



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Affordable Rental Housing - New Lease Agreements at 1313 Queen Street West, 125 Manse Road, 1177 King Street West, 156 and 158 Munro Street and 140, 163 and 164 Spadina Road

Date: October 30, 2017

To: Government Management Committee

From: Deputy City Manager, Cluster A
& Deputy City Manager, Internal Corporate Services

Wards: Ward 14 – Parkdale-High Park, Ward 20 – Trinity-Spadina,
Ward 30 – Toronto-Danforth and Ward 44 – Scarborough East

REASON FOR CONFIDENTIAL INFORMATION

This report involves the security of property belonging to the City or one of its agencies or corporations.

SUMMARY

The purpose of this report is to obtain City Council authority to enter into new affordable rental housing lease agreements at 1313 Queen Street West, 125 Manse Road, 1177 King Street West, 156 and 158 Munro Street, and 140, 163 and 164 Spadina Road with each current respective non-profit affordable housing provider. These eight affordable rental housing properties include 48 rooms in multi-tenant housing and nine apartments which provide affordable rental accommodation to lower-income Torontonians.

RECOMMENDATIONS

The Deputy City Manager, Cluster A and the Deputy City Manager, Internal Corporate Services recommend that:

1. City Council authorize a new affordable housing lease agreement with Toronto Artscape Inc. for the property known municipally as 1313 Queen Street West for a five-year term, substantially based on the terms and conditions outlined in Appendix "1", and

on such revised or other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services, or his or her designate and in a form acceptable to the City Solicitor.

2. City Council authorize a new affordable housing lease agreement with Good Shepherd Non-Profit Homes Inc. for the property known municipally as 125 Manse Road for a five-year term, substantially based on the terms and conditions outlined in Appendix "2", and on such revised or other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services, or his or her designate and in a form acceptable to the City Solicitor.

3. City Council authorize a new affordable housing lease agreement with Madison Community Services for the property known municipally as 1177 King Street West for a five-year term, substantially based on the terms and conditions outlined in Appendix "3", and on such revised or other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services, or his or her designate and in a form acceptable to the City Solicitor, and subject to the satisfactory resolution of the matter outlined in Confidential Attachment 1.

4. City Council authorize a new affordable housing lease agreement with Ecuhome Corporation for the property known municipally as 156 & 158 Munro Street for a five-year term, substantially based on the terms and conditions outlined in Appendix "4", and on such revised or other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services, or his or her designate and in a form acceptable to the City Solicitor.

5. City Council authorize a new affordable housing sublease agreement with the Homes First Society for the property known municipally as 140 Spadina Road for a five-year term, substantially based on the terms and conditions outlined in Appendix "5", and on such revised or other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services, or his or her designate and in a form acceptable to the City Solicitor.

6. City Council authorize a new affordable housing sublease agreement with the Homes First Society for the property known municipally as 164 Spadina Road for a five-year term, substantially based on the terms and conditions outlined in Appendix "5", and on such revised or other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services, or his or her designate and in a form acceptable to the City Solicitor.

7. City Council authorize a new affordable housing sublease agreement with Madison Community Services for the property known municipally as 163 Spadina Road for a five-year term substantially based on the terms and conditions outlined in Appendix "6", and on such revised or other terms and conditions as may be acceptable to the Deputy City Manager, Internal Corporate Services, or Deputy City Manager, Internal Corporate Services' designate and in a form satisfactory to the City Solicitor.

8. City Council, pursuant to section 83(1) of the City of Toronto Act, 2006, deem the grant of the leases and subleases in the interests of the City.
9. City Council authorize severally each of the Deputy City Manager, Internal Corporate Services, and the Director of Real Estate Services to execute such agreements identified in Recommendation Nos. 1 to 7 and any ancillary agreements and documents as required.
10. City Council authorize the City Solicitor to complete such agreements identified in Recommendation Nos. 1 to 7 and all related documentation as required, and to deliver any notices, pay expenses and amend the commencement, termination and other dates to such earlier or later date(s), on such terms as the City Solicitor, or designate, may from time to time determine.
11. City Council authorize the Deputy City Manager, Internal Corporate Services or designate, to administer and manage the lease or sublease agreements referred to above, including the provisions of any consents, approvals, notices and notices of termination provided that the Deputy City Manager, Internal Corporate Services may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.
12. City Council authorize the public release of the information contained in Confidential Attachment 1 once the City has entered into the new affordable housing lease agreement outlined in Recommendation 3.

FINANCIAL IMPACT

The eight new affordable rental housing leases at 140, 163 and 164 Spadina Road, 1177 King Street West, 1313 Queen Street West, 125 Manse Road, 156 and 158 Munro Street (collectively the "Properties") will be leased at rent rates outlined in Appendix 1-6. All operating costs related to each property will be paid by the tenant, resulting in no operating cost to the City of Toronto.

In accordance with the City's Policy on City-owned space provided at Below-Market Rent, reported the opportunity costs of entering into these agreements must be determined and report to City Council. Research indicates the total undiscounted opportunity cost of these leases over the five-year term are as follows:

Leased Premise	Tenant	Lease Term	Annual Rent	Market/ Rent Rate	Opportunity Cost
1313 Queen Street West	Toronto Artscape Inc.	5 years	\$1	\$30.00/ sq ft.	\$1,971,750.00
125 Manse Road	Good Shepherd Non-Profit Homes Inc.	5 years	\$2	\$1,850.00/ month	\$111,000.00
1177 King Street West	Madison Community Services Inc.	5 years	\$2	\$30.00 / sq ft.	\$508,500.00
156 and 158 Munro Street	Ecuhome Corporation	5 years	\$2	\$2600.00/ month	\$156,000.00
140 Spadina Road	Homes First Society	5 years	\$2,196	\$6,700.00/ month	\$402,000.00
163 Spadina Road	Madison Community Services Inc.	5 years	\$3,600	\$6,700.00/ month	\$402,000.00
164 Spadina Road	Homes First Society	5 years	\$1,596	\$6,700.00/ month	\$402,000.00
Total Opportunity Cost					\$3,149,250.00

Based on the above table, total opportunity costs will be \$3,149,250.00 over the course of a five-year term for the above mentioned properties.

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

EQUITY IMPACT STATEMENT

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's 10-year Housing Opportunities Toronto Action Plan 2010-2020. The provision of new affordable housing is also a goal of the City's Poverty Reduction Strategy.

New affordable rental housing lease agreements for the Properties will provide greater housing stability and security-of-tenure to the residents of the Properties and maintain the Properties as much-needed affordable rental housing.

Non-profit affordable rental housing provides housing stability for equity-seeking groups such as lower-income individuals, couples and families, homeless people, aboriginal households, victims of domestic violence, seniors and people with disabilities.

