



**STAFF REPORT
ACTION REQUIRED**

Extension of Sublease Agreement at 1761 Sheppard Avenue East with Harriet Tubman Community Organization 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\Gm16022re (AFS # 22933)

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 Harriet Tubman Community Organization (HTCO) for an additional five (5) year term for approximately 975 square feet of space located at 1761 Sheppard Avenue East in Ward 33 Don Valley East.

RECOMMENDATIONS

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

1. City Council authorize the extension of the Sublease under the Below Market Rent Policy with Harriet Tubman Community Organization ("HTCO") 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 provide its consent and approval to allow HTCO to further sublet a portion of its space to the Centre for Immigrant and Community Services (the "Centre"). This consent shall be conditional upon the Centre agreeing to comply with the terms of the lease between the City and HTCO, and on such other terms as deemed appropriate by the Chief Corporate Officer, or his or her designate, and shall be in a form acceptable to the City Solicitor.
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 HTCO with approximately 975 square feet, of which 237 square feet is sublet to the Centre, of community space for a nominal consideration. All operating and maintenance costs related to the building occupancy will be paid by HTCO and the Centre for its respective sublet proportion, 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 \$32,175 per year), for a total of \$167,440 over the 5-year term.

HTCO's operating budget for the 2015 fiscal year was \$242,491. For the term of the sublease, it is anticipated HTCO will devote a total of \$1,212,455 into their programs and services as investment in the community 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 July 29, 2010, City Council authorized BMR sublease agreements with the following agencies at 1751 and 1761 Sheppard Avenue East for separate five (5) year terms: a) Harriet Tubman Community Organization Inc. b) AWIC Community and Social Services and c) Hong Fook Mental Health Association.

<http://www.toronto.ca/legdocs/mmis/2010/gm/bgrd/backgroundfile-32744.pdf>

At its meeting on May 17th 2011, City Council adopted the report "New Below-Market Rent Leases at 2467 Eglinton Avenue East, 3600 Kingston Road and subtenancies at 1761 Sheppard Avenue East. This permitted HTCO to sublet a portion of its BMR space to five (5) small groups. (1) Centre for Information and Community Services of Ontario (changed their name to Centre for Immigrant and Community Services filed on June 19, 2013)); (2) Senior Tamils Centre of Ontario; (3) Iranian Women Organization of Ontario (IWOO); (4) The Alternative for Her Community Centre (TAFHCC); and (5) Somaliland Canadian Society of Metro Toronto (SCSMT).

<http://www.toronto.ca/legdocs/mmis/2011/gm/bgrd/backgroundfile-39372.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 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

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 the 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 seven four (74) years.

One June 1, 2011, the City entered into the Sublease with HTCO for premises within 1761 Sheppard Avenue East. The Sublease with HTCO expires in July 31, 2016, and the organization is in interested 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 has deemed Harriet Tubman Community Organization (HTCO) and Centre 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.

HTCO empowers the African Canadian community of their historical significance and their contribution in the global community. HTCO's programs and services include youth leadership programs, young women's groups, summer camps, young offenders' supports, newcomer services and women's healing programs. The programs offered by HTCO at this location align with the City's Toronto Newcomer Strategy, Toronto Strong Neighbourhoods Strategy 2020 and Toronto Youth Equity Strategy. HTCO partners with the Centre to achieve its goals in the community.

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SIGNATURE

Josie Scioli
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ATTACHMENTS

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

Appendix “A” – Major Terms and Conditions

Landlord:

Homestead

Tenant:

City of Toronto

Sub-Tenant:

Harriet Tubman Community Organization

Sub-Leased Premises:

975 square feet of office space

Commencement Date:

August 1, 2016

Extended Term:

Five (5) years from the Commencement Date.

Annual Net Rent:

Basic rent of \$2.00 per annum.

Net Sub-Lease:

The Sub-Lease shall be entirely Net to the City. During the term or any extension thereafter, each Sub-Tenant 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 Sub-Leased Premises, including all applicable operating costs.

Use:

The Sub-Leased Premises shall be used for providing programs and services as set out in each Sub-Tenant’s Service Agreement with the Landlord.

