



REPORT FOR ACTION

Community Space Tenancy Lease with Lakeshore Area Multi-Service Project Inc. (LAMP) at 185 Fifth Street

Date: May 17 2018

To: Government Management Committee

From: Director, Real Estate Services

and Executive Director, Social Development, Finance and Administration

Wards: 6 – Etobicoke Lakeshore

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a Community Space Tenancy lease under the Community Space Tenancy Policy (CST) relating to the building located at 185 Fifth Street, Toronto, with Lakeshore Area Multi-Service Project (LAMP) Inc. ("LAMP") for a five (5) year term, with an option to extend the lease for a further fifteen (15) years conditional upon the substantial completion, at its sole cost, of LAMP's proposed capital project, being an addition to the building of approximately 12,000 square feet by the end of the initial five (5) year term. The lease agreement will comply with a standard terms of a Community Space Tenancy policy for a Community Partner Tenant for approximately 35,000 square feet of space, currently existing, (and 47,000 square feet of space if the addition to the building is completed).

This report also seeks to obtain City Council authority to allow "LAMP" to enter into a sublease acknowledgement agreement with Albion Neighbourhood Services ("ANS") and Family Service Toronto ("FST").

RECOMMENDATIONS

The Director, Real Estate Services and Executive Director, Social Development, Finance & Administration recommend that:

1. City Council authorize the City to enter into a Community Space Tenancy Lease Agreement (the "Lease ") with Lakeshore Area Multi-Service Project (LAMP) Inc. ("LAMP") pursuant to the Community Space Tenancy Policy ("CST"), for space at 185 Fifth Street, (the "Leased Premises"), for a five (5) year term, with option to renew for further fifteen (15) years conditional on the substantial completion of LAMP's proposed Capital Project to the satisfaction of the Deputy City Manager ("DCM"), Internal Corporate Services at the end of the original five (5) year term, and substantially on the terms and conditions set out in the attached Appendix "A", with such revisions thereto and on such other or amended terms and conditions 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 consent to allow Lakeshore Area Multi-Service Project (LAMP) Inc. to sublease a portion of the Leased Premises to each of Albion Neighbourhood Services ("ANS") and Family Service Toronto ("FST") without the need to solicit an REOI based on terms under the Community Space Tenancy Policy ("CST"). This consent shall be conditional upon LAMP agreeing to comply with all terms of the Community Partner Lease Agreement and on such other terms as deemed appropriate by 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 the City Solicitor to complete the Community Space Tenancy Lease Agreement and the Sublease Acknowledgment Agreements, and all related documentation as required, and to deliver any notices, and amend the respective commencement, termination and other dates to such earlier or later date(s), on such terms and conditions, as the City Solicitor, or her designate, may from time to time, determine.
4. City Council direct the Director, Real Estate Services, in consultation with the City Treasurer, to report back on the designation of the leased premises as a municipal capital facility.
5. City Council authorize the Deputy City Manager, Internal Corporate Services and the Director of Real Estate Services be severally authorized to execute such documents required to complete the Lease agreement and the Sublease Acknowledgement Agreements .
6. City Council authorize the Deputy City Manager, Internal Corporate Services or his or her designate to administer and manage the Lease Agreement, including the provision 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.

FINANCIAL IMPACT

The proposed Community Partnership Tenancy will provide Lakeshore Multi-Service Project (LAMP) with approximately 35,000 square feet of space for a nominal net rent consideration.

In accordance with the Lease, the tenant, LAMP will be responsible for all operating costs related to the Leased Premises, which is currently estimated at \$155,400 per year based on a rate of \$4.44 per square foot with increase estimate in 2020 of \$208,680; resulting in no cost to the City assuming compliance with the Lease. LAMP will directly pay for all utilities & Janitorial related costs directly to the providers.

LAMP has historically paid operating costs for 35,000 square feet of leased space. LAMP is looking to enter into a proposal with Toronto Local Health Integration Network (TC-LHIN) to expand services to a Community Health Centre with the addition to the building of 12,000 square feet. TC-LHIN funding for the renovations is contingent on a 20 year lease as expected occupancy upon completion is 2020.

