

Extension of Lease Agreement with Scarborough Centre for Healthy Communities (SCHC) at 3600 Kingston Road for Below Market Rent

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| Date: | May 24, 2016 |
| To: | Government Management Committee |
| From: | Chief Corporate Officer and Executive Director, Social Development, Finance and Administration |
| Wards: | Ward 36 - Scarborough Southwest |
| Reference Number: | P:\2016\Internal Services\RE\Gm16028re (AFS # 22194) |

SUMMARY

The purpose of this report is to obtain City Council authority to extend the term of a Below Market Rent (BMR) lease agreement with Scarborough Centre for Healthy Communities (SCHC) for an additional five (5) year term for approximately 2,265 square feet of space located at 3600 Kingston Road (the "lands").

RECOMMENDATIONS

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

1. City Council authorize the extension of the lease (the "Lease") under the Below Market Rent Policy with Scarborough Centre for Healthy Communities (SCHC) for a five (5) year term, substantially based on the terms and conditions set out in Appendix "A", with such revisions thereto and on such other terms and conditions acceptable to Chief Corporate Officer, or his or her designate and in a form acceptable to the City Solicitor.
2. City Council authorize the City Solicitor to complete the extension of the Lease requested in Recommendation No. 1, and all related documentation as required, and to deliver any notices, pay expenses and amend the commencement, termination and other dates to such earlier or later date(s), on such terms and conditions, as the City Solicitor, or her designate, may from time to time, determine.

3. City Council authorize the Chief Corporate Officer and the Director of Real Estate to severally execute such documents required to complete the extension of the Sublease requested in Recommendation No. 1, and all related documentation as required.
4. 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.

Financial Impact

The proposed BMR lease agreement with the Scarborough Centre for Healthy Communities (SCHC) involves an area of approximately 2,265 square feet at 3600 Kingston Road, also known as Scarborough Village, for a nominal net rent consideration. All operating costs, maintenance fees and realty taxes related to the building occupancy, currently estimated at \$24,552 per year based on a rate of \$10.84 per square foot, will be paid by the Tenant, resulting in no operating costs to the City of Toronto so long as the tenant pays on time.

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 five (5) year term at 3600 Kingston Road is approximately \$155,310.

SCHC operating budget for 2015 fiscal year is \$12,418,254. For the space at 3600 Kingston Rd, the operating budget allocated for programming costs is \$125,500. For the five (5) year lease term, the organization will be investing an estimated \$627,500 into the community through their programs and services provided that funding is received.

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 space on the Lands occupied by the Tenant is currently exempt from realty taxes, however the Municipal Property Assessment Corporation ("MPAC") is currently assessing the Lands to determine its eligibility for tax exemption. Pending MPAC's review, the Tenant will be responsible, under the terms of the Lease, 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 June 12, 2011 Council adopted Item No. GM5.18, a report titled "New Below Market Rent Leases at 2467 Eglinton Avenue East, 3600 Kingston Road and Sub-tenancies at 1761 Sheppard Avenue East" to grant a BMR lease agreement to Scarborough Centre for Healthy Communities (SCHC) for a five (5) year term.

<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-38236.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 Below Market Rent 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

Scarborough Village Recreation Centre's 2,265 square feet expansion at 3600 Kingston Road was the result of the City's Partnership Opportunities Legacy (POL) Fund community consultation process initiated in 2009. Following a series of focus groups with users and non-users of the community centre, an expansion to the Recreation Centre was identified as critical to create new BMR space to meet community need for free social, educational, and/or recreational programs for children, youth and adults. Staff from Parks, Forestry and Recreation (PFR) and Social Development, Finance & Administration (SDFA) used POL Funds to leverage recreational infrastructure funding to build the BMR space.

