

### **New Below Market Rent Lease Agreement with South Asian Autism Awareness Centre at 705 Progress Avenue, Unit 63**

**Date:** April 12, 2017

**To:** Government Management Committee

**From:** Chief Corporate Officer

and Executive Director, Social Development, Finance and Administration

**Wards:** Ward 38 – Scarborough Centre

#### **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 South Asian Autism Awareness Centre for a five (5) year term for approximately 10,927 square feet of space located at 705 Progress Avenue, Unit 63.

#### **RECOMMENDATIONS**

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

1. City Council authorize a new Below-Market Rent lease with South Asian Autism Awareness Centre (SAAAC) for a five (5) year term, based substantially on the terms and conditions set out in Appendix "A", on such revised or other terms and conditions acceptable to the Chief Corporate Officer and in a form acceptable to the City Solicitor.
2. 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.
3. 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 new lease.
4. City Council authorize the Chief Corporate Officer or her designate to administer and manage the lease, 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.

5. City Council grant an exemption from the Return on Investment (ROI) requirement, under the Below Market Rent Policy, as this tool is under development with Social Development, Finance and Administration Division.

## **FINANCIAL IMPACT**

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The proposed lease agreement will provide SAAAC with approximately 10,927 square feet of community space at nominal net rent. All operating costs, maintenance and realty taxes related to such building occupancy (currently estimated at \$73,211 per year based on a rate of \$6.70 per square foot) will be paid by the tenant, resulting in no operating costs to the City of Toronto, so long as the tenant pays on time.

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 this lease over the 5-year term at 705 Progress Avenue is approximately \$150,246.

The building at 705 Progress is co-owned by City of Toronto and Toronto District Board of Education (TDSB), and operated by the City. The Operating Agreement dated January 2, 1997 between the City and TDSB requires the City to pay TDSB basic rent of \$1 per square foot for up to 10,000 square feet and \$2 per square foot for area over 10,000 occupied by the City. Prior to this transaction, the City currently tenants 2 units at 705 Progress Ave for approximately 4,052 of square feet for below market rent use. TDSB has agreed in writing that the space leased to this Below-Market Rent tenant will be considered occupation of such space by the City. As a result the City will pay TDSB \$79,767 over the 5-year term of this lease. This amount includes the operating cost estimate of \$6.70 per square foot which will be recovered from the tenant.

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

## **DECISION HISTORY**

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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 adopted by City Council was on November 19-20, 2007 titled "Providing City-Owned Space to Community Organizations at Below-Market Rent".  
(<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-11-19-cc14-dd.pdf>)

At its meeting on November 27, 28 and 29, 2012, Council adopted a report from the Executive Director, Social Development, Finance and Administration entitled "Update on the Policy for City-Owned Space Provided at Below-Market Rent".  
(<http://www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-51781.pdf>)

Recommendation 62 of Item EX22.2 of the Executive Committee, adopted by City Council on February 15, 2017, authorized an expenditure by the City of up to \$150,000, for internal improvements to Unit 63, for AODA compliant washrooms, new interior walls, electrical work and plumbing improvements.  
(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX22.2>)

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 these organizations further the delivery of Council priorities. The proposed tenancy is consistent with this framework.

### **Issue Background**

705 Progress Avenue is co-owned by TDSB and the City since August 1996. The property houses approximately 65 units of various square footage and was acquired with the intent of redeveloping it for a public school and a parks/recreation area. A majority of the units would be demolished to make way for the redevelopment.

At present some of the units in the property have been leased out to businesses at market rates. Canadian Tamil Youth Development and Urban Cats Relief occupy units 40 and 15 respectively pursuant to Below Market Rent leases, for a total of 4,052 square feet of space. Unit 63 is the largest unit on the property, and has been vacant since 1999, with the City paying for maintenance. City Planning and TDSB have advised that Unit 63 and surrounding area will remain when the property is redeveloped.

The City's Social Development, Finance and Administration Division (SDFA), community partner organizations and the ward Councillor have convened several discussions since June 2016 to determine possible solutions.

On December 20th, 2016 City staff conducted a Request for Expressions of Interest (REOI) process to select appropriate non-profit tenant(s). A multi-service hub model or single tenancy was proposed in the REOI due to the size of the facility and lack of community services available within the Ward. Demographic data, service analysis and Councillor Community consultations indicate that the surrounding Scarborough community is under-represented in a number of important community services.

South Asian Autism Awareness Centre ("SAAAC") was selected to tenant the entire space on a 5 year lease, based in part on a City's plans to redevelop the area. The 5 year lease term is consistent with the Below Market Rent Policy.

The City will provide up to \$150,000 for internal improvements that would allow for occupancy such as AODA compliant washrooms, new interior walls, electrical work and plumbing improvements, as authorized by Recommendation 62 of Item EX22.2, adopted by City Council on February 15, 2017.

The tenant will maintain and improve the value of Unit 63 at its own expense, in order to better serve local clients. SAAAC is considered the most viable candidate to tenant Unit 63.

## **COMMENTS**

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SAAAC, a registered charitable organization established December, 2008 is a multi-service organization offering community-based services to low-income and new Canadian families living and managing special needs children who fall within the Autism Spectrum Disorder (ASD).

