

Lease Agreement with Somali Immigrant Aid Organization (Toronto) at 1652 Keele Street

Date:	May 24, 2016
To:	Government Management Committee
From:	Chief Corporate Officer and Executive Director, Social Development, Finance and Administration
Wards:	Ward 12 –York South-Weston
Reference Number:	P:\2016\Internal Services\RE\Gm16030re (AFS # 22995)

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a lease agreement with Somali Immigrant Aid Organization (SIAO) at nominal rent for a one (1) year term for approximately 186 square feet of space located at 1652 Keele Street in Ward 12 York South-Weston.

RECOMMENDATIONS

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

1. City Council authorize a Lease Agreement (“Lease”) for nominal rent with Somali Immigrant Aid Organization (SIAO) for a one (1) year term, substantially based on the terms and conditions set out in Appendix “A”, and on such other terms and conditions acceptable to Chief Corporate Officer, or her designate, and in a form acceptable to the City Solicitor.
2. City Council authorize the Chief Corporate Officer or her designate to administer and manage the Lease 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 authorize the City Solicitor to complete the lease, 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 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 Lease will provide SIAO with approximately 186 square feet of community space at 1652 Keele Street, for a nominal rent consideration. All operating, maintenance and realty tax costs related to the building occupancy are currently estimated at \$3,305 per year based on a rate of \$17.77 per square foot, which costs will be paid by SIAO, resulting in no operating costs to the City of Toronto so long as SIAO provides payment.

The opportunity costs of entering into this agreement must be determined and reported to City Council. Research indicates that the total undiscounted opportunity cost of this lease over the one (1) year term at 1652 Keele Street is \$2,232 based on a market rate of \$12.00 per square foot.

The total 2016 operating budget for SIAO is \$635,879. The operating budget for programing costs at 1652 Keele Street is \$46,000. For the one (1) year lease term, the organization will be investing an estimated \$46,000 for programs and services provided to the community at 1652 Keele Street.

SDFA is developing a measure of Return on Investment (ROI) for the city space at Below Market-rent. This tool will consider the cost of investment in the BMR program made by the City and the value of the investment made by BMR tenants that accrues to the City.

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

DECISION HISTORY

At its meeting on May 3rd, 4 and 5th 2016, City council adopted the preliminary decision "Notice of Motion for SIAO", requesting that SDFA: (i) report to GMC by June 2016 with the results of the eligibility review for SIAO application to renew their Lease at 1652 Keele Street; and (ii) City Council allow SIAO to continue to occupy the City-owned space at 1652 Keele Street pending the completion of the eligibility review and final Council decision.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.MM18.8>

At its meeting on February 18th 2005 Council approved a lease agreement for City-owned space at 1652 Keele Street for SIAO commencing on May 1, 2005.

<http://www.toronto.ca/legdocs/2005/agendas/committees/adm/adm050308/agenda.pdf>).

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 adopted by City Council was on November 19-20, 2007 titled “Providing City-Owned Space to Community Organizations at Below-Market Rent”.

(<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-11-19-cc14-dd.pdf>)

ISSUE BACKGROUND

SIAO has been a tenant at 1652 Keele Street for the last ten (10) years under the City’s Below-Market Rent Policy. SIAO’s current lease expired on December 31, 2015. Despite numerous attempts in 2015 and 2016 by City staff and co-tenants at 1652 Keele Street to contact SIAO regarding their lease renewal application and account status, the organization did not respond, nor did they submit a lease renewal application in time to extend their lease.

In April 2016, SIAO submitted a lease renewal application for their original space at 1652 Keele Street as the organization, in partnership with their sister organization, Midaynta Community Services, received a \$479,000 grant from the Ministry of Youth and Children Services to operate a gang prevention program. Midaynta Community Services will manage the financial aspect of the grant and SIAO will provide the space and program activities for participants.

S DFA staff conducted an eligibility review under the BMR Policy criteria and have deemed SAIO ineligible to renew the lease at 1652 Keele Street under the City’s BMR Policy. The following two BMR renewal eligibility criteria were not met by SIAO: (i) SIAO was not in good financial standing with Real Estate Services (RES) Division during the term of their lease agreement, and (ii) there is no evidence to suggest that SIAO provided, or is still providing programs and services to Toronto residents from its location at 1652 Keele St.

In 2015, SIAO had arrears (over \$5,000) with the City of Toronto RES which was not paid until March 2016. From 2009 to 2015, SIAO was late in paying operating costs approximately 73% of the time; this deems the organization at a higher risk for late payments. In addition, five (5) site visits by City staff in 2015 and 2016 did not confirm that SIAO was on site to provide services to Toronto residents from its location at 1652 Keele St.

SIAO has asked for the opportunity to demonstrate that they can and will be: (i) providing programs and services to residents of Toronto from its location at 1652 Keele St.; and (ii) in good financial standing with the City respecting the payment of its lease obligations.

COMMENTS

SIAO does not meet all BMR criteria based on the eligibility review by S DFA. BMR eligibility criteria are:

- a) incorporated not-for-profit or charitable status;
- b) the activities of the organization serve City residents;
- c) the activities of the organization support City objectives;
- d) the organization’s mandate is not the sole responsibility of senior levels of government; and
- e) the organization is in good financial standing with the City of Toronto Real Estate Division (i.e. no outstanding arrears).

The organization has, however, committed to improve their service delivery and remain in good financial standing with the City.

SIAO has been in existence for the past thirty (30) years and has contributed to the well-being of the Somali community by offering programs to assist with their settlement and integration needs.

Allowing SIAO a lease for a one (1) year term at nominal rent would allow the organization the opportunity and time to demonstrate that they can make payments on time and provide services to Toronto residents from the 1652 Keele St.

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SIGNATURE

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ATTACHMENTS

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

Appendix A

Major Terms and Conditions

Property Address:	1652 Keele Street, Toronto
Premises:	New Area: 186 square feet
Tenant:	Somali Immigrant Aid Organization (Toronto)
Lease Condition:	The Tenant qualifies for nominal rent lease and retains its non-profit status.
Use:	The Tenant shall only use the premises in accordance with the lease and its service agreement with the City.
Rent:	This non-profit Tenant will pay \$2.00 per year for Basic Rent.
Additional Rent:	The Tenant is responsible for all operating costs in an amount to be determined by the Chief Corporate Officer, in consultation with the Acting Executive Director of Social Development, Finance & Administration, and is also responsible for any other applicable additional costs related to the premises.
Lease Term:	From January 1, 2016 to December 31, 2016 provided the Tenant is not in default of the Lease Agreement
Pre-authorized Payment:	The Tenant shall pay basic and additional rent through a pre-authorized payment method by completing the City's standard Pre-Authorized Payment Plan Application Form.
Late Payment Charges/ NSF Cheques:	Interest on the amount outstanding shall bear simple interest at the rate of 1.25% per month (15% per year). Subject to City Council approval, the default rate of interest may be increased by the Landlord from time to time, by notice to the Tenant.
Tenant Work:	The Tenant shall not perform or allow Work of any kind or negotiate or execute any contracts or commitments for any Work until such time as the Tenant has received in final form the Landlord's written approval of the Tenant's proposed plans, specifications and design drawings fully describing its intended Work prepared by suitably qualified persons in the field acceptable to the Landlord as well as a construction schedule and a written estimate of the costs for

completion of all Tenant Work. The Tenant shall be responsible for all reasonable fees incurred by the Landlord to have its architects or engineers approve such Plans and Specifications.

Termination:

Tenancy can be terminated on one (1) months' notice.

Appendix B
Location Map – 1652 Keele Street

