



**STAFF REPORT
ACTION REQUIRED**

Extension of Sublease Agreement at 1761 Sheppard Avenue East with the Iranian Women's Organization Of Ontario (IWOO) for Below Market Rent

Date:	May 24, 2016
To:	Government Management Committee
From:	Chief Corporate Officer and Executive Director, Social Development, Finance and Administration
Wards:	Ward 33 - Don Valley East
Reference Number:	P:\2016\Internal Services\RE\Gm16020re (AFS # 22934)

SUMMARY

The purpose of this report is to obtain City Council authority to extend the term of a Below-Market Rent (BMR) sublease agreement with Iranian Women's Organization of Ontario (IWOO) for an additional five (5) year term for approximately 455 square feet of space located at 1761 Sheppard Avenue East in Ward 43 Scarborough East.

RECOMMENDATIONS

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

1. City Council authorize the extension of the sublease agreement (the "Sublease") under the Below Market Rent Policy with Iranian Women' Organization of Ontario (IWOO) 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 Sublease, 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 to administer and manage the Sublease 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 extension of the Sublease will provide IWOO with approximately 455 square feet of community space for nominal consideration. All operating and maintenance costs will be paid by IWOO, resulting in no operating costs to the City of Toronto subject to there being full tenancy.

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. Using a 2.5% escalation rate, the opportunity cost of the sublease is estimated at \$33.00 per square foot per year (approximately \$15,015 per year), for a total of \$78,139 over the 5-year term.

IWOO's total operating budget for the 2015 fiscal year was \$203,458. For the term of the extension of the sublease, IWOO will devote an estimated community investment of \$1,017,290 into their programs and services provided same level of 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 Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on October 22, 2012, City Council authorized the Sublease with IWOO at 1751 and 1761 Sheppard Avenue East for a five (5) year terms:

<http://www.toronto.ca/legdocs/mmis/2012/cc/bgrd/backgroundfile-51566.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, including recommendations in a 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

On May 27, 2011, to implement the community benefits of an agreement made pursuant to section 37 of the Planning Act, the City entered into a Community Agency Space Lease Agreement with 2229845 Ontario Inc. (the former landlord) to lease premises within 1751 and 1761 Sheppard Avenue East at nominal consideration for a twenty five (25) year term with options to renew for an additional seventy four (74) years.

On November 30, 2012, the City entered into the Sublease with IWOO for premises within 1761 Sheppard Avenue East. The sublease agreement with IWOO expires October 31, 2017, and the organization is interested in extending their sublease agreement.

The current landlord of 1751 Sheppard Ave East, Homestead Land Holdings Limited, has consented to the extension of the Sublease.

COMMENTS

An eligibility review by Social Development, Finance and Administration (SDFA) has deemed IWOO eligible under the Below Market Rent policy. The BMR eligibility criteria includes:

- 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.

IWOO works to achieve the full participation of Iranian women in community life. Programs are provided for Iranian women and their families in Toronto and include social support, crisis counselling, education activities and community events. IWOO programs offered from this location aligns well with the City's Toronto Newcomer Strategy, and Toronto Strong Neighbourhoods Strategy 2020.

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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

Landlord:

Homestead Land Holdings Limited

Tenant:

City of Toronto

Subtenant:

Iranian Women Organization of Ontario

Subleased Premises:

455 square feet of office space

Commencement Date:

November 1, 2017

Extended Term:

Five (5) years from the Commencement Date.

Annual Net Rent:

Basic rent of \$2.00 per annum.

Net Sublease:

The Sublease shall be entirely net to the City. During the term or any extension thereafter, the Subtenant shall be responsible for their proportionate share of all applicable costs, taxes, charges, expenses and outlays of any nature whatsoever arising from or relating to their use and occupancy of the Subleased Premises, including all applicable operating costs.