SAAAC is looking for additional programming space as their current location is over capacity and the lease expires December 31, 2017. This additional space will meet growing community needs and accommodate program expansion. SAAAC was founded to address the cultural stigma and barriers present in the South Asian community towards individuals with special needs. SAAAC has since expanded to support and advocate for lower income and new Canadians living with individuals with special needs in Toronto with a focus on Autistic Spectrum Disorder (ASD) and children. The new BMR space will allow SAAAC to add more programs targeted for children, youth and adults with ASD and support neighbourhood development.

Applicants must meet the following eligibility requirements to be considered for the space under the BMR Policy:

- 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 senior levels of government;
- demonstrated financial viability to maintain allocated space and operating costs for the duration of lease.

SAAAC programs align well with the vision of redevelopment for a school and recreation area for school age children. SAAAC services also align with the Toronto Strong Neighbourhoods Strategy 2020. SAAAC has demonstrated financial capability to support the operating costs for Unit 63 - 705 Progress Avenue.

SDFA staff have reviewed the applications submitted and determined that SAAAC meet Below-Market Rent Policy requirements. This report recommends a five (5) year BMR lease for SAAAC to continue to provide direct community services to City residents that align with City-mandated programs and services.

## **CONTACT**

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## **SIGNATURE**

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Josie Scioli  
Chief Corporate Officer

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Chris Brillinger  
Executive Director  
Social Development, Finance &  
Administration

## **ATTACHMENTS**

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Appendix "A" – Major Terms and Conditions: Unit 63, 705 Progress Avenue  
Appendix "B" – Location Map: Unit 63, 705 Progress Avenue

## **Appendix A:**

### Major Terms and Conditions

Property Address: Unit 63, 705 Progress Avenue, Toronto, Ontario

Premises: Approximately 10,927 Square Feet of Space at Unit 63, 705 Progress Avenue.

Tenant: South Asian Autism Awareness Centre

Use: The Tenant shall only use the premises in accordance with the use as set out in its Service Agreement with the City, and for the purposes of community services administration and programs.

Basic Rent: The Tenant shall pay to the Landlord, a basic rent of \$15,953.42 per annum (based on \$1.46 per square foot x 10,927 square feet), payable in equal monthly installments in advance of \$1,329.46 each, on the first day of each and every month of the Lease Term, plus all applicable taxes.

#### Estimated

Additional Rent: \$6.70 per square foot per annum. The Tenant shall be responsible for all building insurance, property taxes, utilities, operating costs and related maintenance fees. The Tenant shall also be responsible for any other additional costs related to the Premises.

Lease Term: Five (5) years from the Commencement Date

Commencement Date: July 1, 2017

Insurance: Prior to the Commencement Date, and thereafter on an annual basis, the Tenant shall provide evidence of insurance in accordance with the City's insurance requirements, as detailed in the City's form of lease.

Late Payment Charges: Interest on the outstanding amounts 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 Landlord from time to time, by notice to the Tenant.

Early Termination: The Landlord and the Tenant shall have the right to terminate the Lease for any reason, at any time during the Term and any renewal/extension thereafter, by providing six (6) months' prior written notice to the other party.

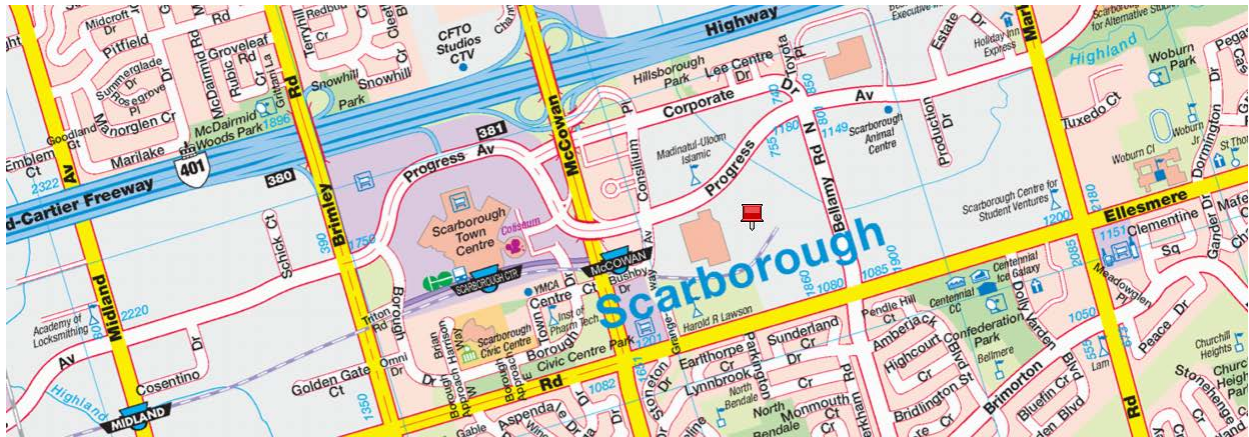
Lease Document: The Tenant shall execute the City's form of Below Market Rent lease, within 30 days of receipt.

No Assignment: The Tenant shall not transfer, assign or sublet without the consent of the Landlord, which may be unreasonably withheld and delayed.

Maintenance Reports: The City of Toronto shall have the right at any time to request and review the Tenant's maintenance reports and logs relating to building operations

**APPENDIX B:**

**Location Map – Unit 63, 705 Progress Avenue**



**Image View – Unit 63, 705 Progress Avenue**

