



## REPORT FOR ACTION

### **Community Space Tenancy Lease Agreement and Municipal Capital Facility Designation with For Youth Initiative in Toronto - 1652 Keele Street**

**Date:** November 14, 2019

**To:** General Government and Licensing Committee

**From:** Executive Director, Social Development, Finance and Administration, and Executive Director, Corporate Real Estate Management

**Wards:** Ward 5 - York South-Weston

#### **SUMMARY**

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The purpose of this report is to obtain City Council authority to enter into a Community Space Tenancy lease with For Youth Initiative in Toronto for approximately 3,632 square feet of City of Toronto-owned space located at 1652 Keele Street and to have the premises designated as a Municipal Capital Facility.

#### **RECOMMENDATIONS**

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The Executive Director, Social Development, Finance and Administration, and the Executive Director, Corporate Real Estate Management, recommend that:

1. City Council authorize the City of Toronto to enter into a Community Space Tenancy Lease (the "Lease") with For Youth Initiative in Toronto, pursuant to the Community Space Tenancy Policy, at the 1652 Keele Street Community Hub, located at 1652 Keele Street, for a five-year term, with an option to renew for another five years, substantially on the terms and conditions in Appendix A hereto and on such other terms and conditions acceptable to the Deputy City Manager, Corporate Services, and in a form acceptable to the City Solicitor.
2. City Council individually authorize each of the Deputy City Manager, Corporate Services, and the Executive Director, Corporate Real Estate Management, or their designate, to execute the Lease and any related documents on behalf of the City of Toronto, as required.
3. City Council authorize the Deputy City Manager, Corporate Services, or their designate, to administer and manage the Lease, including the provision of any

amendments, consents, approvals, waivers, notices, and notices of termination, provided that the Deputy City Manager, Corporate Services, may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

4. City Council pass a By-law pursuant to Section 252 of the City of Toronto Act, 2006, providing authority to:

a. enter into a Municipal Capital Facility Agreement with For Youth Initiative in Toronto for the property known as 1652 Keele Street, with respect to approximately 3,632 square feet of community space (the "Leased Premises"), for the purposes of providing a Municipal Capital Facility related to the provision of social and health services; and

b. exempt the Leased Premises from taxation for municipal and school purposes, with the tax exemption being effective from the latest of: (1) the commencement date of the Lease, (2) the date the Municipal Capital Facility Agreement is entered into, and (3) the date the Tax Exemption By-law is enacted.

5. City Council direct the City Clerk to give written notice of the By-law to the Minister of Finance, the Municipal Property Assessment Corporation, the Toronto District School Board, the Toronto Catholic District School Board, le Conseil scolaire Viamonde, and le Conseil scolaire catholique MonAvenir.

## **FINANCIAL IMPACT**

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The proposed Community Space Tenancy lease with For Youth Initiative in Toronto involves a nominal sum lease for approximately 3,632 square feet of dedicated space (5,698 square feet gross) at 1652 Keele Street Community Hub (the "Leased Premises").

In accordance with the Lease, the tenant For Youth Initiative in Toronto will be responsible for all realty taxes and operating costs related to the Leased Premises, which are currently estimated at \$52,478.58 plus HST per year based on a rate of \$9.21 per square foot; resulting in no operating costs to the City, assuming compliance with the Lease.

The opportunity cost, expressed in net present value terms, for the initial five-year lease period is approximately \$228,687. The opportunity cost, expressed in net present value terms, for the five-year extension period is approximately \$197,832. The opportunity cost for the full ten-year lease period is \$426,518.

In accordance with the Community Space Tenancy Policy, this report recommends that the Leased Premises be designated a Municipal Capital Facility so as to be exempted from taxation.

The Leased Premises located at 1652 Keele Street is owned by the City of Toronto. Although properties owned by the City of Toronto are exempt from taxation, For Youth Initiative in Toronto is a taxable tenant and the Leased Premises are therefore subject to taxation. The annual property taxes on the Leased Premises are estimated at approximately \$12,844 comprised of a municipal portion of \$6,655 and a provincial education portion of \$6,189, based on 2019 Current Value Assessment and 2019 tax rates.