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/cofa.pdf>

Through subsequent reports, Council has refined the Below-Market Rent (BMR) policy framework and has allowed the extension of certain existing below market lease agreements. City Council adopted the report “Providing City-Owned Space to Community Organizations at Below-Market Rent” on November 19 and 20, 2007. Amongst other recommendations, Council allowed the following organizations to continue to occupy their respective City-owned spaces and granted authority to enter into leases for a period not to exceed five years at the current monthly rent, plus taxes and operating costs, under similar terms and conditions of the existing leases and that the circumstances pertaining to the lease of these facilities be brought to the attention of the Provincial Panel reviewing downloading and the City reiterate its request that the Province assume the responsibility for paying rent at market value for organizations providing provincial services:

- a. Madison Avenue Housing and Support Services (1177 King Street West); and
- b. Scarborough Hospital - Manse Road Group Home (125 Manse Road).

In addition, Council allowed the following organizations to continue to occupy their respective City-managed spaces and granted to authority to enter into new leases for a period of five years at the current monthly rent, plus taxes and operating costs, under similar terms and conditions as the former leases held by the Toronto Community Housing Corporation (TCHC):

- a. Homes First Society (140 Spadina Road and 164 Spadina Road); and
- b. Madison Avenue Housing and Support Services (163 Spadina Road).

The City Council Decision is available here:

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-11-19-cc14-dd.pdf>

At its meeting on April 3 and 4, 2013, Council adopted a report to authorize a five-year term BMR Agreement at 125 Manse Road. The City Council Decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM20.9>

At its meeting on March 28 and 29, 2017, Council directed the three Deputy City Managers to establish an inter-divisional agency table to determine the feasibility of a coordinated City plan for City owned properties located at 1313, 1303 Queen Street West and 220 Cowan Avenue. The City Council Decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.MM27.3>

At its meeting on May 24, 25 and 26, 2017, Council adopted a report titled "City-Wide Real Estate Transformation" to centralize the City's service delivery model for real estate. The City Council Decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9>

At its meeting of July 4, 5, 6 and 7, 2017, City Council adopted with amendments EX26.2 the Tenants First - Phase 1 Implementation Plan which, among other things, authorized a Request for Expressions of Interest to the non-profit, co-op and land trust sectors seeking interest, service models and business cases for the operation of Toronto Community Housing's 684 scattered social housing properties. The City Council Decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.2>

COMMENTS

The eight properties in this report are currently being leased to non-profit housing providers, of which leases will either expire soon or have expired and are on a monthly overhold basis. The Properties were identified as residential, and as such, are not eligible under the Below-Market Rent Policy or the newly developed Community Space Tenancy Policy. However, as the Properties are leased for the purposes of providing affordable supportive and/or transitional housing, the Affordable Housing Office proposes new affordable housing lease agreements with each of the current tenants for the continued provision of much needed affordable rental housing.

1313 Queen Street West

In 1997, the City entered into a 20-year lease agreement with Toronto Artscape Inc. ("Artscape") for the property at 1313 Queen Street West to use and operate the property only for the purpose of a Centre of Artscape containing a minimum of nine affordable live-work residential units, cultural officers, arts office, workshops and/or galleries at an annual rent of \$1.00 per year. The lease expired on August 14, 2017 and is now on overhold.

Artscape has expressed interest in renewing the lease on the same nominal rent basis under the Below Market Rent (BMR) policy. The BMR policy, however, does not apply to residential uses and, as such, a BMR lease would not be supported. In addition, City

Council at its meeting of March 28 and 29, 2017 directed that an inter-divisional agency be established to assess the redevelopment potential for the properties at 1313, 1303 Queen Street West, and 220 Cowan Avenue.

In light of City Council's direction for a redevelopment initiative, staff of the Affordable Housing Office and Real Estate Services support the continued affordable housing with Artscape and a new five-year affordable housing lease agreement for the 1313 Queen Street West property is being recommended. The City will be responsible for all capital obligations during the five-year term.

125 Manse Road

From 1986 up to 2012, the City-owned property at 125 Manse Road the property was leased to Scarborough Hospital – Manse Road Group Home under the below-market rent framework. In 2012, Scarborough Hospital divested the programming and operations at this location to Good Shepherd Non-Profit Homes Inc. ("GSNP"), a charitable non-profit organization, in order to continue 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.

In 2013, GSNP received a building renovation grant from Shelter, Support and Housing Administration in the sum of \$227,602 on a condition that GSNP maintains a BMR lease with the City of Toronto for their housing support programming at 125 Manse Road. In accordance to authority pursuant to Item GM20.9 adopted by City Council on April 2013, the City entered into a five-year BMR net lease with GSNP for a nominal annual rent of \$2.00 plus all realty taxes and operating costs. The lease will expire on April 30, 2018.

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. 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.

1177 King Street West

The property at 1177 King Street West was acquired by the City from the Province in 1973. The property is leased to Madison Avenue Housing and Support Services ("Madison") to provide affordable supportive housing. The existing lease expired in November 1996 and has since been on overhold. City Council at its meeting on November 19 and 20, 2007 authorized City staff to enter into a new five-year lease with Madison. However, both parties were unable to reach an agreeable term at the time. Since 1998, Madison has been paying rent of \$1,350 per month plus operating costs. The City is responsible for realty taxes and capital expenses.

156 & 158 Munro Street

The City-owned properties at 156 & 158 Munro Street are leased to Ecuhome Corporation to provide affordable supportive housing. City Council at its meeting on July 6, 1999 authorized staff to enter into a 15-year lease with a community agency for affordable housing. The current lease expired October 30, 2014, and the lease has been on overhold since that time.

The houses are part of large City-owned parcel of land, including the adjacent industrial building.

140, 163 and 164 Spadina Road

These properties were acquired for the proposed Spadina Expressway, south of Eglinton Avenue and north of Bloor Street (the "Spadina Corridor Properties") in the 1960s and early 1970s. The Province subsequently withdrew its support for the extension of the expressway and in December 1984, the properties were conveyed to the Province and then leased back to the former Municipality of Metropolitan Toronto for a term of 99 years at a rental of \$1.00.

Metro subleased the properties to Metropolitan Toronto Housing Development Corporation, now TCHC for a term of 18 years. TCHC subsequently subleased 140 and 164 Spadina Road to Homes First Society ("Homes First"), and 163 Spadina Road to Madison Community Services ("Madison") to provide affordable supportive housing.

In April 2006, TCHC gave notice to terminate its subleases on these properties with the City. Both Homes First and Madison have been on overhold basis since their subleases expired in February 1998 and October 2005, respectively.

