



REPORT FOR ACTION

731 Runnymede Road, Toronto - New Lease for Emergency Men's Shelter

Date: June 1, 2017

To: Executive Committee

From: Chief Corporate Officer

Wards: Ward 11 - York South-Weston

SUMMARY

The purpose of this report is to obtain authority to enter into a lease with 1310984 Ontario Inc., as landlord, for 19,383 square feet of space (18,483 square feet on the ground floor and 900 square feet in the basement) at 731 Runnymede Road, Toronto, (the "Property"). The Property, a previous Goodwill location, was identified and assessed as a potential site for an emergency shelter based on the site's suitability. It is recommended that the site be leased as a City-operated shelter for homeless men, as required for the George Street Revitalization project.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council authorize a lease with 1310984 Ontario Inc. as landlord, for approximately 19,383 square feet of space at 731 Runnymede Road, Toronto for a ten (10) year term, based substantially on the terms and conditions as outlined in Appendix "A" attached hereto, and on such revised or other terms and conditions as may be acceptable to the Chief Corporate Officer, or her designate, and in a form acceptable to the City Solicitor.
2. City Council authorized 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.
3. City Council authorize the Chief Corporate Officer to administer and manage the Lease, including the provision of any consents, approvals, notice 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 Net Rent for the Term will be payable for the ground floor area only (18,483 square feet), for a total of \$3,234,525.00 exclusive of HST, based on an annual Net Rent of \$17.00 per square foot for the first 5 years and \$18.00 per square foot for the last 5 years. Operating Costs is estimated to be approximately \$5.00 per square foot in 2017.

Year	Project Renovation Cost [1]	Project Management Fee [2]	Additional Payment [3]	Net Rent (Annual)	Operating Costs [4]	Total Rent (Annual)	Total Estimated Costs [5]
0	\$6,000,000.00	\$550,000.00				\$6,550,000.00	\$6,621,500.00
1			\$26,184.25	\$314,211.00	\$92,415.00	\$432,810.25	\$489,075.58
2				\$314,211.00	\$92,415.00	\$406,626.00	\$459,487.38
3				\$314,211.00	\$92,415.00	\$406,626.00	\$459,487.38
4				\$314,211.00	\$92,415.00	\$406,626.00	\$459,487.38
5				\$314,211.00	\$92,415.00	\$406,626.00	\$459,487.38
6				\$332,694.00	\$92,415.00	\$425,109.00	\$480,373.17
7				\$332,694.00	\$92,415.00	\$425,109.00	\$480,373.17
8				\$332,694.00	\$92,415.00	\$425,109.00	\$480,373.17
9				\$332,694.00	\$92,415.00	\$425,109.00	\$480,373.17
10				\$332,694.00	\$92,415.00	\$425,109.00	\$480,373.17
Total	\$6,000,000.00	\$550,000.00	\$26,184.25	\$3,234,525.00	\$924,150.00	\$10,734,859.25	\$11,350,390.95

[1] This projection is based on a Class D Estimate provided by the City's external surveyors.

[2] The Project Management fee payable to the Landlord will be \$550,000.00 plus HST.

[3] An Additional Payment of \$26,184.25 will be paid by the City to the Landlord.

[4] This calculation is based on the assumption that Operating Costs will remain at the rate of \$5.00/sq.ft. throughout the Term and includes a 10% management fee applied to the operating costs.

[5] The Total Estimated Costs are inclusive of all sales tax and HST.

Real Estate Services (RES) has reviewed comparable spaces, and rental rates of the Property are at fair market value.

As set out above, the Lease will include a Project Management Fee of \$550,000.00 plus HST payable to the Landlord for the management and completion of the Tenant's Work, to renovate the existing single storey building to a shelter facility that meets Toronto Shelter Standards and Guidelines, which includes demolition, structural alteration, new partitions and architectural finishes, new electrical and mechanical services. This fee will be paid based upon the approved monthly progress invoice for the Tenant's Work, as a percentage of the project renovation cost. The project renovation cost to be paid by the City will be the tendered value project cost of the Tenant's Work, to a maximum of \$6,000,000.00. If the tendered value exceeds this amount, the scope of work will be reduced.

