



## STAFF REPORT ACTION REQUIRED

### Below-Market Rent Renewal Lease Agreement with Franklin Carmichael Art Group at 34 Riverdale Drive

<b>Date:</b>	March 16, 2016
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer and General Manager, Economic Development and Culture
<b>Wards:</b>	Ward 1 Etobicoke North
<b>Reference Number:</b>	P:\2016\Internal Services\RE\Gm16011re (AFS # 22680)

#### SUMMARY

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The purpose of this report is to obtain City Council authority to extend a Below-Market Rent (BMR) lease with Franklin Carmichael Art Group (FCAG) for approximately 6,900 square feet of City-owned space located at 34 Riverdale Drive.

#### RECOMMENDATIONS

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The Chief Corporate Officer and the General Manager of Economic Development and Culture recommend 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:
  - a. Authorize the extension (the "Agreement") of a BMR lease at 34 Riverdale Drive with the Franklin Carmichael Art Group (FCAG) for a five (5) year term based on the terms and conditions set out in the attached Appendix "A", and other terms and conditions deemed appropriate by the Chief Corporate Officer (the "CCO") in consultation with the General

Manager, Economic Development and Culture, and in a form acceptable to the City Solicitor;  
and

- b. Deem the grant of the Agreement at below fair market rent to be in the interests of the City.
3. City Council authorize the City Solicitor to complete the 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 they may, from time to time, determine.
4. City Council authorize the Chief Corporate Officer to administer and manage the 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.

### **Financial Impact**

The proposed BMR lease agreement with FCAG assumes a lease of 6,900 square feet of space located at 34 Riverdale Drive for a nominal net rent consideration. All operating costs, utilities and realty taxes related to the space will be paid by FCAG.

In accordance with the City's BMR policy, the opportunity costs of entering into the BMR agreement must be determined and reported to City Council. Research indicates that the total opportunity cost of the Agreement over the five (5) year term is approximately \$155,000.00, plus HST.

The Tenant is currently exempt from paying all realty taxes related to the leased premises, however the Municipal Property Assessment Corporation ("MPAC") is currently assessing the leased premises to determine their eligibility for tax exemption. Pending MPAC's review, the Tenant will be responsible for all realty taxes related to the leased premises if the leased premises 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" 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 and 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](http://www1.toronto.ca/city_of_toronto/economic_development_culture/cultural_services/cultural_affairs/initiatives/files/pdf/creative-capital-gains-report-august9.pdf)

In 2011, FCAG entered into a five year BMR lease with the City to utilize approximately 6,900 square feet of City-owned space located at 34 Riverdale Drive.

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

The BMR policy established a framework for the leasing of City-owned space to non-profit community organization at below-market rent where their services or programs align with approved Council priorities. The proposed tenancy is consistent with this framework.

## **ISSUE BACKGROUND**

FCAG was founded by the late Dr. Ann Curtin, and its goal is to provide quality art courses to the residents of North Etobicoke. Incorporated in 1989, the mandate of the group is to become a destination for local artists by providing affordable gallery space and art instruction on a heritage site to enhance and build upon the passionate arts and culture scene that exists in the immediate and neighboring communities.

Programs include a wide selection of quality educational programs and art exhibits in the visual arts. Courses include instruction in drawing, oil, acrylic, watercolor, pen and ink mediums. Programs offered are separated into three terms each eight weeks in length during fall, winter and spring. Workshops are held through the year offering a variety of specialized topics such as abstract painting, wire sculpture, collage, pastel, palette knife painting and others. Summer programs consist of four week classes and the Children's Summer Camp in July and August.

The current FCAG lease with the City expires on November 30, 2016. An eligibility review and performance assessment was conducted in February 2016 by the Economic Development and Culture Division of the City, and the organization is eligible to continue occupying their City-owned space as a BMR tenant. Council authority is required to enter into the Agreement to extend the BMR lease with FCAG.

## **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.

The renewal of the BMR lease agreement will allow FCAG to continue to provide valuable arts services and education classes to the general public in North Etobicoke.

## **CONTACT**

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## **SIGNATURE**

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Josie Scioli  
Chief Corporate Officer

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Michael H. Williams  
General Manager  
Economic Development and Culture

## **ATTACHMENTS**

Appendix "A" – Major Terms and Conditions

Appendix "B" – Location Map and Image of Leased Property