



**STAFF REPORT
ACTION REQUIRED**

Below-Market Rent Lease Agreements at 362 Wallace Avenue and at 1652 Keele Street

Date:	February 5, 2014
To:	Government Management Committee
From:	Chief Corporate Officer and Executive Director, Social Development, Finance and Administration
Wards:	Ward 18 - Davenport Ward 12 - York South-Weston
Reference Number:	P:\2014\Internal Services\RE\Gm14004re – (AFS #18945)

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a new Below-Market Rent (BMR) lease agreement with Christie Ossington Neighbourhood Centre (CONC) at 362 Wallace Avenue and to amend an existing BMR lease to include an additional 2,528 square feet of space with Community Action Resource Centre (CARC) at 1652 Keele Street.

RECOMMENDATIONS

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

1. City Council authorize a new Below-Market Rent lease agreement with CONC for a five (5) 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 provide its consent and authority, notwithstanding the BMR Policy, to allow CONC to sublease a portion of the space at 362 Wallace Ave to the two following organizations:
 - a. Green Here; and
 - b. Canadian Roots Exchange

This consent and approval shall be conditional upon any subtenants agreeing to comply with the terms of the lease between the City and the CONC, and on such other terms as deemed appropriate by the Chief Corporate Officer, or his or her designate, and shall be in a form acceptable to the City Solicitor.

3. City Council authorize an amendment to the existing Below-Market Rent lease agreement with Community Action Resource Centre to add approximately 2,528 square feet of additional space on the second floor of the building located on the property known municipally as 1652 Keele Street, substantially based on the terms set out in the attached Appendix “C”, 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.
4. City Council authorize the Chief Corporate Officer, or her designate, to administer and manage the agreements indentified in Recommendations 1 and 3, 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.

Financial Impact

Christie Ossington Neighbourhood Centre (CONC) at 362 Wallace Avenue

The proposed agreement will provide CONC with 5,114 square feet of space for nominal net rent consideration. All operating costs related to the building occupancy (currently estimated at \$56,254 per year based on a rate of \$11 per square foot) plus any property taxes assessed will be paid by the tenant, resulting in no net cost to the City of Toronto.

In accordance with the City’s Policy on City-Owned Space Provided at Below-Market Rent, the opportunity costs of entering into this agreement must be determined and reported to City Council. Research indicates that a present value of the total opportunity cost of this lease over the 5-year term is approximately \$389,000.

Community Action Resource Centre (CARC) at 1652 Keele Street

The additional 2,528 square feet of space for CARC will be for a nominal net rent consideration. All operating costs related to the CARC occupancy of the additional space, currently estimated at \$15.16 per square foot or \$38,324 per year, will be paid for by the tenant, resulting in equivalent cost savings to the City. A present value of the opportunity

cost of the proposed expansion space is approximately \$61,000 over the remaining two years of the lease term.

As stipulated in the lease amendment, CARC will make a capital investment of \$128,000 funded from Trillium Fund to renovate the additional space for the intended Family Resource Centre. In addition, CARC has applied to Children's Services for a one-time grant in the amount of \$50,000 with funding for minor capital and health and safety upgrades available in the 2014 Approved Operating Budget for Children's Services. This amount is excluded from the opportunity cost calculation.

The Deputy City Manager and 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>

Through subsequent reports, Council has refined the BMR policy framework. The most recent report was approved by City Council on October 15, 2012.

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

At its meeting on December 1, 2008, City Council authorized a BMR lease renewal for CARC at 1652 Keele Street for a 5 year term.

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

At its meeting on December 16, 17 and 18, 2013 Council adopted 362 Wallace Avenue - Official Plan Amendment and Zoning and directed that a credit be provided to the owner for the construction of a community facility.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.PG29.2>)

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 their services or programs align with approved Council priorities. The proposed tenancies are consistent with this framework.