Providing a property tax exemption for the Leased Premises will result in a net annual reduction in property tax revenue to the City of approximately \$6,655, representing the municipal portion of taxes that are currently payable that will no longer be collected once the Leased Premises are designated as a Municipal Capital Facility, as shown in Table 1 below. The provincial education portion of property taxes of \$6,189 will not be required to be remitted to the Province once the exemption for the Leased Premises takes effect, with no net impact to the City.

Table 1: Financial Implication of Property Tax Exemption - 1652 Keele Street

Location	Municipal Taxes	Education Taxes	Total Property Taxes
1652 Keele Street 1914-05-2-090-00400	\$6,655	\$6,189	\$12,844
Total Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues			\$6,655
Reduction in Education Taxes Remitted			\$6,189

Given that Municipal Capital Facility Exemptions are not retroactive, in the event that the Municipal Property Assessment Corporation determines that the tenant has been in taxable occupation of these premises, the Municipal Property Assessment Corporation may issue supplementary/omitted assessment notices for the current year and the prior two years. Should the Municipal Property Assessment Corporation issue this additional taxable assessment, this would result in an unfunded estimated potential financial impact of \$24,546 for the 2017 and 2018 taxation years combined and \$12,844 for the current budget year. If a tax bill is issued to For Youth Initiative in Toronto, at that point the City will work with the tenant to address the cost.

In 2018, For Youth Initiative in Toronto invested \$1,016,990 in programs and services in the Leased Premises. Over the five (5) year term of the Lease, it is estimated that For Youth Initiative in Toronto will invest \$8,450,498 in programs and services offered at the Leased Premises.

The Chief Financial Officer and Treasurer has been provided with the financial impact information.

## DECISION HISTORY

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At its meeting on October 1, 2, and 3, 2002, City 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.

<https://www.toronto.ca/legdocs/2002/agendas/council/cc021001/pof13rpt/cl001.pdf>

At its meeting on November 19 and 20, 2007, City Council granted authority to enter into Lease and service agreements with For Youth Initiative in Toronto as below market rent tenants.

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

At its meeting on December 1, 2 and 3, 2008, City Council adopted the following motions "Amendment of Below Market Rent Lease - For Youth Initiative - 1652 Keele Street" to include approximately 1,600 additional square feet in the basement of the building and to the extend the lease to a 10 year term until November 14, 2018.

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

At its meeting on April 3, and 4th, 2013, City Council authorized 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.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM20.9>

At its meeting on July 8, 2014, Council adopted "Amendment to Below-Market Rent Lease Agreement with For Youth Initiative" in Toronto at 1652 Keele Street" to include approximately 246 square feet of additional space within the building located at 1652 Keele Street.

<https://www.toronto.ca/legdocs/mmis/2014/gm/bgrd/backgroundfile-70042.pdf>

At its meeting on November 7, 8 and 9, 2017, City Council adopted the "Community Space Tenancy Policy", replacing the Below-Market Rent Policy.

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

## COMMENTS

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For Youth Initiative in Toronto was created in the mid-1990s to respond to issues of youth disengagement, alienation, crime and violence in the former City of York.

For Youth Initiative in Toronto has been a Below-Market Rent tenant at 1652 Keele Street since 2007. The organization also had a secondary youth programming location at 1669 Eglinton Avenue West. In 2013, For Youth Initiative in Toronto consolidated all their program operations into the Leased Premises. In order to accommodate the added operations, City Council approved 1,307 square feet additional space on the second floor of 1652 Keele Street in April 2013.

After securing a three year commitment of \$500,000 from Department of Justice Canada allowing For Youth Initiative in Toronto to expand their programming and renovate their space, For Youth Initiative in Toronto received Council approval on July 8, 2014 to further amend their space to include an additional 246 square feet for an administrative centre. For Youth Initiative in Toronto currently occupies a dedicated area of 3,632 square feet and a grossed up area including common area space of 5,698 square feet divided between all three floors of 1652 Keele Street.

For Youth Initiative in Toronto's lease expired on November 14th, 2018. For Youth Initiative in Toronto has expressed interest in continuing to lease their space at 1652 Keele Street. As an existing tenant under the former Below Market Rent Policy, all renewals are to be aligned to the Community Space Tenancy Policy.

An eligibility review conducted by staff from Social Development, Finance and Administration, determined that For Youth Initiative in Toronto satisfies all requirements and is eligible under the Community Space Tenancy Policy. For Youth Initiative in Toronto has demonstrated the requisite financial viability to maintain the Leased Premises and related operating costs for the term of the Lease.

