Below-Market Rent Lease Agreements at 524 Oakwood Avenue

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<th>Date</th>
<th>March 20, 2013</th>
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<td>To:</td>
<td>Government Management Committee</td>
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<tr>
<td>From:</td>
<td>Chief Corporate Officer and Executive Director, Social Development, Finance and Administration</td>
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<td>Wards:</td>
<td>Ward 15 – Eglinton - Lawrence</td>
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<td>Reference Number:</td>
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**SUMMARY**

The purpose of this report is to obtain authority for Below-Market Rent (BMR) lease agreements with each of Nia Centre for the Arts Incorporated and the Metropolitan Action Committee on Violence Against Women and Children for approximately 7,070 square feet and 7,069 square feet of space, respectively, located at 524 Oakwood Avenue in Ward 15 Eglinton-Lawrence.

**RECOMMENDATIONS**

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

1. City Council authorize a new Below-Market Rent lease agreement with Nia Centre for the Arts Incorporated for a ten (10) year term, substantially based on the terms set out in the attached Appendix “A”, with such revisions thereto, and such other terms and conditions acceptable to the Chief Corporate Officer, or her designate, and in a form acceptable to the City Solicitor.
2. City Council authorize a new Below-Market Rent lease agreement with Metropolitan Action Committee on Violence Against Women and Children for a five (5) year term, substantially based on the terms set out in the attached Appendix “B”, with such revisions thereto, and such terms and conditions acceptable to the Chief Corporate Officer, or her designate, and in a form acceptable to the City Solicitor.

3. City Council authorize the Chief Corporate Officer, or her designate, to administer and manage the lease agreements 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.

4. 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 late date(s), on such terms and conditions, as she may, from time to time, determine.

Financial Impact

Nia Centre for the Arts Incorporated ("Nia")
The proposed agreement will provide Nia approximately 7,070 square feet of space for a nominal net rent consideration. All operating costs related to the building occupancy (currently estimated at $77,770 per year based on a rate of $11 per square foot plus $5,000 - $20,700 per year of estimated property taxes based on a rate between $0.71 to $2.93 per square foot) will be paid by the tenant, resulting in no cost to the City of Toronto.

Metropolitan Action Committee of Violence Against Women and Children ("METRAC")
The proposed agreement will provide METRAC with approximately 7,069 square feet of space for a nominal net rent consideration. METRAC will assume all operating costs related to the building occupancy (currently estimated at $77,759 per year based on a rate of $11 per square foot plus $5,000 - $20,700 per year of estimated property taxes based on a rate between $0.71 to $2.93 per square foot), resulting in no cost to the City.

In accordance with the City’s Policy on City-Owned Space Provided at Below-Market Rent, the opportunity costs of entering into each of these lease agreements must be determined and reported to City Council. Research indicates that the total opportunity cost of the Nia lease agreement over the 10-year term is approximately $673,300; and of the METRAC lease agreement over the course of a 5-year lease term is approximately $315,900.
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).

Through subsequent reports, Council has refined the BMR policy framework and has authorized the extension of existing BMR lease agreements. The most recent report was reviewing the BMR program was approved by City Council on November 27, 2013 titled “Update on the Policy for City-Owned Space Provided at Below-Market Rent.” (http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX25.7)

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 lease agreements are consistent with this framework.

ISSUE BACKGROUND

524 Oakwood is a City owned building operating under Toronto Public Health Division since December 1994. Due to operational demands, Toronto Public Health completed relocating their services from the building on March 14th, 2013. As a result, the building was circulated through the Property Management Committee process (PMC), lead by Real Estate Services, for consideration for other City purposes.

No City Division has expressed interest in occupancy of the 14,139 square feet building or the property. Given the expected disposition of the property, the latest Building Condition Assessment was completed in 2002. Based on the report, Facilities Design and Construction have advised that the building will require approximately $700,000 in base building repairs over the next 3 years to keep the building in the state of good repair. The assessed value of the property is $1,618,000.