As also set out above, the City will pay to the Landlord an additional payment equal to the first month's basic rent. This will be a onetime payment, paid in addition to the first month's Net Rent in Year 1.

Funding requirements will be included in the 2017 Capital Budget for Shelter, Support, and Housing Administration (SSHA).

DECISION HISTORY

At its meeting of October 5, 6 and 7, 2016, City Council adopted "Update on Proposal for Emergency Men's Shelter at 731 Runnymede Road" and directed the Director, Real Estate Services, to secure the property at 731 Runnymede Road through a lease on terms that are reasonable and at fair market value.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.CD14.9>

At its meeting of July 12, 13, 14 and 15, 2016, City Council adopted "Proposal for Emergency Men's Shelter at 731 Runnymede Road" and directed the Director, Real Estate Services, to negotiate a lease for the use of 731 Runnymede Road by the City of Toronto, or otherwise secure the property, on terms acceptable to the Chief Corporate Officer and in a form acceptable to the City Solicitor, subject to approval of the proposed shelter program plan by City Council in October 2016.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.CD13.1>

COMMENTS

As directed by Council, staff negotiated with the landlord to lease the Property at the independently established fair market rent. In addition, Facilities Management, along with an external architect, have estimated that in order to bring the facility up to the standards required for the intended use by SSHA, a substantial renovation of the space and capital investment will be required. The Property would be used to support City Council's adopted transition plan for the George Street Revitalization Project. The City will reconsider the use of the space once the George Street Revitalization is fully complete.

The rent and other terms and conditions of the Lease reflect current market values according to market research and valuation conducted by Real Estate Services staff.

CONTACT

Joe Casali, Director, Real Estate Services, Tel: (416) 392-7202 jcasali@toronto.ca

SIGNATURE

Josie Scioli
Chief Corporate Officer

ATTACHMENTS

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

APPENDIX "A"

Major Terms and Conditions

Lease of 731 Runnymede Road, Toronto

1. Premises: The lands and Building comprising approximately: (i) 18,483 square feet of rentable area on the ground floor ("Ground Floor Area"); and (ii) 900 square feet in the basement ("Basement Area"). The Basement Area shall form part of the Premises, but no Basic Rent or Additional Rent shall be payable.

2. Term: Ten (10) years, commencing on the earlier of: (i) June 1, 2018; and (ii) completion by the Landlord of all the Landlord's Work and the Tenant's Work.

3. Options To Extend: Two (2) options to extend the Lease for a term of five (5) years each, at the then fair market basic rent rate for comparable unimproved premises.

4. Rent: Commencing on the later of: the Commencement Date; and (ii) the date the Landlord's Work and the Tenant's Work is completed, the Tenant shall pay:

(a) Basic Rent for the Ground Floor space only (18,483 square feet):

Years 1: \$17.00 per square foot per year (\$314,211.00 per year) plus HST
Years 2: \$17.00 per square foot per year (\$314,211.00 per year) plus HST
Years 3: \$17.00 per square foot per year (\$314,211.00 per year) plus HST
Years 4: \$17.00 per square foot per year (\$314,211.00 per year) plus HST
Years 5: \$17.00 per square foot per year (\$314,211.00 per year) plus HST
Years 6: \$18.00 per square foot per year (\$332,694.00 per year), plus HST
Years 7: \$18.00 per square foot per year (\$332,694.00 per year), plus HST
Years 8: \$18.00 per square foot per year (\$332,694.00 per year), plus HST
Years 9: \$18.00 per square foot per year (\$332,694.00 per year), plus HST
Years 10: \$18.00 per square foot per year (\$332,694.00 per year), plus HST

(b) Operating Costs: The Tenant is responsible for Landlord's cost to operate, repair and maintain the Premises, plus a ten (10%) percent administrative fee (excluding costs of taxes and insurance). For 2017, Operating Costs plus 10% administrative fee are estimated at \$92,415.00 plus HST (\$5.00 per square foot x 18,483 square feet). Excluded from Operating Costs are repairs and replacements to the foundation, bearing walls, structural components, outside of exterior walls, any part of the roof, loading dock, waterproofing costs and damage to the Building from water leakage.