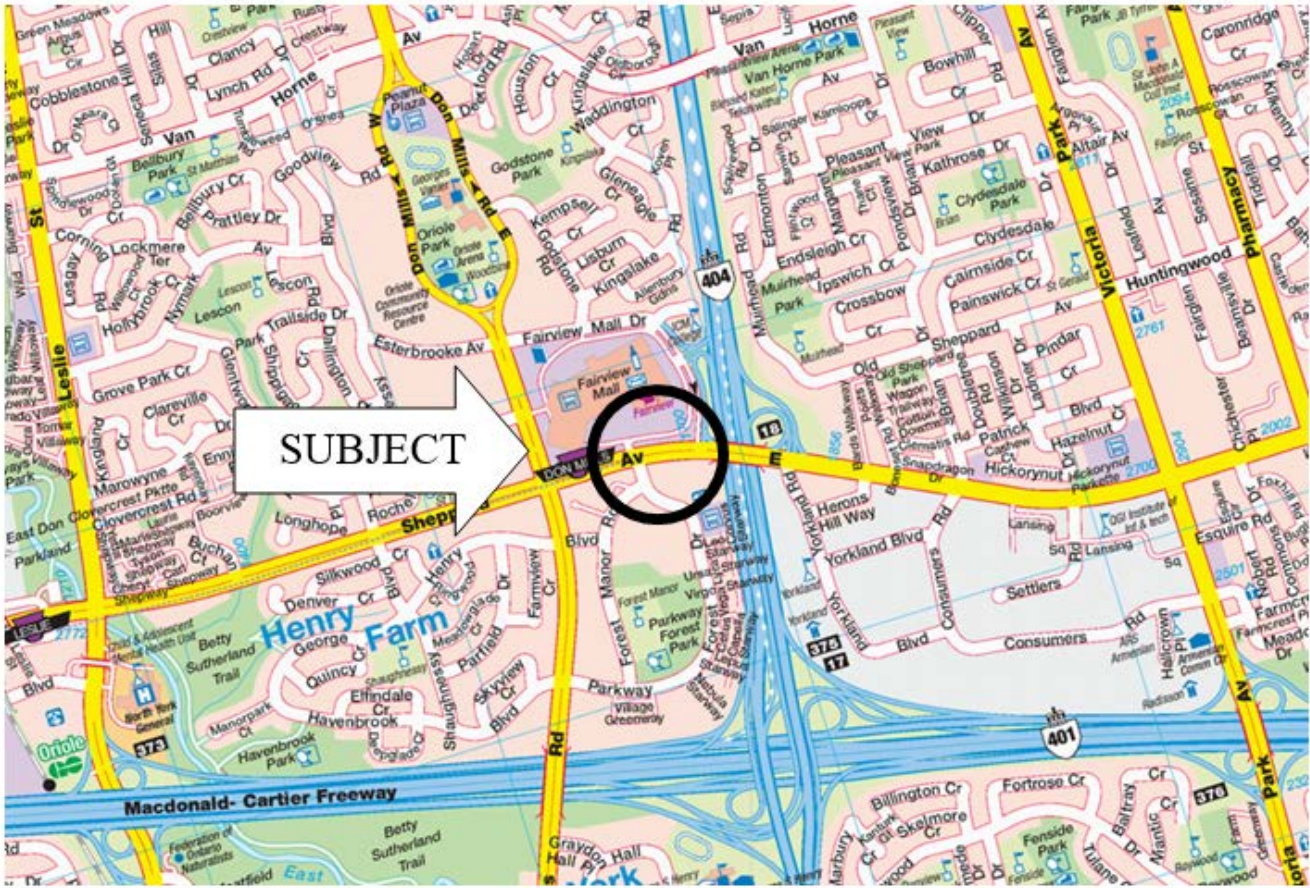
Use:

The Subleased Premises shall be used for providing programs and services as set out in each Subtenant’s Service Agreement with the Landlord.

Early Termination:

At any time during the Extended Term, the City shall have the right to terminate the Sublease for any purpose at any time during the Extended Term(s) and any renewal/extension thereafter upon providing the Subtenant with sixty (60) day’s prior written notice.

Appendix “B” – Location Map



Extension of BMR Agreement with Iranian Women's Organization Of Ontario (IWOO) at 1761 Sheppard Avenue East