Renewal of Below Market Rent Sublease Agreement with Malvern Family Resource Centre at 1321 Neilson Road

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<th>Date</th>
<th>August 27, 2015</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 42 – Scarborough Rouge River</td>
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<td>Reference Number</td>
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**SUMMARY**

The purpose of this report is to obtain City Council authority to renew the Below-Market Rent (BMR) Sublease agreement (the "Sublease") with Malvern Family Resource Centre for approximately 4,291 square feet of space located at 1321 Neilson Road in Ward 42 - Scarborough-Rouge River for a further 5 year period.

**RECOMMENDATIONS**

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

1. City Council authorize the renewal of the Sublease with Malvern Family Resource Centre (“MFRC”) for a five (5) year term substantially based on the terms and conditions set out in Appendix “A”, and on 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 the Chief Corporate Officer to administer and manage the Sublease agreement, 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.
3. City Council grant an exemption from the Return on Investment (ROI) requirement as the tool is under development with Social Development, Finance and Administration Division.

**Financial Impact**

The proposed Sublease will provide MFRC with approximately 4,291 square feet of community space for a nominal net rent consideration. All operating costs and realty taxes related to such building occupancy will be paid by the tenant, resulting in no operating costs to the City of Toronto, so long as the tenant pays on time. The 2015 estimated operating cost is $18,237 per year based on a rate of $4.25 per square foot. The 2016 estimated operating cost is $19,395 per year based on a rate of $4.52 per square foot.

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 the total opportunity cost of this lease over the 5-year term is approximately $269,800.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

**DECISION HISTORY**

On January 12, 1994, Council of The Municipality of Metropolitan Toronto adopted Clause No. 10 of Report No. 2 of the Management Committee and granted the authority to enter into a long term lease with Metropolitan Toronto Housing Ltd.

On October 11 and 12, 1995, Council of The Municipality of Metropolitan Toronto adopted Clause No. 18 of Report No. 25 and granted the authority to sublease a portion of the lower level of the building at 1321 Neilson Road to MFRC for five (5) years.

On October 1, 2, and 3, 2002, Toronto 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.


At its meeting November 19 and 20, 2007, City Council adopted "Providing City-Owned Space to Community Organizations at Below-Market Rent" and extension of leases of existing tenants of the City. The MFRC Sublease was extended under the BMR Policy.

At its meeting on November 27, 2012, City Council directed the Executive Director of SDFA to develop a measure of "Return on Investment" (ROI) for the City Space at Below Market-Rent Program. This is currently under development with SDFA. http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX25.7

ISSUE BACKGROUND

MFRC was incorporated in May 1984 with a mandate to serve the Malvern community and Rouge River Riding to strengthen families and individuals through inclusive programming.

The property at 1321 Neilson Road is owned by The Metropolitan Toronto Housing Company Limited (MTHC) and leased to the City of Toronto for 40 years (with said Lease expiring on June 30th, 2034) for the purpose of a child care centre and Family Resource Centre. MFRS has occupied the building since 1996. The programs offered by MFRC were expanded in 2003 to respond to critical community issues.

MFRC is a multi-service social service agency providing programs to residents of the Malvern and Rouge River neighbourhoods with a focus on children, youth and seniors. It has grown into a successful non-profit charitable organization that encourages civic engagement and increases Malvern residents' access to educational, recreational and cultural opportunities.

MFRC provides social, recreational and education programmes with community engagement; information and referral service; an After-school Program and an Ontario Early Years Centre. Services include a Youth Focus Program; Parent Resources and Family Services Program; Intergenerational and Community Integration Program; and a Woman's Place Program focused on marginalized and vulnerable women. MFRC's mandate aligns with the Toronto Strong Neighbourhood Strategy.

MFRC receives funding from the City to deliver services to the Malvern community. Annual operating support to the organization provided through SDFA's Community Services Partnership grant has been increased by $18,555 from 2013 to the total of $202,225 in 2014.

COMMENTS

Applicants must meet the following eligibility requirements to be considered for space under the BMR Policy:

1. Non-profit status;
2. Programs and services provided by the organization must be aligned with a City of Toronto divisional mandate;
3. Services provided for Toronto residents;
4. Mandate of organization must not be the sole responsibility of a senior order of government; and
5. Demonstrate sound financial standing to maintain allocated space and operating costs for the duration of BMR leases.

Although MFRC demonstrates a fit with most BMR criteria, during the past four (4) years, it has not been in good financial standing with the City. It was in arrears 80% of the time creating, at one point, a $20,000 liability to the City. On August 20, 2015, MFRC promised to pay its existing arrears totalling $7,261.71 in full. Subject to the organization clearing its arrears, MFRC would meet the financial standing eligibility criterion.

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SIGNATURE

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Josie Scioli     Chris Brillinger  
Chief Corporate Officer   Executive Director
Social Development, Finance & Administration

ATTACHMENTS

Appendix “A” – Major Terms and Conditions
Appendix “B” – Location Map