Since 2006, Madison has been paying annual rent in the amount of \$4,068 (inclusive of HST). Homes First has been paying annual rent of \$1,898 (inclusive of HST) for the leased premises at 140 Spadina Road and \$1,803 (inclusive of HST) for 164 Spadina Road. Madison and Homes First are responsible for all operating costs and applicable realty taxes for their respective leased premises.

City Council at its meeting on November 19 and 20, 2007 authorized City staff to enter into a new five-year sublease with Homes First and Madison. However, both parties were unable to reach an agreeable term at the time.

Affordable Housing

Although the Affordable Housing Office preferably support long-term affordable housing leases, it was agreed that five-year terms for the Properties are appropriate and align with the City-Wide Real Estate Strategy as adopted by Council at its meeting of May 24, 25 and 26, 2017. New affordable housing lease agreements for the Properties will provide stability and security-of-tenure to residents of the Properties and maintain

the homes as much-needed affordable rental housing. The eight residential homes/facilities include 48 rooms in multi-tenant housing and nine apartments which provide affordable rental accommodation to lower-income Torontonians.

This report has been prepared in consultation with staff from Affordable Housing Office, Real Estate Services, Social Development, Finance & Administration and Economic Development & Culture.

CONTACT

David Jollimore
Director, Real Estate Services
Tel: 416-392-8217
David.Jollimore@toronto.ca

Sean Gadon
Director, Affordable Housing Office
Tel: (416) 338-1143
Sean.Gadon@toronto.ca

SIGNATURE

Giuliana Carbone
Deputy City Manager, Cluster A

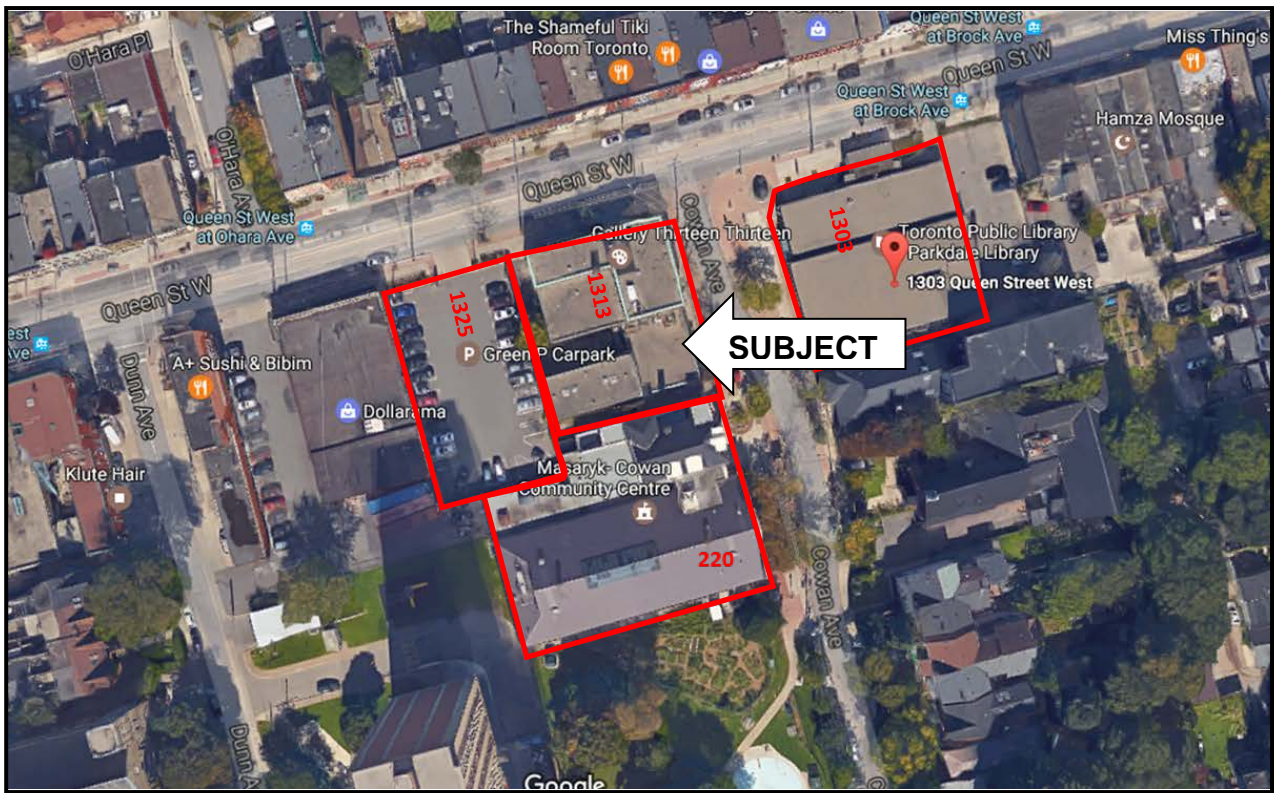
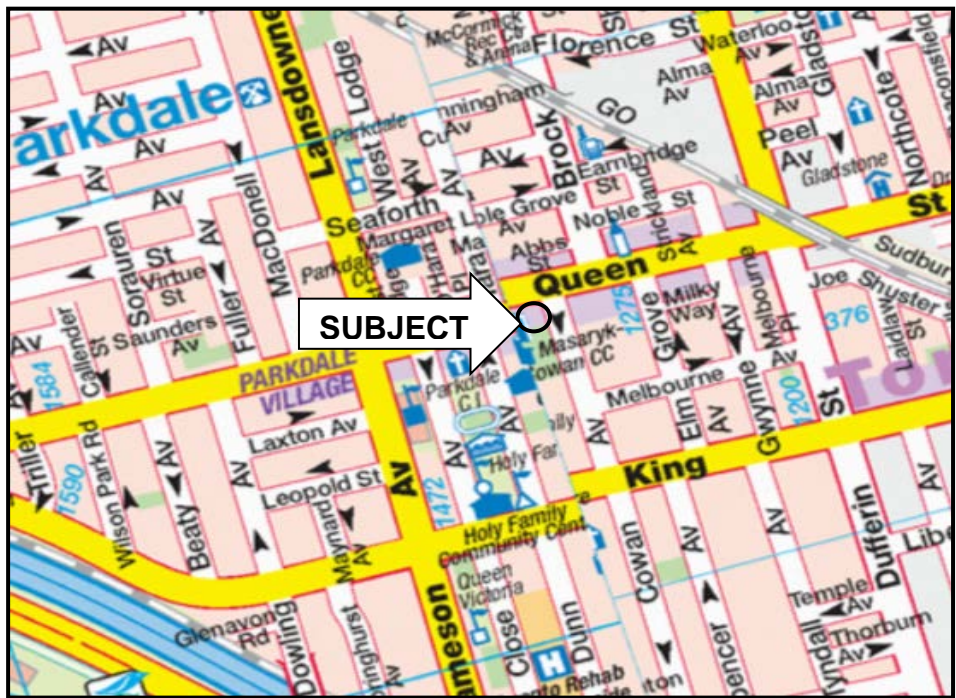
Josie Scioli
Deputy City Manager, Internal Corporate Services