The total opportunity cost of the LAMP lease agreement over the course of a 5-year lease term is approximately \$2,195,805.32 based on an asking rental rate of \$13.37 per square foot. The total opportunity cost for the 15-year renewal term is \$5,441,855.11 if the Capital project is completed and the lease is extended.

In 2017 LAMP invested \$11,845,781 in programs and services in the 185 Fifth Street location and surrounding neighbourhood. Over the initial 5 year term of the new lease, LAMP will have invested approximately \$59,228,905 in programs and services in the neighbourhood to meet community needs.

The Interim 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>

At its meeting November 19 and 20, 2007, Council adopted "Providing City-Owned Space to Community Organizations at Below-Market Rent" and extension of leases of existing tenants of the City; LAMP's lease was extended under the Below-Market Rent policy.

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

At its meeting on November 7, 8 and 9, 2017 Council adopted the Community Space Tenancy Policy, replacing Below Market Rent Policy and allows for extended leases to accommodate sustainability of organizations in tenanted City space. CST policy provides tenants ability to sub lease tenanted space to no more than two non-profit organizations without the need to solicit an REOI if third party users occupied premises prior to June 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.8>

The CST 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 lease agreement is consistent with this framework.

BACKGROUND

Since 1976, LAMP has tenanted the City-owned building at 185 Fifth Street. LAMP and the former Corporation of the City of Etobicoke entered into a lease agreement to formalize their relationship commencing January 1, 1998 and expiring December 31st, 2007.

In November 2007, the Below Market Rent Policy report entitled, "Providing City-Owned Space to Community Organizations at Below-Market Rent" was adopted by Council. Although City Council granted the City authority to enter into a lease with LAMP in accordance with the BMR policy, LAMP and the City were not able to agree on the terms and conditions of the new lease. LAMP has been occupying the building on the basis of a Below Market Rent tenant but without a written lease since January 1st, 2008.

LAMP is currently in partnership with TC-LHIN to redevelop the multi-service building and add space to house a community health centre. LAMP is requesting a CST lease for 20 years as TC-LHIN funding is contingent on LAMP securing a long term lease with the City to accommodate redevelopment with an estimated occupancy date of 2020.

LAMP operates the Community Health Social Services Hub in the Leased Premises, with partnerships between Toronto Public Health (dental clinic), YMCA Daycare, Albion Neighbourhood Services ("ANS") and Family Service Toronto ("FST"). YMCA Daycare will have a separate agreement under Toronto Children Services as per the mandate of the City Division and is not covered under the CST policy framework.

LAMP is a Community Partner Tenant under the CST policy. Community Partner Tenants are permitted to sublease a portion of the Community Space to no more than two (2) qualified subtenants. As part of the LAMP Multi-Service Community Health Hub, LAMP is requesting approval to continue to sub lease space to Albion Neighbourhood Services ("ANS") and Family Services Toronto ("FST"). As per CST policy, an REOI is not required as these organizations were subtenants in the facility prior to June 2017. The sublease arrangement will support service enhancement for residents accessing LAMP services and fulfill obligations for TC-LHIN grant allocation in connection for the redevelopment of 185 Fifth Street into a community health and social service hub to meet local community needs.

COMMENTS

LAMP is a charitable, non-profit community based organization in operation since 1976 that provides a variety of integrated programs and services to meet the health needs of the South Etobicoke community. With the help of the City of Etobicoke and a provincial grant, LAMP built a new wing to house expanding programs and services in 1986. LAMP has partnered with Toronto Public Health, Family Services and TC-LHIN to further expand the building in 2015.

Services address marginalized and vulnerable populations who have barriers to accessing health and community services, addressing those most affected by socio-economic status. LAMP programs include The Family Centre, Street Level Youth Drop In, Lakeshore Adult Learning Program and ASK! Community Information Centre. Services are provided to a diverse population with a focus on families, youth, children, newcomers and homeless.