For Youth Initiative in Toronto plans to serve a total of 675 individuals with 11 full-time staff, 4 part-time staff and 40 volunteers in 2019/2020 year. For Youth Initiative in Toronto's programs include: youth leadership program, youth in transition, case management, Youth Justice (Reintegrating the Socially Excluded) and newcomer settlement program. These programs and services align with Toronto Youth Equity Strategy and continue to be compatible with the Community Space Tenancy Policy.

### **Municipal Capital Facility Designation**

The Community Space Tenancy Policy provides that when seeking City Council approval for any initial Community Space Tenancy approval of a municipal capital facility designation will also be sought where appropriate. Designating the property leased by For Youth Initiative in Toronto, a community-based service sector organization providing social and health services as described above, as a municipal capital facility and exempting the property from taxes will assist in providing services to the public which are in line with services provided by the City.

Section 252 of the City of Toronto Act, 2006 allows City Council to exempt from taxation for municipal and school purposes land or a portion of land on which a municipal capital facility is or will be located once the City enters into an agreement with the landlord or tenant for the provision of the municipal capital facility.

Ontario Regulation 598/06 prescribes facilities providing social and health services as eligible municipal capital facilities for the purpose of section 252.

Upon the passing of the by-law authorizing the agreement and the tax exemption, the City Clerk must give written notice of the by-law to the Minister of Finance, the Municipal Property Assessment Corporation and the Secretary of any affected school board(s).

## **CONTACT**

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## **SIGNATURE**

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Denise Andrea Campbell  
Executive Director, Social Development, Finance & Administration

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Patrick Matozzo  
Executive Director, Corporate Real Estate Management

## **ATTACHMENTS**

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Appendix A – Major Terms and Conditions  
Appendix B – Location Map & Site View of Leased Premises

## APPENDIX A:

### Major Terms and Conditions Community Space Tenancy Lease at 1652 Keele Street

Landlord:	City of Toronto
Tenant:	For Youth Initiative in Toronto
Rentable Area & Proportionate Share:	The tenant occupies a gross floor area of 5,698 sq.ft. (net area equals 3,632 sq.ft.) within the 1652 Keele Street facility which has a total gross floor area of 20,329 square feet. The tenants' proportionate share equates to 28.03%.
Commencement Date:	January 1, 2020
Term:	Lease Agreement: Five (5) years (January 1st, 2020 to December 31st, 2024).  Extension Agreement: Five (5) years (January 1st, 2025 to January 31st, 2029).
Basic Rent:	\$2.00 per annum plus all applicable taxes.
Standard Community Space Tenancy Net Lease:	The Lease shall be a standard Community Space template document with no allowance for additions or deletions save for changes of a technical nature preapproved by the Director of Real Estate Services or if additions or deletions are preapproved by Council. The Tenant shall have 90 days from the date of Council approval to execute the Community Space Lease. The Tenant shall have up to 60 days from the date of Council approval to advise the Landlord of any unforeseen circumstances that may impact executing the Lease within the 90 days. Extensions to execute the Lease require Council approval. The Lease shall be absolutely 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. Any obligation which is not stated to be that of the Landlord shall be the Tenant's responsibility.

<p>Operating Costs/Additional rent:</p>	<p>The Tenant shall pay a proportionate share of all realty taxes and operating costs related to the Property. "Operating Costs/Additional Rent" means the total of all costs and expenses attributable to the maintenance, repair, administration, management and operation of the Lease Premises including, without limiting the generality of the foregoing: utilities, security, insurance, all taxes including applicable property taxes, supervision, landscaping, window cleaning, eavestrough cleaning, pest management, waste collection, disposal and recycling, snow removal, and other costs of maintenance and operation. In situations where the Tenant will lease a complete facility, either from the commencement date or at any time thereafter during the term, the Tenant will be responsible to have all applicable utility meter accounts changed into its own corporate name.</p>
<p>Operating Cost Rate:</p>	<p>The 1652 Keele Street facility currently has a budgeted operating cost (2019) of \$9.21 per sq.ft. With a rentable area of 5,698 sq.ft., this equates to an annual additional rent of \$52,478.58 plus HST.</p>
<p>Permitted Use:</p>	<p>General office services of a community programming nature or as otherwise specified within the Service Level Agreement.</p>



## APPENDIX B

### Location Map & Site View: 1652 Keele Street

