

**REPORT FOR ACTION****Sublease at 29 St. Dennis Drive with Thorncliffe Neighbourhood Office for Below Market Rent**

Date: April 12, 2017

To: Government Management Committee

From: Chief Corporate Officer

and Executive Director, Social Development, Finance and Administration

Wards: 26 – Don Valley West

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a Below Market Rent sublease with Thorncliffe Neighbourhood Office for approximately 361 square feet of space located at 29 St. Dennis Drive in the Flemington Park Neighbourhood Improvement Area.

RECOMMENDATIONS

The Chief Corporate Officer and the Acting Executive Director of Social Development, Finance and Administration recommend that:

1. City Council authorize the sublease under the Below Market Rent (BMR) Policy relating to the space at 29 St. Dennis Drive (the "Premises") with Thorncliffe Neighbourhood Office ("TNO") for a five (5) year term, based substantially on the terms set out in the attached Appendix "A", and on such other, or amended terms acceptable to the Chief Corporate Officer, or his or her designate and in a form acceptable to the City Solicitor.
2. City Council, pursuant to section 83(1) of the City of Toronto Act, 2006, deem the grant of the sublease to be in the interests of the City.
3. City Council authorize the City Solicitor to complete the sublease and all related documentation as required.
4. City Council authorize severally each of the Chief Corporate Officer and the Director of Real Estate Services to execute such documents required to complete the Sublease.

5. City Council authorize the Chief Corporate Officer or her designate to administer and manage the sublease, 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.

6. City Council grant an exemption to the BMR Policy to allow TNO to become a subtenant at 29 St. Dennis Drive without the need to solicit a request for proposals as required by the BMR Policy.

7. City Council grant an exemption from the Return on Investment requirement under the BMR Policy, as this tool is under development with Social Development, Finance and Administration Division.

FINANCIAL IMPACT

The proposed sublease of the Premises with Thornhill Neighbourhood Office is for a nominal net rent consideration. All operating costs related to the building occupancy (currently estimated at \$2,245 per year based on a rate of \$6.22 per square foot) will be paid by the subtenant, resulting in no cost to the City of Toronto assuming compliance with the sublease.

In accordance with the City's BMR Policy, the opportunity costs of entering into the BMR agreement must be determined and reported to City Council. Research indicates that the total opportunity cost of the lease over the five (5) year term is approximately \$20,665.

TNO's total operating budget for April 2016 to March 2017 is \$9,215,871 and the operating budget allocated for programming costs for the BMR space at 29 St. Dennis Drive is \$51,033. For the five (5) year sublease term, the organization will be investing an estimated \$255,166 into the community through their programs and services contingent on funding.

The Deputy City Manager & Chief Financial Officer have 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/cl_001.pdf

At its meeting November 19 and 20, 2007, Council adopted "Providing City-Owned Space to Community Organizations at Below-Market Rent" and outlined provisions of occupying City spaces through a Request for Proposal ("RFP"):

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

At its meeting on September 30 and October 1, 2009, City Council adopted the Recommendations contained in Item No. GM24.39 titled "Lease to Flemo City Media at 29 St. Dennis Drive" and authorized a BMR lease agreement with Flemo City Media at the Premises for a term of 5 years.

<http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-23313.pdf>

At its meeting on February 3 and 4, 2016, Council adopted the Recommendations contained in Item No. GM9.7 titled "Renewal of Below Market Rent Lease Agreement with Flemo City Media at 29 St. Dennis Drive" and authorized the extension of a BMR lease agreement with Flemo City Media for a term of five (5) years.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM9.7>

COMMENTS

Background

The Dennis R. Timbrell Resource Centre is operated by Parks, Forestry and Recreation and is located in the Flemingdon Park Neighbourhood Improvement Area at 29 St. Dennis Drive. The property is owned by Toronto Community Housing Corporation (TCHC) which includes a recreation facility, public library and a child care centre. The building is leased to the City and any sub-tenancies require consent from TCHC for approval. A letter requesting consent for the sublease of the Premises to TNO has been sent to TCHC for approval.

In 2009, the City entered into a five (5) year BMR sublease agreement with Flemo City Media (FCM) for the purpose of providing additional programs for youth development at the Centre. The sublease expired on September 30, 2014 and has since been on overhold. In February 2016, Council authorized the extension of the sublease for a further 5-year term; however the sublease agreement was not finalized as it was determined that FCM is no longer an entity on its own and that the space is now occupied by FCM's trustee organization, Thorncliffe Neighbourhood Office, following FCM's ceasing programming in the neighbourhood.

