



**STAFF REPORT
ACTION REQUIRED**

**Extension of Below-Market Rent Sublease Agreement at
1761 Sheppard Avenue East with AWIC Community and
Social Services**

Date:	October 27, 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/Gm16034re (AFS #23384)

SUMMARY

The purpose of this report is to obtain City Council authority to extend the Below-Market Rent (BMR) Sublease Agreement (the "Sublease") with AWIC Community and Social Services ("AWIC") for an additional five (5) year term for approximately 1,600 square feet of space (the "Subleased Premises") 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 (BMR) Policy with AWIC 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 or amended terms and conditions acceptable to the 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 AWIC to further sublet a portion of its space to the Toronto District School Board ("TDSB") to provide English as a Second Language (ESL) courses to the local community. This consent shall be conditional upon TDSB agreeing to comply with all terms of the sublease between the City and AWIC and on such other terms as deemed appropriate by the Chief Corporate Officer, or his or her designate, and in a form acceptable to the City Solicitor.
3. City Council authorize the City Solicitor to complete the extension of the Sublease, requested in Recommendation No. 1 and the authorization to allow TDSB to further sublet a portion of the Subleased Premises as provided in Recommendation No. 2, 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.
4. City Council authorize the Chief Corporate Officer and the Director of Real Estate Services to severally execute such documents required to complete the extension of the Sublease requested in Recommendation No. 1 and the authorization to allow TDSB to further sublet a portion of the Subleased Premises as provided in Recommendation No. 2, and all related documentation as required.
5. City Council authorize the Chief Corporate Officer to administer and manage the Sublease, including the provision of any amendments, 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 Sublease will continue to provide AWIC with approximately 1,600 square feet of community space for nominal net rent consideration. All operating and maintenance costs related to the building occupancy, currently estimated at \$8,581 per year based on a rate of \$5.36 per square foot, will be paid by AWIC, resulting in no expected costs to the City of Toronto, as long as the Subtenant is able to pay on time and continues to be financially viable.

TDSB is responsible for the proportion of the operating costs related to the period of time in occupation of the Subleased Premises.

In accordance with the City's BMR Policy, 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 annually (approximately \$52,800 per year), for a total of \$274,773 over the 5-year term.

AWIC's operating budget for the 2015 fiscal year is \$194,000. For the term of the extension of the Sublease, AWIC will devote a total of \$970,000 into their programs and services as investment in the community provided that the same level of funding is received.

SDEA is developing a measure of Social Return on Investment (SROI) as a part of its policy on the allocation of City space for below-market rents and community space tenancies. This tool will consider the cost of investment in the BMR program made by the City and the value of the investment to the City made by BMR tenants.

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>

Through subsequent reports, City Council has refined the BMR policy framework. 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>

At its meeting on October 1, 2, and 3, 2002, City 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>

ISSUE BACKGROUND

On May 27, 2011, to implement the community benefits of a Section 37 Agreement, the City entered into a Community Agency Space Lease Agreement with 2229845 Ontario Inc. (the former landlord) to obtain space within 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 July 18, 2011, the City entered into a sublease agreement with AWIC for premises within 1761 Sheppard Avenue East. The sublease with AWIC expired on July 31st 2016, and AWIC is interested in extending their sublease agreement.

The current landlord of 1761 Sheppard Ave East - Homestead Land Holdings Limited - has consented to the extension of the Sublease and to TDSB utilizing a portion of the Subleased Premises to provide ESL courses to the local community.

COMMENTS

An eligibility review by SDFA has deemed AWIC eligible under the BMR 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.

AWIC works to promote mutual and inter-cultural understanding among newcomers and their families by establishing mutual support groups. It provides settlement and employment services, as well as training and volunteer opportunities for newcomers to Canada. AWIC programs offered from this location align well with the City's Toronto Newcomer Strategy and Toronto Strong Neighbourhoods Strategy 2020.

AWIC proposes to partner with TDSB to offer ESL courses in the Subleased Premises. The partnership is appropriate since ESL classes coordinated by TDSB will strengthen AWIC's core services, including the social integration of newcomers and their families. TDSB has agreed to abide by the terms of the Sublease between the City and AWIC.

As TDSB, through AWIC, is delivering a service within the City’s mandate, and agrees to comply with the terms of the Sublease, the BMR Policy eligibility criterion that organizations benefiting from BMR Policy should not have a mandate that is the sole responsibility of senior levels of government is not applicable in this situation

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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:

AWIC Community and Social Services

Subleased Premises:

1,600 square feet of office space

Commencement Date:

January 1, 2017, or a date acceptable to the Chief Corporate Officer

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, each 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.

Standard Sublease Extension Agreement:

The City Solicitor, or his or her designate, shall draft the Sublease, 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 Subtenant 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