ISSUE BACKGROUND

Christie Ossington Neighbourhood Centre (CONC)

On December 16, 2013, City Council approved a draft plan of subdivision application permitting the construction of 167 stacked townhouses, 20 non-residential condominium units and a new community facility at 362 Wallace Avenue. A 5,114 square foot community facility space is proposed to be located at the northwest corner of the site, at the end of Ruskin Avenue. This community facility, and the land on which it sits, will be owned by the City of Toronto. As a Section 37 community benefit, this facility is to house community-based services and programs operated by one or more non-profit agencies.

Accordingly, City staff issued a Request for Expressions of Interest (REOI) to select an appropriate non-profit tenant and to provide specifications to the developer for fit up. CONC was selected as the appropriate tenant organization for the space, in partnership with two smaller agencies, Green Here and Canadian Roots Exchange. This report recommends tenancy approval of CONC and its two partners with estimated occupancy in early 2015 or at the point construction is completed.

This new space will allow CONC, a neighbourhood-based multi-service agency, to maintain their existing programmes and add additional programs targeted for children, youth and families. The City is looking to create community hubs to bring together various community based service organizations. CONC will create the Wallace Community Hub under a partnership with Green Here and Canadian Roots Exchange to provide a holistic approach to building strong neighbour communities.

Community Action Resource Centre (CARC)

CARC has been a BMR tenant at 1652 Keele Street since 2003. CARC occupies 1,302 square feet on the ground floor and 451 square feet on the second floor, for a purpose of an administrative centre for the organization.

CARC operated programming at three additional locations: 2696 Eglinton Avenue West, 1900 Davenport Road and 1884 Davenport Road. Due to increased operating costs and lease expirations at Eglinton and Davenport sites, CARC has decided to co-locate most of their services in a larger space at 1652 Keele Street and requested to rent an additional 2,528 sq ft of space on the second floor of the building, which is currently vacant.

COMMENTS

Christie Ossington Neighbourhood Centre (CONC)

CONC, incorporated in 1996, is a multi-service organization that provides community-based services to low income families and children and new immigrants in the Toronto's west end. CONC is looking for additional programming space as their current location is over capacity. This additional space will meet growing community needs and accommodate program expansion. The new BMR space will allow CONC to add more programs targeted for children, youth and families, and support neighbourhood development. CONC was selected through a competitive REOI process which deemed CONC to be the most suitable tenant for the space.

CONC proposes to develop a Wallace Community Hub in partnership with Green Here and Canadian Roots Exchange to provide a holistic approach to building strong neighbour communities.

Canadian Roots Exchange is a registered charity that provides leadership and learning experiences to youth through workshops, conferences and inter-generational community events. Canadian Roots Exchange will partner with CONC to provide similar programming to indigenous and non-indigenous youth.

Green Here's mandate focuses on environmental issues as a social determinant of health. By creating and sustaining green space and urban planning and reforestation projects, Green Here enhances the overall health of neighbourhoods, specifically targeting low income communities.

Under the BMR policy, Council approval is required for sub-leases with other agencies. City staff have reviewed an operating model proposed by CONC and recommend approval of sub-leases with these two agencies.

Community Action Resource Centre (CARC)

CARC has identified an urgent need for additional space in order to more effectively meet its growing community service mandate. The additional space will provide programming to low-income residents and newcomers, including a drop-in service. New programs will be offered in partnership with Toronto Children's Services.

CARC will invest a \$128,000 grant from Trillium Fund to renovate the additional space, The grant will be released when the lease amendment for the additional space is executed. CARC has also applied to Toronto Children Services for a one-time \$50,000 grant for renovations to support the intended Family Resource Centre. Funding for minor capital and health and safety upgrade is included in the 2014 Approved Operating Budget for Children's Services.

Social Development, Finance and Administration staff have reviewed the applications and have determined that both organizations meet all eligibility criteria under the Below-Market Rent Policy. Their programs and services align with City priorities and continue to be compatible with their respective BMR properties.

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SIGNATURE

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ATTACHMENTS

Appendix A – Proposed Lease Terms and Conditions - 362 Wallace Ave
Appendix B – Location Map - 362 Wallace Ave
Appendix C – Proposed Lease Terms and Conditions - 1652 Keele St
Appendix D – Location Map - 1652 Keele St