year, the Scarborough Hospital – Manse Road Group Home provided both on-site housing support services and transitional housing support to adults living with mental illness or concurrent disorders that are homeless or at risk of homelessness. The Scarborough Hospital divested the programming and operations at 125 Manse Road to GSNP, a charitable organization, effective April 1, 2012.

Through a recent grant process, Shelter, Support and Housing allocated the sum of \$227,602 as a building renovation grant for 2013 expenditure on the condition that GSNP maintains a BMR lease with the City of Toronto for their housing support programming at 125 Manse Road. GSNP requires a new BMR lease with the City in its own name to continue the same programming and services at 125 Manse Road.

For Youth Initiative

FYI has been a BMR tenant at 1652 Keele Street since 2005. In 2005, FYI expanded into a second location at 1669 Eglinton Avenue West to deliver additional youth programs and services. This year, FYI experienced increases in their operating costs for programs and services at both service locations. These increases, coupled with the decreases in their revenue base, have inspired FYI to consolidate their program operations into one location. Currently, there are two vacant spaces available on the second floor of the City-owned building at 1652 Keele Street that would accommodate the proposed consolidation of FYI's head office. Council authority is required to amend FYI's existing BMR lease to include the additional square footage.

COMMENTS

Good Shepherd Non-Profit Homes Inc.

GSNP was founded in 1989 to develop supportive housing in Toronto and Hamilton. In Toronto, GSNP provides both on-site and mobile housing support services to men and women who are homeless or at risk of becoming homeless. In doing so, this charitable non-profit organization adds to the continuum of services offered to the homeless and the hard to house in Toronto. A majority of its clients are supported through Ontario Works (OW) or Ontario Disability Support Payments (ODSP); clients must reside in Toronto to receive OW and ODSP in Toronto.

This report recommends an exemption to the BMR policy and procedures to allow the GSNP to continue their occupancy at 125 Manse Road without the need to solicit a Request for Expression of Interest (REOI) as required by the BMR Policy. The previous BMR tenant at 125 Manse Road divested the programs and services to GSNP through a competitive process earlier this year. GSNP is continuing the operations of the same programs and services that have been delivered from the Manse property since 1986; only the administrative and governing structure has changed. City staff have determined that given this continuity of services and the process by which GSNP were determined as the new service provider, an REOI process would not be applicable in this circumstance.

For Youth Initiative

For Youth Initiative started as a project in the former City of York in the mid-90s to respond to the critical issues of disengagement, alienation, crime and violence, and poverty that increased youth vulnerability in the former City. Since that time, FYI has grown into a successful non-profit charitable organization that encourages civic engagement and increases youth access to educational, relational and cultural opportunities.

Staff from Social Development, Finance and Administration have reviewed both of these existing BMR tenants and have determined them to meet all eligibility criteria under the Below-Market Rent Policy. Their programs and services align with City priorities and continue to be compatible with their respective BMR properties.

CONTACT

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

Denise Andrea Campbell
Director, Community Resources
Social Development, Finance & Admin.
Tel: (416) 392-8608
Fax: (416) 392-8492
dcampbe6@toronto.ca

SIGNATURE

Josie Scioli
Chief Corporate Officer

Chris Brillinger
Executive Director
Social Development, Finance &
Administration

ATTACHMENTS

Appendix “A” – Major Terms and Conditions: Manse
Appendix “B” – Major Terms and Conditions: Keele
Appendix “C” – Location Map: Manse
Appendix “D” – Location Map: Keele