The additional space will allow LAMP to develop a community health centre serving 'at risk' vulnerable populations in Toronto who have limited to no access to community services.

LAMP is in negotiations with the TC-LHIN to enter into a capital project to build 12,000 square feet of additional space on the building for a community health center (the "Capital Project"). Expected date of occupancy for Capital Project is 2020 and TC-LHIN is looking to invest an estimated \$9,273,750 in capital funding to upgrade and renovate the property. LAMP is also partnering with City of Toronto Public Health Division and Family Services Association to provide Harm Reduction programs within this space.

LAMP seeks a 20-year Community Partner lease term in recognition of the substantial capital investment. The TC-LHIN grant is contingent on a 20 year lease term. In such cases where Community Space tenants are contributing significant capital dollars, to improve a publicly owned asset, Council had granted them an extended lease term in recognition of the value of that capital contribution. To that end, Real Estate Services is seeking an option to renew the Lease Agreement for an additional fifteen (15) year term upon confirmation of LAMP's capital investment in the City owned asset located at 185 Fifth Street and satisfaction in obtaining substantial completion all in accordance with the terms contained in Appendix 'A' and such other terms as amended, revised or deemed appropriate by the DCM, Internal Corporate Services.

Staff from SDFA has reviewed LAMP, ANS and FST applications and have determined them to be eligible under the CST Policy. LAMP remains in good standing with the City. Their programs and services align with City priorities and continue to be compatible with designated community use of City property.

The implications of the space being designated as a municipal capital facility need to be examined by staff and they will report back once that examination is complete.

CONTACT

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SIGNATURE

David Jollimore, Director
Real Estate Services

Chris Brillinger, Executive Director
Social Development, Finance & Administration

ATTACHMENTS

Appendix "A" – Major Terms and Conditions: 185 Fifth Street
Appendix "B" – Location Map: 185 Fifth Street

APPENDIX “A”

MAJOR TERMS AND CONDITIONS

Community Partnership Tenancy Lease at 185 Fifth Street

Landlord:

City of Toronto

Tenant:

Lakeshore Area Multi- Services Project (LAMP) Inc.

Premises:

Approximately 35,000 square feet of space within the building, subject to measurements by the City, and non-exclusive access to the parking lot for the tenant's staff and employees (the “Leased Premises”).

Commencement Date:

The Commencement Date shall be August 1st, 2018

Initial Term:

The Term of the Lease shall be five (5) years from the Commencement Date.

Option to Renew:

The tenant shall have the option to the lease for one (1) fifteen year term on the same terms and conditions subject to: the tenant is not in default under the lease or the Service Agreement; and all funding and construction Conditions of the 12,000 sq.ft Capital Expansion Space described herein have been amended, satisfied or waived by the relevant City Division in consultation with the Deputy City Manager, Internal Corporate Services, in a form acceptable to the City solicitor.

Annual Net Rent:

The Tenant shall pay to the Landlord basic rent (“Basic Rent”) of \$2.00 per annum.

Net Lease:

The Lease shall be entirely net to the Landlord. During the term or any extension thereafter, the Tenant shall be responsible for all applicable costs, taxes, charges, expenses and outlays of any nature whatsoever arising from or relating to the use and occupancy of the Leased premises.

Operating Costs:

The Tenant shall pay all operating costs related to the Leased Premises. "Operating Costs" means the total of all costs and expenses attributable to the maintenance, repair, administration, management and operation of the Property including, without limiting the generality of the foregoing: utilities, security, insurance, all taxes (including applicable property taxes), supervision, landscaping, window cleaning, waste collection, disposal and recycling, snow removal and other costs of maintenance and operation, including their proportionate share common areas, if any.

Use:

The Leased Premises shall be used and shall continually be operated throughout the term to provide services to address marginalized and vulnerable populations who have barriers to accessing health and community services, addressing those most affected by socio-economic status. LAMP programs include The Family Centre, Street Level Youth Drop In, Lakeshore Adult Learning Program and ASK! Community Information Centre. Services are provided to a diverse population with a focus on families, youth, children, newcomers and homeless.