ATTACHMENTS

Appendix 1 - 1313 Queen Street West - Location Map and Major Terms and Conditions
Appendix 2 - 125 Manse Road - Location Map and Major Terms and Conditions
Appendix 3 - 1177 King Street West - Location Map and Major Terms and Conditions
Appendix 4 - 156 & 158 Munro Street - Location Map and Major Terms and Conditions
Appendix 5 - 140 & 164 Spadina Road - Location Map and Major Terms and Conditions
Appendix 6 - 163 Spadina Road - Location Map and Major Terms and Conditions
Confidential Attachment 1

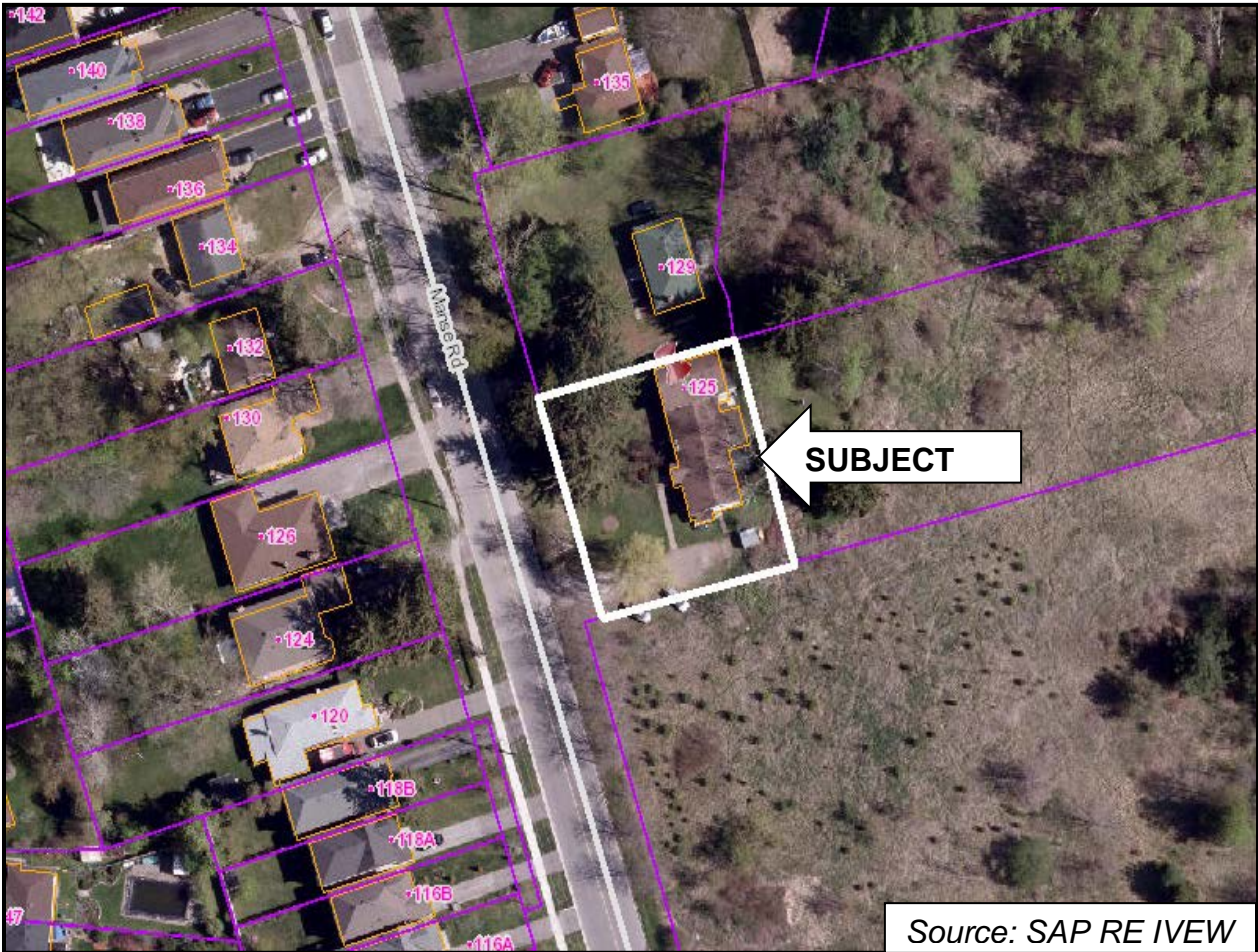
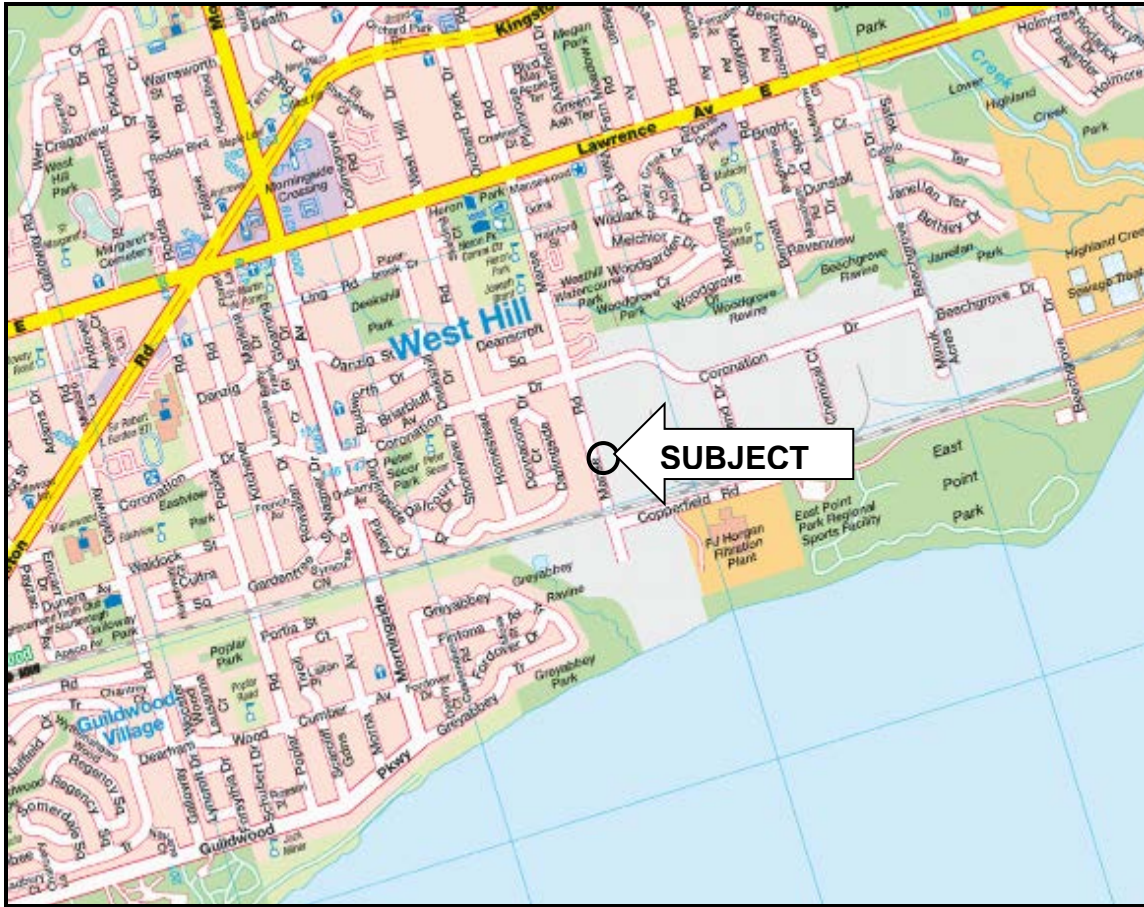
Appendix 1 - Major Terms and Conditions and Location Map