Given the need for consistency in the governance and operations of the project, United Way Toronto & York Region (funder of the Youth Challenge Fund) asked TNO to lead in creating programming and additional youth space at the Centre. In keeping with its promise to lead in governance and operations, TNO took over FCM's programming being run at 29 St. Dennis Drive on March 1, 2016.

FCM is no longer eligible to enter into a lease agreement with the City of Toronto. As such, TNO Board of Directors, with consent from FCM, have submitted a letter to SDFA indicating that TNO leadership is committed to continuing the youth programming and making it sustainable. TNO is now requesting a new BMR sublease agreement to be established under its incorporated name.

Eligibility Review

In assessing the request for a sublease, an eligibility review has been conducted by SDFA and has deemed TNO eligible under the BMR policy. The BMR eligibility criteria includes:

- non-profit status
- programs and services aligned with a City division mandate
- programs and services provided primarily to residents of Toronto
- a mandate that is not the sole responsibility of other levels of government
- demonstrated financial viability to maintain allocated space and operating costs for the duration of lease.

TNO is a multicultural, multi-service agency providing a wide range of community services since 1985. They have more than one hundred forty (140) staff at five (5) satellite locations in Toronto. Activities include: settlement and adaptation services, Language Instruction for Newcomers to Canada (LINC) classes, employment and job search, early years activities and youth programs. The Premises is used to provide youth-led programming that focuses on arts, entertainment, current affairs and money management.

TNO programs and services offered at the Premises align with the City's Toronto Youth Equity Strategy and Toronto Strong Neighbourhoods Strategy 2020. In addition, TNO has demonstrated satisfactory financial accountability in paying operating cost associated with the sublease agreement held by FCM.

TNO has been a trustee to FCM for over three (3) years and has provided support to FCM on programming and management of the youth project. A sublease agreement with TNO will help contribute to the Flemingdon Park community by providing engaging, educational and pro-social programming to the youth in the neighbourhood.

It is recommended that City Council approve a new sublease agreement with TNO for the continued youth programming at the Premises and grant an exemption to the BMR Policy to allow TNO to become a subtenant at 29 St. Dennis Drive without the need to solicit an RFP as required by the BMR Policy.

CONTACT

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

Costanza Allevato
Director, Community Resources
Social Development, Finance & Administration
Tel: (416) 392-8608
callevat@toronto.ca

SIGNATURE

Josie Scioli
Chief Corporate Officer

Chris Brillinger
Executive Director
Social Development, Finance &
Administration

ATTACHMENTS

Appendix "A" – Major Terms of the Sublease
Appendix "B" – Location Map

APPENDIX "A"

Major terms of the Sublease at 29 St. Dennis Drive

Head Landlord/Owner:

Toronto Community Housing Corporation

Tenant:

City of Toronto (the "City")

Subtenant:

Thornccliffe Neighbourhood Office

Premises:

Comprising an area of approximately 361 square feet of space within Radio Room #2, on the 2nd floor of Dennis R. Timbrell Recreation Centre at 29 St. Dennis Drive, Toronto, Ontario

Commencement Date:

May 1, 2017, as may be amended by agreement between the City and the Subtenant

Term:

Five (5) years from the Commencement Date

Basic Rent:

Basic Rent of \$1 per annum, plus applicable taxes

Net Sublease:

The sublease shall be entirely net to the City. The Tenant shall be responsible for all applicable costs, realty taxes, charges, expenses and outlays of any nature whatsoever arising from or relating to its use and occupancy of the Premises, including all applicable operating costs.

Use:

The Premises shall be used and shall continually be operated throughout the term for providing programs for youth development as set out in the Subtenant's Service Contract with the Social Development, Finance & Administration Division of the City of Toronto. The Subtenant shall not permit to store or use any hazardous or environmentally sensitive materials in the Premises.

NSF Charges:

The Tenant will pay Thirty-Five dollars (\$35) for every cheque that is not honoured by the bank on which it is drawn (the "NSF Fee"). The NSF Fee may be increased from time to time by the City so that it is equal to the fee charged by the City in respect of cheques tendered in payment of municipal tax and water charges that are not honoured by the banks on which they are drawn.

Late Payment Charges:

For any late amount by the Subtenant, interest on the amount outstanding from time to time shall bear simple interest at the rate of 1.25% per month (15% per year). Subject to City Council approval, the default rate of interest may be increased by the City from time to time, by notice to the Subtenant.

Early Termination:

The City shall have the right to terminate the sublease for any purpose at any time during the term and any renewal/extension thereafter upon providing the Subtenant with three (3) months' prior written notice.

Insurance:

The Subtenant is to provide prior to the commencement of the term of this agreement and on an annual basis, proof of insurance in accordance with the City's insurance requirements outlined in the sublease.

APPENDIX "B"

Location Map - 29 St. Dennis Drive