A Request for Expressions of Interest (REOI) process was conducted to select appropriate and eligible community organizations to meet the service needs of the neighbourhood. SCHC, with its Action for Neighbourhood Change (ANC) project funded by United Way Toronto, was deemed eligible to occupy the BMR space. While Council approved a lease agreement with SCHC in July 2011, there were changes to the conditions of the lease agreement that took several months to finalize. An agreement was finalized and the lease commenced on January 1st 2012 expiring on December 31st 2016. SCHC is interested in renewing their lease agreement with the City and City Council authority is required.

COMMENTS

An eligibility review by SDFA has deemed SCHC eligible under the Below Market Rent policy. The BMR eligibility criteria include:

- non-profit status;
- programs and services aligned with a city division mandate;
- programs and services provided primarily to residents of Toronto;
- a mandate that is not the sole responsibility of senior levels of government;
- demonstrated financial viability to maintain allocated space and operating costs for the duration of lease.

Originally founded as West Hill Community Services in 1977, the organization applied to change their name to SCHC in 2010. SCHC operates from 11 sites to improve the health of the Scarborough community. They do this by providing medical assistance at their clinic sites, developing youth programming and have a multitude of social support programs including: a food bank. Their BMR location at 3600 Kingston Road, known as Scarborough Village Action for Neighborhood Change (ANC), offers training and workshops to improve residents' talents and neighborhood conditions. In addition, SCHC programs and services offered in Scarborough community are in alignment with the City's Toronto Newcomer Strategy and Toronto Strong Neighbourhoods Strategy 2020.

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SIGNATURE

Josie Scioli
Chief Corporate Officer

Chris Brillinger
Executive Director
Social Development, Finance &
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ATTACHMENTS

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

APPENDIX A:

Major Terms and Conditions

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| Property Address: | 3600 Kingston Road, Toronto, Ontario. |
| Landlord: | City of Toronto |
| Tenant: | Scarborough Centre for Healthy Communities (SCHC) |
| Premises: | Approximately 2,265 square feet. |
| Lease Condition: | The Tenant continues to be eligible under the BMR Policy and retains its non-profit status. |
| Use: | Terms and Conditions outlined in the Below Market Rent Agreement dated December 21, 2011. The Tenant is required to use the Lands solely for the purpose of promoting and carrying out its objects and activities set out in its letters patent/articles of incorporation/approved Revenue Canada application for registered charitable status designation under the <i>Income Tax Act of Canada</i> , R.S.C. 1985, c. 1, as amended (namely, to strengthen community life and enhance community stability by providing programme opportunities to the people residing in the West Hill area of Scarborough, in the city of Toronto; in particular, the Tenant shall use the space for community engagement and program delivery in connection with the Tenant's Action for Neighborhood Change (ANC) project as set out in the Service Agreement, and for no other purpose (the "Permitted Use"). |
| Basic Rent: | The Tenant shall pay to the Landlord basic rent ("Basic Rent") of \$2.00 per annum. |
| Extended Term: | The Term of the Lease shall be five (5) years from the Commencement Date. |
| Estimated Additional Rent: | The Tenant shall be responsible for all building insurance, utilities, operating costs and related maintenance fees and any applicable property taxes. |
| Commencement Date: | The Commencement Date shall be January 1, 2017. |