Early Termination:

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

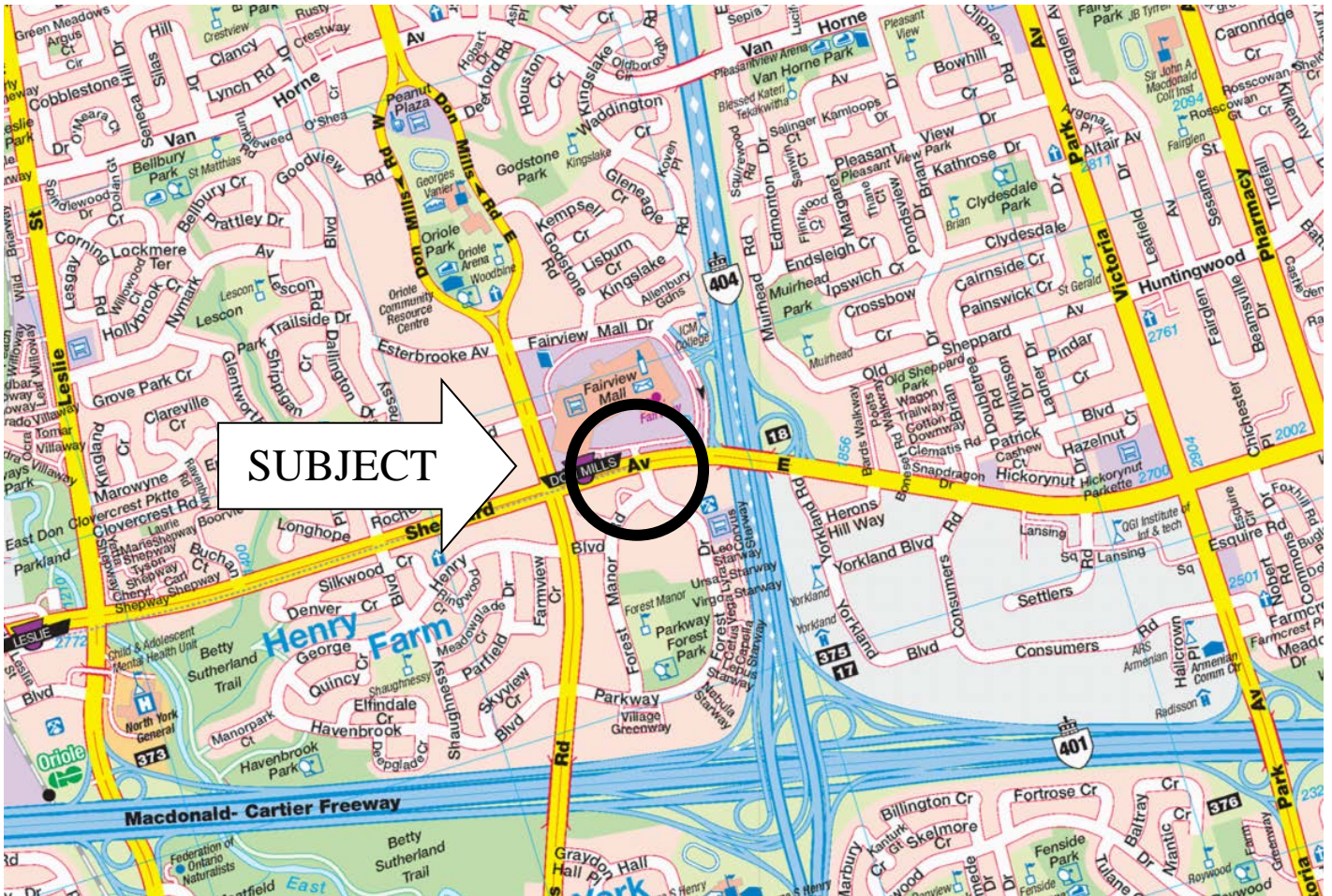
Standard Sub-Lease Extension Agreement Form:

The City’s solicitor shall draft the Sub-Lease extension agreement form which shall contain such further revisions and other terms and conditions as may be satisfactory to the Chief Corporate Officer, all in form acceptable to the City Solicitor.

Insurance:

The Sub-Tenant is to provide, prior to the commencement of the Extended Term, and on an annual basis, proof of insurance in accordance with the City's insurance requirements outlined in the Sublease.

Appendix "B" - Location Map



Extension of BMR Agreement with Harriet Tubman Community Organization) at 1761 Sheppard Avenue East