Property Address:	1313 Queen Street West
Leased Premises:	Land and the commercial building comprising of 13,145 ft ²
Tenant:	Toronto Artscape Inc.
Lease Term:	Five (5) years from the Commencement Date
Commencement Date:	August 15, 2017
Basic Rent:	\$1 per year
Additional Rent:	The Tenant shall be responsible for all building insurance, utilities, realty taxes, operating costs and maintenance, other than capital repairs and replacements.
Permitted Use:	The Leased Premises shall be used and continuously operated only for the purposes of a minimum of nine (9) artist live-work residential units, cultural community offices, arts offices, workshops and/or galleries.
Subletting or Assignment of Lease	The Tenant may, without the consent of the City, sublet or assign individual units within the Leased Premises to qualified artists or arts organizations, or to tenants approved by the Tenant and/or the Parkdale Arts & Cultural Centre Community Board, however, the Tenant shall not be permitted to sublet or assign the Leased Premises as a whole.
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.
Early Termination	The City shall have the right to terminate the Lease at any time during the Term and any renewal/extension thereafter, upon providing the Tenant with six (6) months' prior written notice.



Appendix 2 - Major Terms and Conditions and Location Map

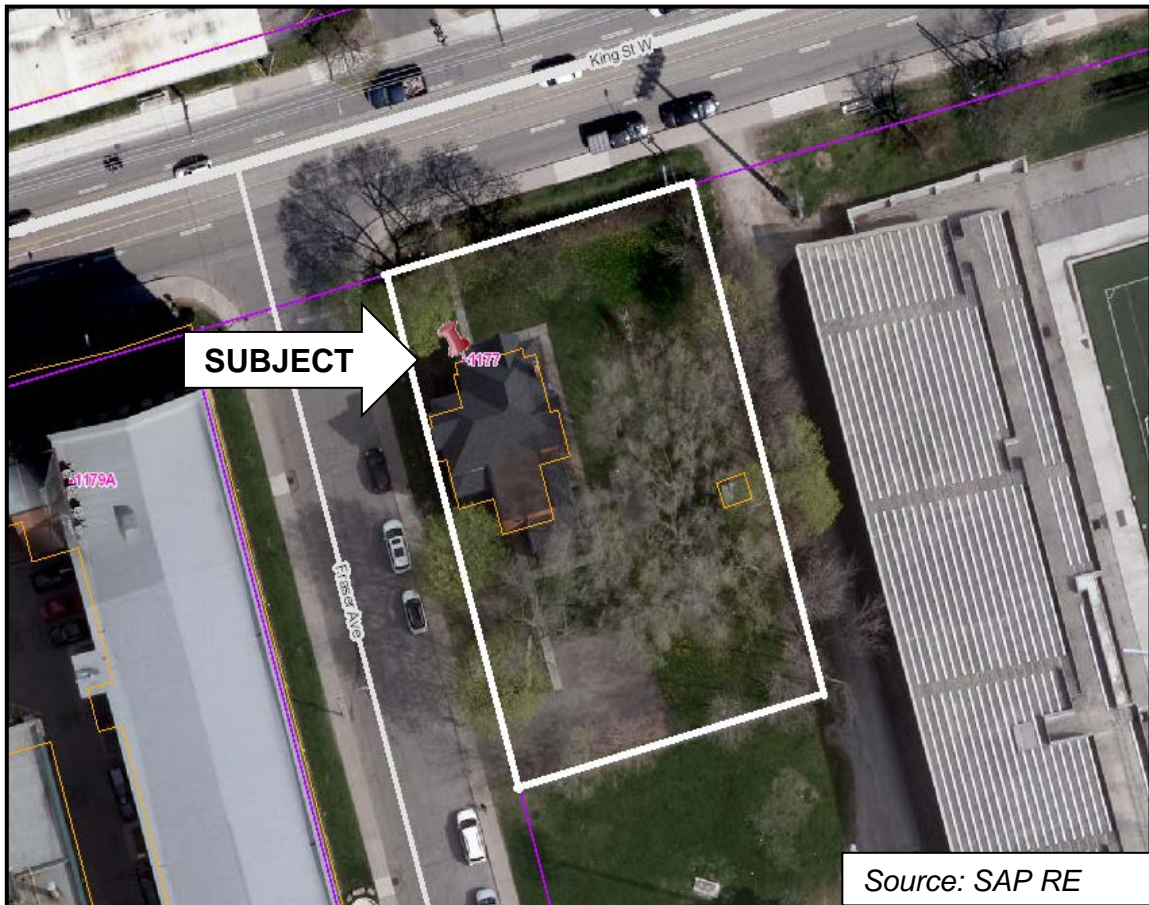
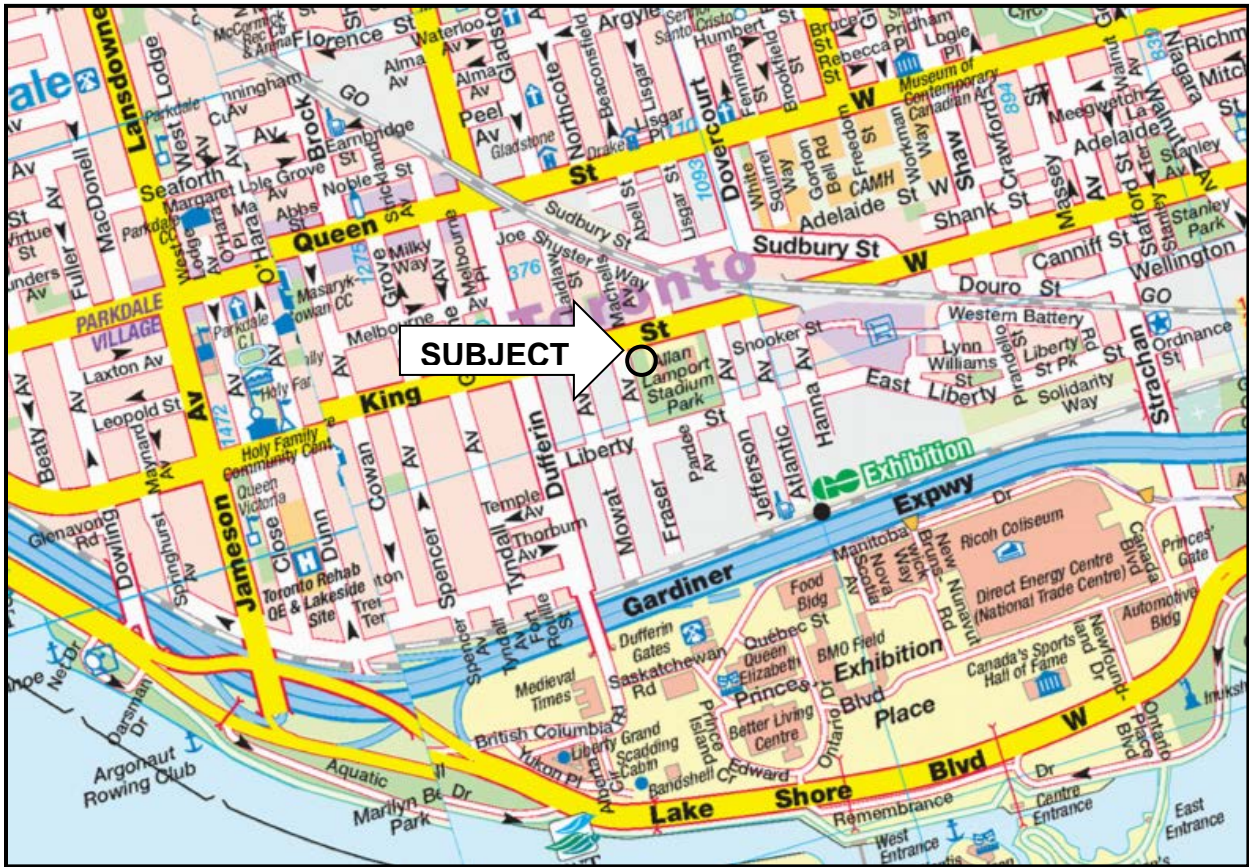
Property Address:	125 Manse Road
Leased Premises:	Detached dwelling comprising of 3000 square feet
Tenant:	Good Shepherd Non-Profit Homes Inc.
Lease Term:	Five (5) years from the Commencement Date
Commencement Date:	May 1, 2018
Basic Rent:	\$2 per year
Additional Rent:	The Tenant shall be responsible for all building insurance, utilities, realty taxes, operating costs and maintenance, other than capital repairs and replacements.
Permitted Use:	The Tenant shall use the Leased Premises solely for the purpose of promoting and carrying out its objects and activities to provide and operate non-profit residential accommodations and incidental facilities thereto exclusively for persons of low income or senior citizens to the disabled; and to provide support care and counseling to residents of the Tenant and for no other purpose.
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
Early Termination	The City shall have the right to terminate the Lease at any time during the Term and any renewal/extension thereafter, upon providing the Tenant with six (6) months' prior written notice.