Early Termination:

The Landlord shall have the right to terminate the Lease for a City use, at any time during the lease term and any renewal/extension thereafter upon providing the Tenant with thirty-six (36) months prior written notice. If the Landlord exercises this right to terminate, then it shall pay to the Tenant the following: (i) the actual costs and expenses the Tenant spent in obtaining any plans and approvals for the Capital Project; and (as supported by sufficient evidence from the Tenant) (ii) the capital expenditure spent on constructing the Capital Project, on a straight line depreciation basis over the life of the Capital Project or the building, as applicable, as agreed to by the parties, and to the satisfaction of the DCM, Internal Corporate Services (as supported by sufficient evidence from the Tenant).

Insurance:

The Tenant is to provide prior to the Commencement Date and on an annual basis, proof of insurance in accordance with the Landlord's insurance requirements outlined in the Lease Agreement.

Funding and Construction Conditions (12,000 Sq.ft) – Capital Project

In terms of the Capital Project and all other construction matters or other work at the Leased Premises, the Lease will provide for the following terms:

- i. Prior to commencing any construction, the tenant shall provide the Landlord with evidence satisfactory to the Deputy City Manager, Internal Corporate Services that the Tenant has raised sufficient funding and/or binding financing commitments to complete all of the 12,000 sq.ft Capital Project work;

- ii. Prior to commencing any construction, the tenant shall provide the Landlord a comprehensive site plan for the capital project, for the approval of the Deputy City Manager, Internal Corporate Services.
- iii. Prior to the expiration of the Initial 5 year term, the tenant shall complete construction of work, to the satisfaction of the Deputy City Manager, Internal Corporate Services, in accordance with all applicable laws and requisite approval, including any rezoning, official plan amendments, site plan approvals, to permit construction and building permits (all to be obtained by the Tenant at its expense), and binding construction and architects' agreements therefor approved in writing by the City, and in a form acceptable to the City solicitor
- iv. Prior to commencing any constructions, any general contractor/builder to provide:
 - a. A 10% Bid Bond of the overall contract price of the respective work in question;
 - b. Performance and Labour and Materials Bonds, each in the minimum amount of 50% of the overall contract price and the correction of any deficiencies;
 - c. The City to be named in the bonds as obligee on terms and conditions acceptable to the City;
- v. Prior to commencing any construction, to provide the City, as security for any liability, damages or expense that the City may incur arising from any construction lien or other liens or order for the payment of money made against the Leased Premises and for completion of the Capital Project work in accordance with approved plans and other lease requirements, either a Completion Bond or Letter of Credit in favour of the City of Toronto equal to one hundred and twenty per cent (120%) of the estimated cost of the design, construction and provision all such work, or such lesser amount as the respective City official may accept, to ensure the absence and removal of any construction lien claims, and the satisfactory completion of all such work in accordance with the lease requirements.
- vi. The Tenant shall adhere to and comply with the City of Toronto's "Fair Wage" and Labour Trades Contractual Obligations in the Construction Industry" policies during demolition and until completion of all construction. The Tenant will provide the City with a satisfactory releases and indemnity relating to these issues;
- vii. The tenant will, before commencement of any construction work, provide the City, upon request with a complete list of all union, including construction trades that hold certificates and/or have collective bargaining relationship with the Tenant and any of its subsidiaries and/or related companies, and obtain the approval in writing thereto of the City; and
- viii. The City will not provide any release and/or indemnity to the Tenant regarding any labour or employment issues.

Leasehold Improvements

Any leasehold improvements undertaken by the Tenant shall be conditional on the Landlord's approval. All of the Tenant's leasehold improvements, including without limitation those made under the Capital Project, shall become the property of the Landlord at the Landlord's sole direction.

APPENDIX B

LOCATION MAP & SITE PLAN – 185 FIFTH STREET

