



## STAFF REPORT ACTION REQUIRED

### Below-Market Rent Lease Agreement at 140 Merton Street

<b>Date:</b>	August 27, 2015
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer and Executive Director, Social Development, Finance and Administration
<b>Wards:</b>	Ward 22 – St. Paul's
<b>Reference Number:</b>	P:/2015/Internal Services/RE/Gm15027re (AFS #20874)

### SUMMARY

The purpose of this report is to obtain City Council authority to renew a Below Market Rent lease agreement with Senior Peoples' Resources in North Toronto Incorporated (SPRINT) for a further period of three (3) years for approximately 8,060 square feet of space located on the second floor of the City-owned building at 140 Merton Street in Ward 22 - St. Paul's with a possibility of increasing the rented space by 3,838 (Added Space) to 11,898 square feet subject to SPRINT's ability to pay the operating costs for the Added Space.

### RECOMMENDATIONS

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

1. City Council authorize entering into a lease renewal agreement for a Below Market Rent (BMR) lease (Renewal Agreement) with SPRINT at 140 Merton Street for a three (3) year term, substantially based on the terms set out in the attached Appendix "A", and on such other or amended terms and conditions acceptable to the Chief Corporate Officer (CCO), or her designate, and in a form acceptable to the City Solicitor.
2. City Council grant an exemption from the Return on Investment requirement under the Below Market Rent Policy as the tool is under development by SDFA.

3. City Council authorize the City Solicitor to complete the Renewal Agreement, deliver any notices, pay expenses and amend the commencement and other dates to such earlier or later date(s), on such terms and conditions, as she may, from time to time, determine.
4. City Council authorize the CCO, or her designate, to administer and manage the Renewal Agreement, including the provision of any consents, approvals, notices and notices of termination provided that the CCO may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

## **Financial Impact**

The proposed Renewal Agreement will provide SPRINT with 8,060 square feet of space for a nominal net rent consideration. All operating costs related to the occupancy (currently estimated at \$38,285 per year based on a rate of \$4.75 per square foot) will be paid by SPRINT.

SPRINT has historically paid operating costs for 8,060 square feet of leased space. Over time, SPRINT has expanded into the Added Space for which space the City currently pays the operating costs. In order to rectify this situation, a one-year grace period for the Added Space will be provided to SPRINT in order to allow SPRINT sufficient time to either find new funding needed to pay for the increased operating costs, or to reduce its usage of space back to the original 8,060 square feet and vacate the Added Space.

During the one-year grace period, the City will pay \$18,230 in operating costs for the Added Space. Funding for this payment is available from the 2015 Council Approved Operating Budget for Facilities Management, Real Estate and Environment and Energy (FREE).

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 present value of the total opportunity cost of this lease agreement over the 3-year term is approximately \$469,500.00. The value will increase to \$597,000.00 in case if SPRINT keeps the Added Space.

The Deputy City Manager & 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>.)

At its meeting November 19 and 20, 2007, Council adopted "Providing City-Owned Space to Community Organizations at Below-Market Rent" and extension of leases of existing tenants of the City; SPRINT's lease was extended under the Below-Market Rent policy.

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

At its meeting on November 27, 2012, City Council directed the Executive Director, Social Development, Finance and Administration to develop a measure of "Return on Investment" (ROI) for the City Space at Below Market-Rent Program (BMR). This is currently under development by SDFA

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX25.7>)

## **ISSUE BACKGROUND**

Since 1998, SPRINT has leased space on the second floor of the City-owned building at 140 Merton Street primarily as an administrative space. The main floor of the building had been occupied and operated by Transportation Services which vacated its premises on December 31, 2014. Because the future use of the building is currently being reviewed, approval for a three (3) year term is being requested in order to provide flexibility. Operating costs for the untenanted space in the building is paid by the City.

The Below Market Rent Policy, Phase II Framework was approved by Council in November 2007. Based on this authority the BMR lease agreement with SPRINT had been entered into for a 5 year term, expiring on August 31, 2015.

## **COMMENTS**

Founded in 1984, SPRINT provides both on-site and off-site support services to seniors, with a particular focus on seniors with disabilities, LGBT seniors, vulnerable and isolated seniors. Services include client intervention and crisis prevention, transportation, visitor and respite care, congregate dining and meals on wheels. Services initially addressed the seniors' population of North York, and have since expanded to seniors and their families city-wide. These services align with the City's priorities, particularly with the Toronto Seniors Strategy.

SPRINT is the lead agency for Toronto Ride. Toronto Ride began in 1998 to provide a coordinated, integrated, affordable and accessible non-emergency community transportation service by which seniors and persons with disabilities can access the health care system and services. Today, Toronto Ride consists of 14 member agencies, with the Canadian Red Cross Toronto-Peel region having joined the collaborative in 2014. Last year, Toronto Ride provided approximately 200,000 rides in the GTA.

Recently, Toronto Central LHINS allocated the sum of \$650,000 in 2014 to enhance the transportation program administered out of 140 Merton Street. SPRINT has a 5 year strategic plan in place to expand transportation services. In 2013, SPRINT also secured funding under SDFA Access, Equity and Human Rights Grant to develop and expand programming to LGBT Seniors.

Staff from SDFA has reviewed SPRINT's application and have determined them to be eligible under the Below-Market Rent Policy. SPRINT remains in good standing with the City. Their programs and services align with City priorities and continue to be compatible with their BMR property.

## **CONTACT**

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## **SIGNATURE**

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Josie Scioli  
Chief Corporate Officer

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Chris Brillinger  
Executive Director  
Social Development, Finance &  
Administration

## **ATTACHMENTS**

Appendix "A" – Major Terms and Conditions  
Appendix "B" – Location Map