Source: SAP RE IVEW

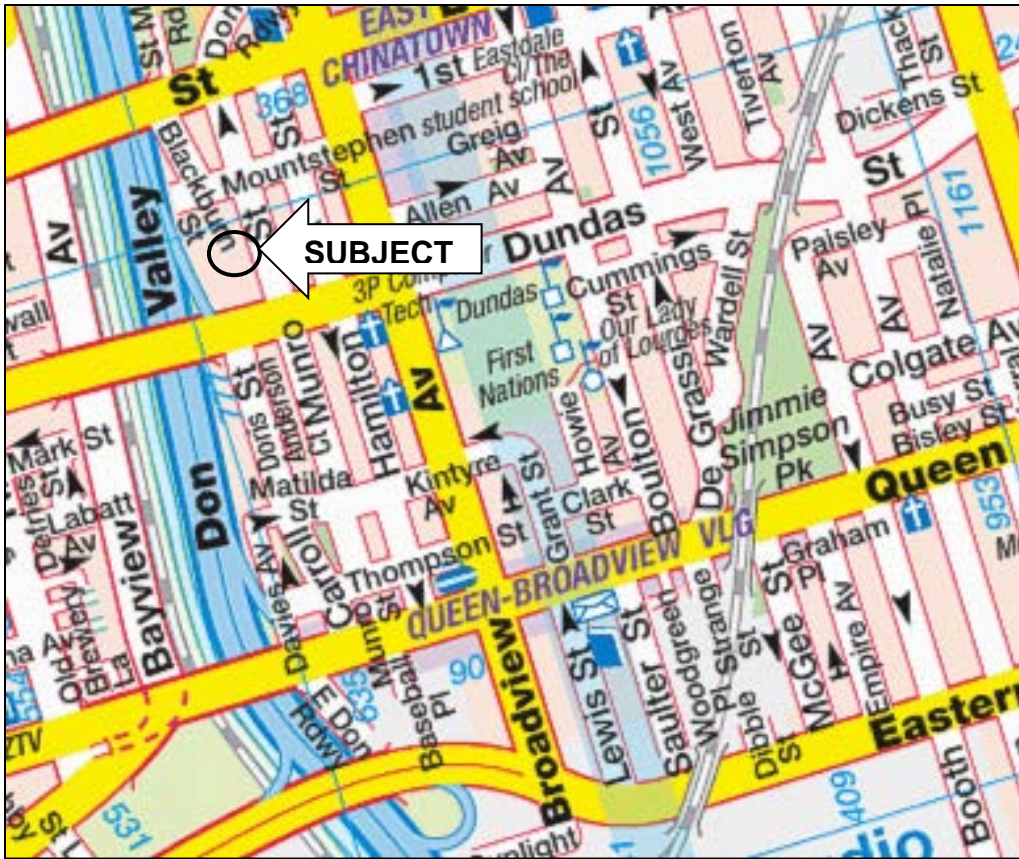
Appendix 3 - Major Terms and Conditions and Location Map

Property Address:	1177 King Street West
Leased Premises:	Detached dwelling comprising of 3,390 square feet
Tenant:	Madison Community Services Inc.
Lease Term:	Five (5) years from the Commencement Date
Commencement Date:	January 1, 2018
Basic Rent:	\$2 per year
Additional Rent:	The Tenant shall be responsible for all building insurance, utilities, realty taxes, operating costs and maintenance, other than capital repairs and replacements.
Permitted Use:	The Tenant shall use, manage and operate the Leased Premises solely, continuously and actively as affordable housing, and/or affordable shared facilities housing.
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
Early Termination	The City shall have the right to terminate the Lease at any time during the Term and any renewal/extension thereafter, upon providing the Tenant with six (6) months' prior written notice.