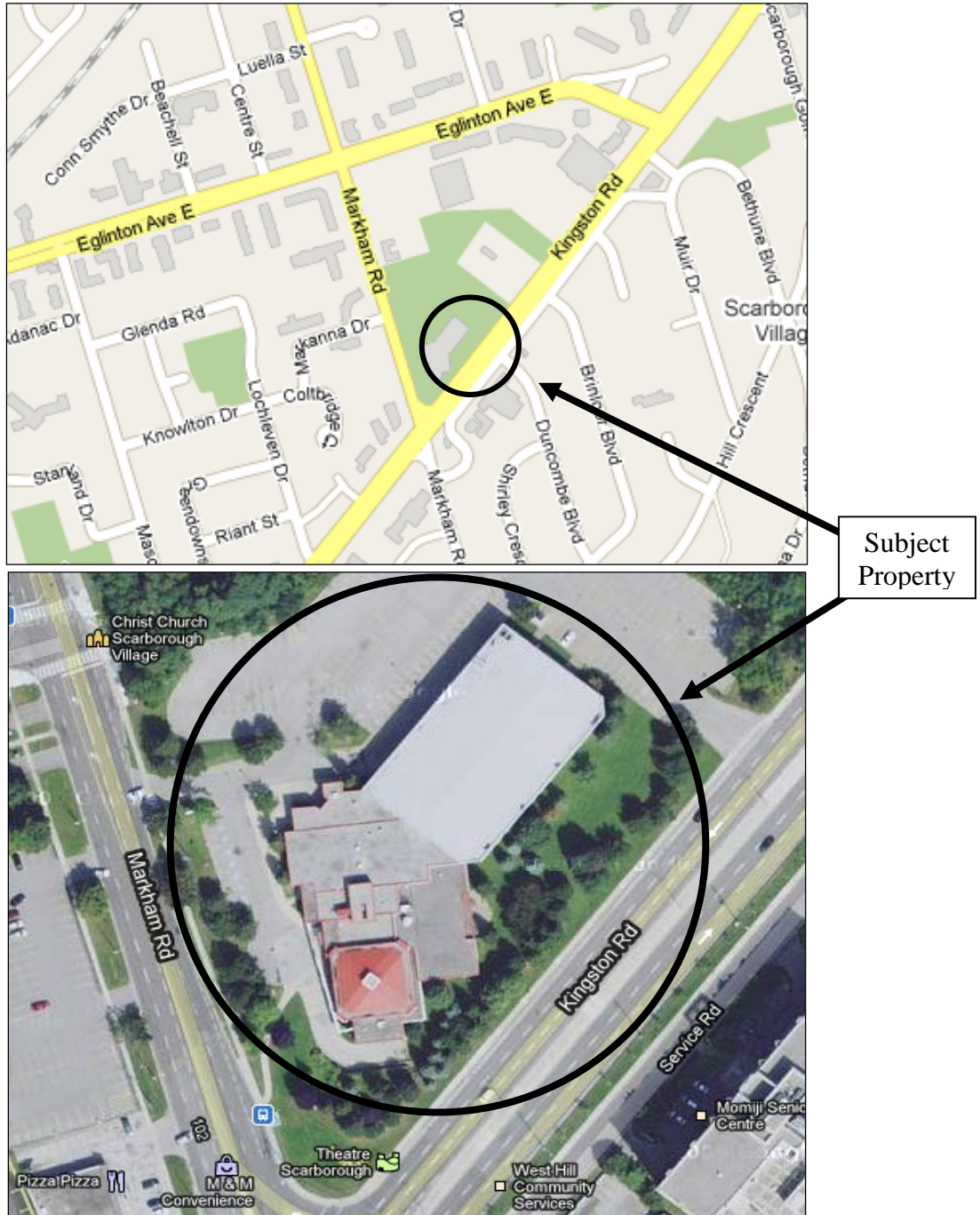
Early Termination: The City shall have the right to terminate Agreement for any reason, at any time during the Term and any renewal or extension thereafter, upon providing either with party ninety (90) consecutive days' notice.

Insurance: The Tenant is to provide prior to the commencement of the term of this agreement and on an annual basis, proof of insurance in accordance with the Landlord's insurance requirements outlined in the Lease.

Maintenance Reports: The City shall have the right to request and review the Tenant's maintenance reports and logs pertaining to building operations and repairs at any time.

Late Payment Charges: For any late amount by the Tenant, interest on the amount outstanding from time to time 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 City from time to time, by notice to the Tenant.

**APPENDIX B:
Location Map & View – 3600 Kingston Road**



Floor Plan- 3600 Kingston Road