Demographical data and service analysis indicate that the surrounding Vaughan-Oakwood community is under-represented in a number of important community services. In response, the ward Councillor had convened several community discussions since early 2012 to determine possible solutions. Understanding this community need, Social Development, Finance and Administration submitted a business case to PMC to create a community hub at this location, anchored by Nia and METRAC. Under the BMR policy, only properties in which the City does not have a direct interest in using may be made available for use by eligible community organizations at below-market rate. During the PMC review, Build Toronto and Planning explored whether building a complimentary housing development on top of the existing 524 Oakwood building could be a viable option and determined that there was no viable business case at this site.

Below-Market Lease Agreements – 524 Oakwood Avenue
Subsequently, 524 Oakwood was determined to be suitable for BMR arrangements subject to Council authority.

COMMENTS

The “Policy For City-Owned Space Provided at Below-Market Rent” was approved by City Council in 2002; Council recently adopted the phase one review report of the policy in November 2012. Under the BMR policy, selected organization(s) for BMR tenancy must be not-for-profit, provide services primarily to Toronto residents and provide services that further City objectives and priorities. In addition, the services it provides must not be the responsibility of another level of government.

Over the course of the last year, the City has had several meetings with community agencies to discuss space needs and service response for local residents. Additionally, the ward councillor, with the support of United Way Toronto, disseminated an expression of interest with non-profit organizations interested in expanding and/or relocating to the area. Multiple needs assessments and community consultations have been completed to identify the core services most in need by the local community. SDFA reviewed the interested organizations to determine the best fit with the space, service needs and associated costs. Nia and METRAC were deemed to be the most ready and viable to become anchor tenants at 524 Oakwood to develop a community hub that serves community needs, and brings in partner organizations to provide additional services, particularly community health services on an itinerant basis.

**Nia**

Nia is one of the Legacy Initiatives that came out of the Youth Challenge Fund, the provincially-funded special initiative administered by United Way Toronto. Recognizing that there is a need for an effective, multi-disciplinary City-wide arts organization that focuses on Afro-diasporic youth, the Youth Challenge Fund convened young arts leaders and supported them with seed funding to research, develop and implement Nia. Programming began in the Lawrence Heights community in December of 2009. Combining art and social service, with a focus on the holistic development of Black youth, Nia is expanding its reach and impact and requires a larger programming space to meet the needs of Toronto youth.

Nia seeks a 10-year BMR lease term in recognition of the substantial capital investment that they will be making to improve 524 Oakwood, including making the space accessible. Currently, as a two-storey building, 524 Oakwood does not have an elevator and does not meet the *Accessibility for Ontarians with Disabilities Act* accessibility requirements. Nia will leverage its $2.2M in capital funding to upgrade the facility to meet program needs. In such cases where BMR tenants are contributing significant capital dollars (usually $1M or more), to improve a publicly owned asset, Council had granted them 10-year lease terms in recognition of the value of that capital contribution.

**METRAC**

METRAC is a community-based organization that works to prevent and eliminate violence against diverse women and youth. Since their formation in 1984, METRAC has
been committed to the right of women and youth to live free of violence and the threat of violence. In addition to a range of justice education and community outreach programs, METRAC provide training on personal and community safety and often partners with City divisions in supporting community residents through safety audits of neighbourhood spaces.

METRAC is an existing BMR tenant at 158 Spadina Road since 1990 and currently pays $1,950 per month in rent. METRAC desires a larger, more accessible location to from which to serve residents. City staff have determined that METRAC is eligible for a standard 5-year BMR lease term at 524 Oakwood. Should Council grant their new BMR lease, Real Estate Services will consider the best option for the vacated 158 Spadina Road to meet City interests.

Both Nia and METRAC provide valuable programs and services. Below-market rent tenancies will enable these organizations to have a more accessible home at 524 Oakwood that will benefit the under-served residents of the Vaughan-Oakwood area, and provide both organizations with the stability to grow their services for residents across the city.

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SIGNATURE

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Chris Brillinger
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ATTACHMENTS

Appendix “A” – Major Terms and Conditions for Nia
Appendix “B” – Major Terms and Conditions for METRAC
Appendix “C” – Location Map for 524 Oakwood Avenue

Below-Market Lease Agreements – 524 Oakwood Avenue