



## REPORT FOR ACTION

### Further Information: 233 Carlton Street Lease Agreement

**Date:** September 17, 2020

**To:** City Council

**From:** Executive Director, Corporate Real Estate Management

**Wards:** Ward 13 - Toronto Centre

#### SUMMARY

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As directed by City Council at its meeting on July 28 and 29, 2020, the purpose of this report is to provide further information on the lease agreement at 233 Carlton Street including: 1) information pertaining to how the property first came to the attention of City Officials, 2) potential communications between senior City Officials and the WE Charity which may have impacted decision-making on site location and financial terms, and, 3) information supporting the fair market value of the lease.

The City of Toronto (the "Tenant") entered into a Lease Agreement (the "Lease") with 1622774 Ontario Ltd. (the "Landlord"), for the property located at 233 Carlton Street (the "Property"), as a replacement location for the Adelaide Resource Centre for Women, currently located at 67 Adelaide Street East. The Lease was authorized by way of Council-approved real estate delegated authorities in August 2019, and adhered to the established approvals process supported by due diligence, and informed by market research and analysis.

#### RECOMMENDATIONS

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The Executive Director, Corporate Real Estate Management, recommends that:

1. City Council receive this report for information.

#### FINANCIAL IMPACT

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There are no financial implications resulting from this report.

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

## **DECISION HISTORY**

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At its meeting on July 28 and 29, 2020, City Council adopted MM23.28, "233 Carlton Street - Request for Additional Accountability and Transparency for the Lease Agreement", directing the City Manager and the Executive Director, Corporate Real Estate Management to provide further information regarding the transaction at 233 Carlton Street, and to report back to the September 30 and October 1, 2020 meeting of City Council with details pertaining to how the property first came to the attention of the City Officials, whether communications between WE-related organizations and senior City Officials impacted decision-making on site location and financial terms, and if the value of the lease agreement is in line with fair market value.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM23.28>

On August 6, 2019, the Lease at 233 Carlton Street was authorized through the Delegated Approval Form, Tracking Number 2019-210, for the property to be utilized as a replacement location for the Adelaide Resource Centre for Women, located at 67 Adelaide Street East.

[https://www.toronto.ca/wp-content/uploads/2019/10/986f-2019-210\\_-233-Carlton-St.pdf](https://www.toronto.ca/wp-content/uploads/2019/10/986f-2019-210_-233-Carlton-St.pdf)

## **COMMENTS**

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### **Background**

In 2018, Shelter, Support and Housing Administration determined that the City-owned property at 67 Adelaide Street East was a suitable location due to its size for contributing towards the creation of 1,000 new shelter beds. On February 12, 2018, City Council adopted EX31.2, "2018 Capital and Operating Budgets", and requested the General Manager of Shelter, Support and Housing Administration to expand the number of permanent new shelter beds by 1,000 over three (3) years.

Accordingly, Shelter, Support and Housing Administration engaged Corporate Real Estate Management to identify an alternative location for the Adelaide Resource Centre for Women, and specified a number of criteria for the new location. The criteria included access to approximately 8,000 square feet of space to meet a range of programming opportunities, proximity to the current location (67 Adelaide Street East), proximity to transit and related community services, and the ability to renovate the site to meet accessibility requirements.

### **Site Selection**

In November 2018, Corporate Real Estate Management staff, along with Lennard Commercial Realty Brokerage ("Lennard Realty"), commenced a search for an alternative location for the Adelaide Resource Centre for Women. Lennard Realty is an

independent real estate brokerage that was procured by Corporate Real Estate Management through a Request for Supplier Qualifications Process.

All available sites within a reasonable distance from 67 Adelaide Street East were considered. Approximately 11 different sites were investigated by Corporate Real Estate Management, Lennard Realty and Shelter, Support and Housing Administration.

Corporate Real Estate Management became aware of the Property through a referral from Lennard Realty. Corporate Real Estate Management, in consultation with Shelter, Support and Housing Administration, evaluated the 11 potential sites, including the Property, against the specified criteria and the Property was selected as the most optimal site when compared with the other potential sites.

### **Negotiations and Due Diligence**

Lease negotiations were entered into between the Landlord with the assistance of Lennard Realty. As per standard due diligence activities, market analysis and prior rent comparisons were conducted in negotiating the rental rate included in the Lease. Lennard Realty and Corporate Real Estate Management staff determined the terms and conditions of the Lease, including the rental rates, were fair, reasonable and in line with market value.

In early 2019, Corporate Real Estate Management and Shelter, Support and Housing Administration staff engaged in one (1) direct telephone discussion with Mr. Marc Kielburger in his capacity as a representative of the Landlord. This took place prior to the signing of the Lease with the purpose to discuss programming that the City would offer, the community engagement process that we would follow, and the installation of an elevator. All discussions with the representative and Mr. Marc Kielburger followed standard practice when securing a site for the purpose of program delivery in the community.

### **Conclusion**

In executing the Lease at 233 Carlton Street, Corporate Real Estate Management staff utilized the Council-approved real estate delegated authorities. In doing so, and in alignment with the established processes, staff conducted due diligence and negotiated terms and conditions that are fair, reasonable and at market. The due diligence included a comprehensive review of market rates in negotiating the rental rate for the Property. The negotiated rental rate was calculated to be approximately 20 percent less than the rental rates for comparable properties at the time of negotiations, and for that reason is considered a competitive rate. The limited communication with Mr. Marc Kielburger did not impact decision-making regarding the site location or the financial terms of the agreement, and followed common protocols of securing a site for program delivery in the community.

## **CONTACT**

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## **SIGNATURE**

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Patrick Matozzo  
Executive Director, Corporate Real Estate Management