



STAFF REPORT ACTION REQUIRED

Below Market Rent Renewal Lease Agreement with Children's Peace Theatre at 305 Dawes Road

Date:	February 2, 2016
To:	Government Management Committee
From:	Chief Corporate Officer and General Manager, Economic Development and Culture
Wards:	Ward 31 Beaches - East York
Reference Number:	P:\2016\Internal Services\RE\Gm16007re (AFS #25112)

SUMMARY

The purpose of this report is to obtain City Council authority to renew a Below-Market Rent lease agreement with the Hannon Shields Centre for Leadership and Peace operating as the Children's Peace Theatre (CPT) for approximately 5,000 square feet of City-owned space located at 305 Dawes Road (the "Lands").

RECOMMENDATIONS

The Chief Corporate Officer and the General Manager of Economic Development and Culture recommends that:

1. City Council grant an exemption from the Return on Investment (ROI) requirement set out in the City's below market rent policy as the tool is under development with Social Development, Finance and Administration Division.
2. City Council authorize a lease renewal agreement (the "First Renewal Agreement") with Children's Peace Theatre for a two (2) year term substantially based on the terms and conditions set out in the attached Appendix "A" and on any other or amended terms and conditions acceptable to the Chief Corporate Officer (the "CCO") in consultation with the General Manager, Economic Development and Culture (the "GM"), and in a form acceptable to the City Solicitor.

3. City Council authorize a further lease renewal agreement (the "Second Renewal Agreement" which, together with the First Renewal Agreement, shall be referred to herein as the "Agreement") with Children's Peace Theatre for a three (3) year term, substantially based on the terms and conditions as set out in the First Renewal Agreement and on any other or amended terms and conditions acceptable to the CCO in consultation with the GM, and in a form acceptable to the City Solicitor, conditional upon (i) an Official Plan Amendment ("OPA") being obtained for the Lands, if required; and (ii) the Lands being declared surplus to the City's needs for the purposes of a long-term lease.
4. City Council authorize the City Solicitor to complete the Agreements, 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 they may, from time to time, determine.
5. City Council authorize the CCO to administer and manage the 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 Agreement will provide Children's Peace Theatre with approximately 5,000 square feet of community space for a nominal net rent consideration. All operating costs, maintenance fees and utilities related to the building occupancy will be paid for by CPT directly.

In accordance with the City's BMR policy, the opportunity costs of entering into the Agreement must be determined and reported to City Council. Research indicates that the total opportunity cost of the First Renewal Agreement over the two (2) year term is approximately \$178,494 plus HST, and the total opportunity cost of the Second Renewal Agreement over the three (3) year term is approximately \$281,353 plus HST. The total opportunity cost for the Agreement is \$459,848 plus HST.

CPT is currently exempt from paying all realty taxes related to the Lands, however the Municipal Property Assessment Corporation ("MPAC") is currently assessing the Lands to determine their eligibility for tax exemption. Pending MPAC's review, CPT will be responsible for all realty taxes related to the Lands if the Lands are deemed non-exempt.

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" (the "BMR Policy") 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 submitted to City Council on November 19-20, 2007 titled "Providing City-Owned Space to Community Organizations at Below-Market Rent."

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/pof7rpt/cl024.pdf>

One of the five key recommendations of Creative Capital Gains, the City's cultural action plan adopted by City Council, is "To ensure a supply of affordable, sustainable, cultural space." The renewal of an existing BMR lease supports this recommendation:

http://www1.toronto.ca/city_of_toronto/economic_development_culture/cultural_services/cultural_affairs/initiatives/files/pdf/creative-capital-gains-report-august9.pdf

Children's Peace Theatre entered into a five year BMR lease agreement with the City to utilize approximately 5,000 square feet of City-owned space located at 305 Dawes Rd. in 2011.

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

Children's Peace Theatre first entered into a lease agreement dated August 14, 1997 with The Municipality of Metropolitan Toronto for a term of two (2) years commencing September 1, 1997 and expiring August 31, 1999. This was authorized by the adoption of Corporate Administration Committee Report No. 19, Clause No. 27 adopted by Metro City Council on August 13 and 14, 1998. City Council has authorized the renewals of their leases up to and including the BMR Lease commencing April 1, 2011 and expiring on March 31, 2016.

ISSUE BACKGROUND

Children's Peace Theatre is an award-winning community arts organization, serving the children and youth of east Toronto. It is committed to creating a culture of peace by engaging children and youth through the practice of art and theatre. CPT uses collaborative creation and the philosophy of conflict transformation to guide young people in addressing the many forms of conflict in their lives and in the broader community. The projects include school workshops, after-school programs, a three-week summer camp, and youth led initiatives. According to its most recent audited financial statements (Year End June 30, 2014), CPT had an operating budget of \$364,422 to provide cultural services to an underserved community.

Children's Peace Theatre has occupied the property at 305 Dawes Road continuously since 1997. CPT's existing lease with the City expires March 31, 2016. An eligibility review and performance assessment for BMR status was conducted by the Economic Development and Culture Division at the City of Toronto and in December 2015. The organization was deemed eligible to continue occupying its City-owned space as a BMR tenant. Council authority is now required to renew the current lease.

While most BMR leases are for a term of 5 years, in this case, the lease may only be extended for 2 years until an Official Plan Amendment is concluded. Leases with terms meeting or exceeding a cumulative 21 years are considered disposals in accordance with the Toronto Municipal Code – Section 213.6. However, 305 Dawes Road is land identified as being in the City's Green Space System and designated *Parks and Open Space* in the Official Plan. Both Green Space System policies and the *Parks and Open Space* policies prohibit the sale or disposal of publicly owned

lands. An OPA is required to permit disposal the Lands, and they must be declared surplus in accordance with the City's disposition polices before the Second Renewal Agreement can be entered into.

CPT provides access to arts and cultural programming in a part of the City that would otherwise have none. It is in the City's interest to work with an interdivisional team to assist CPT to continue providing cultural services in this location where the demand is high, and the program offerings are limited.

COMMENTS

The City has a long history of supporting the community-based service sector and cultural organizations by way of providing of space for administrative and program delivery purposes. It should be noted that this location is outside the downtown core and is an area of the City that has far less access to cultural space and programs.

As per the BMR Policy, cultural organizations such as Buddies in Bad Times Theatre, Canadian Stage Company, Young People's Theatre and Toronto Artscape Inc. also occupy and lease City-owned properties at below market rents. The BMR Policy alleviates much of the financial strain for these art organizations and encourages them to focus on their public programming mandate rather than capital asset management.

The renewal of the Below Market Rent lease will allow CPT to continue providing arts and theatre programs for children and youth in an area that has demonstrated a high demand for such programs.

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SIGNATURE

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ATTACHMENT

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