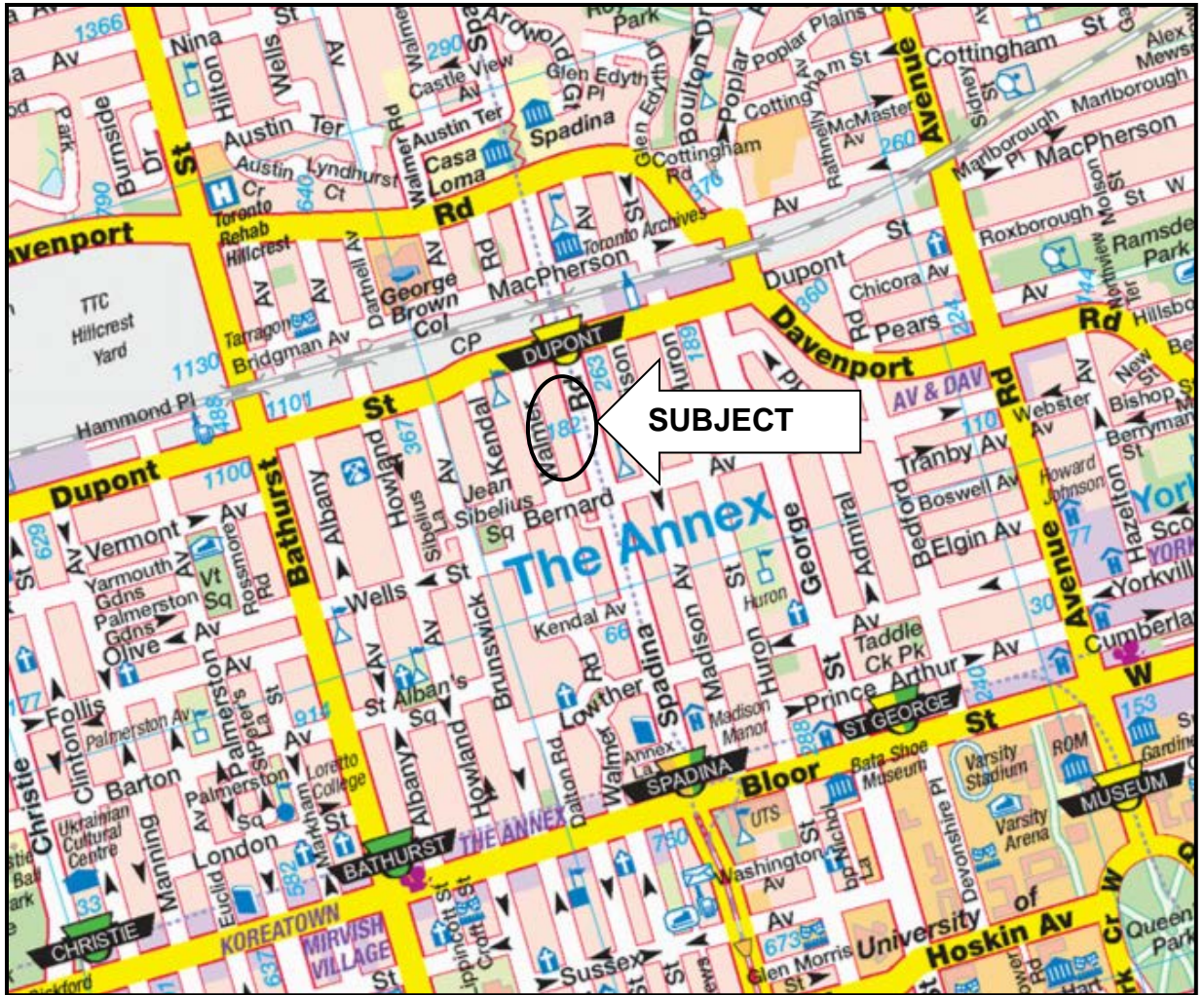
Appendix 4 - Major Terms and Conditions and Location Map

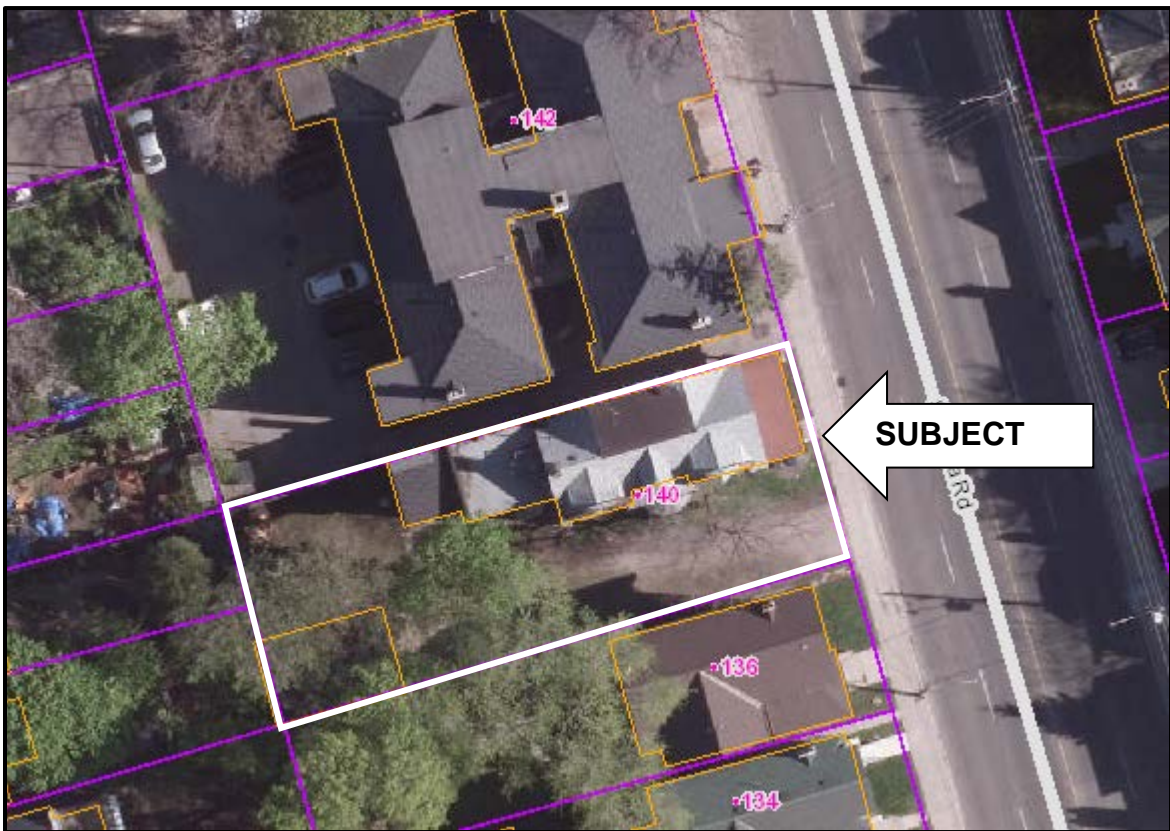
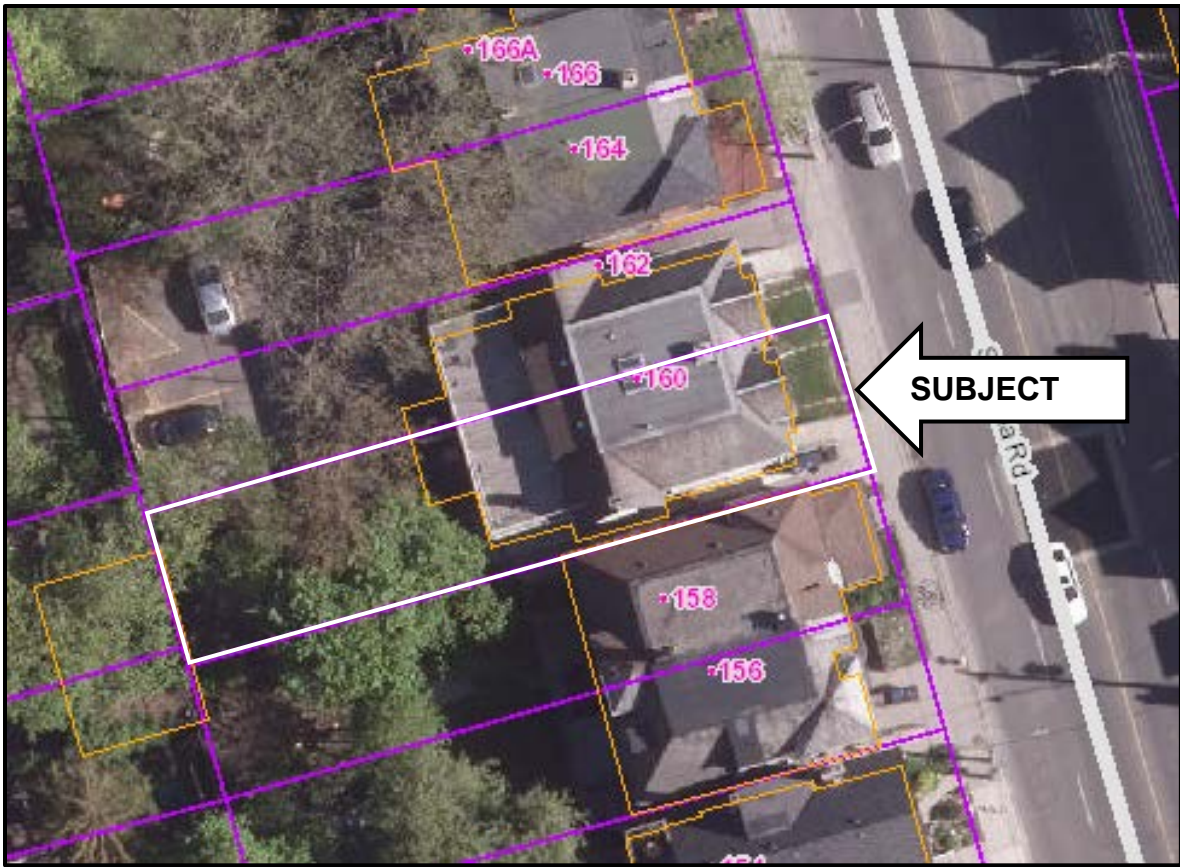
Property Address:	156 & 158 Munro Street
Leased Premises:	Two semi-detached houses
Tenant:	Ecuhome Corporation
Lease Term:	Five (5) years from the Commencement Date
Commencement Date:	January 1, 2018
Basic Rent:	\$2 per year
Additional Rent:	The Tenant shall be responsible for all building insurance, utilities, operating costs and maintenance, other than capital repairs and replacements.
Permitted Use:	The Tenant shall use, manage and operate the Leased Premises solely, continuously and actively as affordable housing, and/or affordable shared facilities housing.
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
Early Termination	The City shall have the right to terminate the Lease at any time during the Term and any renewal/extension thereafter, upon providing the Tenant with six (6) months' prior written notice.



Appendix 5 - Major Terms and Conditions and Location Map

Property Address:	140 and 164 Spadina Road
Leased Premises:	140 Spadina Road: detached house approximately 4,185 square feet 164 Spadina Road: semi-detached house approximately 2,274 square feet
Tenant:	Homes First Society
Lease Term:	Five (5) years from the Commencement Date
Commencement Date:	January 1, 2018
Basic Rent:	140 Spadina Road: \$2,196 per year 164 Spadina Road: \$1,596 per year
Additional Rent:	The Tenant shall be responsible for all building insurance, utilities, realty taxes, operating costs and maintenance, other than capital repairs and replacements.
Permitted Use:	The Tenant shall use, manage and operate the Leased Premises solely, continuously and actively as affordable housing, and/or affordable shared facilities housing.
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.
Early Termination	The City shall have the right to terminate the Lease at any time during the Term and any renewal/extension thereafter, upon providing the Tenant with six (6) months' prior written notice.





Appendix 6 - Major Terms and Conditions and Location Map

Property Address:	163 Spadina Road
Leased Premises:	Detached house approximately 4,283 square feet
Tenant:	Madison Community Services Inc.
Lease Term:	Five (5) years from the Commencement Date
Commencement Date:	January 1, 2018
Basic Rent:	\$3,600 per year
Additional Rent:	The Tenant shall be responsible for all building insurance, utilities, realty taxes, operating costs and maintenance, other than capital repairs and replacements.
Permitted Use:	The Tenant shall use, manage and operate the Leased Premises solely, continuously and actively as affordable housing, and/or affordable shared facilities housing.
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
Early Termination	The City shall have the right to terminate the Lease at any time during the Term and any renewal/extension thereafter, upon providing the Tenant with six (6) months' prior written notice.