5. Additional Payment: The City will pay an additional \$26,184.25 (plus HST) to the Landlord on or before the Commencement Date.

6. Municipal Capital Facilities Tax Exemption: City staff will request Council to exempt the Premises from taxation for municipal and school purposes. If Council grants approval, the Landlord has agreed to enter into a Municipal Capital Facility Agreement.

7. Condition of Premises: At the Landlord's expense, all base building systems to be in good condition and meet building and fire codes, including electrical, mechanical, plumbing, life safety, fire suppression, sprinklers and HVAC systems.

8. Landlord's Work: Except for base building systems and the Landlord's Work, the Tenant accepts the Premises "as is". On or before the Commencement Date, The Landlord at its expense, shall complete the following:

- (i) Replace existing wood windows with aluminum double glazed windows;
- (ii) Replace slab on ground floor directly above basement;
- (iii) Ensure southeast corner of basement is waterproofed;
- (iv) Remedial work to, or replace the existing main switchgear; and
- (v) Verify that all drains/sewers are operating free and clear of any obstructions. Provide report on status of drainage/sewer and pressure test result of water pipes.

9. Completion of Tenant's Work by Landlord: On or before the Commencement Date, the Landlord shall in a commercially reasonable manner, complete the Tenant's Work, on a turn-key basis, to renovate the existing Building to a shelter facility which meets Toronto Shelter Standards and Guidelines. This includes demolition, additional glazing and skylights, structural alteration, new partitions and architectural finishes; new electrical and mechanical services, kitchen and server, and other elements to meet shelter program needs, to be approved by the General Manager of Shelter, Support Housing Administration. The Landlord shall correct at its expense, any defects or deficiencies appearing within two (2) years from date of completion of such work.

10. Payment of Tenant's Work by Tenant: The Tenant shall pay the tendered value project cost of the Tenant's Work, to a maximum of Six Million (\$6,000,000.00) Dollars ("Tenant Payment Amount"). Scope of work to be reduced if the tendered value exceeds the Tenant Payment Amount. The Landlord shall provide monthly progress invoices for cost of work completed to date, and cost of work to complete, for review by the Chief Corporate Officer ("CCO"). Subject to construction lien holdbacks, payments shall be made to the Builder or other appropriate party, based on certificates of completion from an architect and/or quantity surveyor acceptable to the Tenant, certifying the cost of work completed to date, and the cost of work to complete, to be approved by the CCO. At all times sufficient funds must remain in the Tenant Payment Amount to pay for completion of Tenant's Work.

11. Builder of Tenant's Work: The Tenant will obtain two (2) quotations from qualified and licensed builders and Landlord will obtain two (2) quotations from qualified and licensed builders. Each party shall promptly evaluate each quotation and use commercially reasonable efforts to agree on the Builder that will complete the Tenant's Work.

12. Project Management Fee: The Tenant shall pay a Project Management Fee of \$550,000 plus HST to the Landlord for Landlord's Work and Tenant's Work, to be paid at the same time as the approved monthly progress invoice for the Tenant's Work, as a percentage of the actual cost of Tenant's Work.

13. Fair Wage Policy and Labour Trades Contractual Obligations: In completing the Landlord's Work and Tenant's Work, the Landlord and the Builder shall comply with the Fair Wage Policy and Labour Trades Contractual Obligations in the Construction Industry, as same may be amended from time to time. Prior to entering into any contract, the Landlord shall forward information as required by the Fair Wage Office, for review and written approval, not to be unreasonably withheld. For the daily operation and maintenance of the Premises, the Landlord shall be free to hire or contract any trades or services that the Landlord so chooses, at its sole discretion.

14. Use of Property: The Premises shall be used and operated by the Tenant and/or any community operator and authorized workers to provide accommodation as a Shelter Facility for homeless residents and related services, with seven (7) days a week, twenty-four (24) hours a day, and three hundred and sixty-five (365) days per year access. The Premises may also be used by other City Divisions, as permitted by zoning by-laws, but shall not be used for a methadone clinic or needle exchange center.

15. Parking Spaces: The Tenant has the exclusive right to all parking spaces at the Premises, at no additional cost.

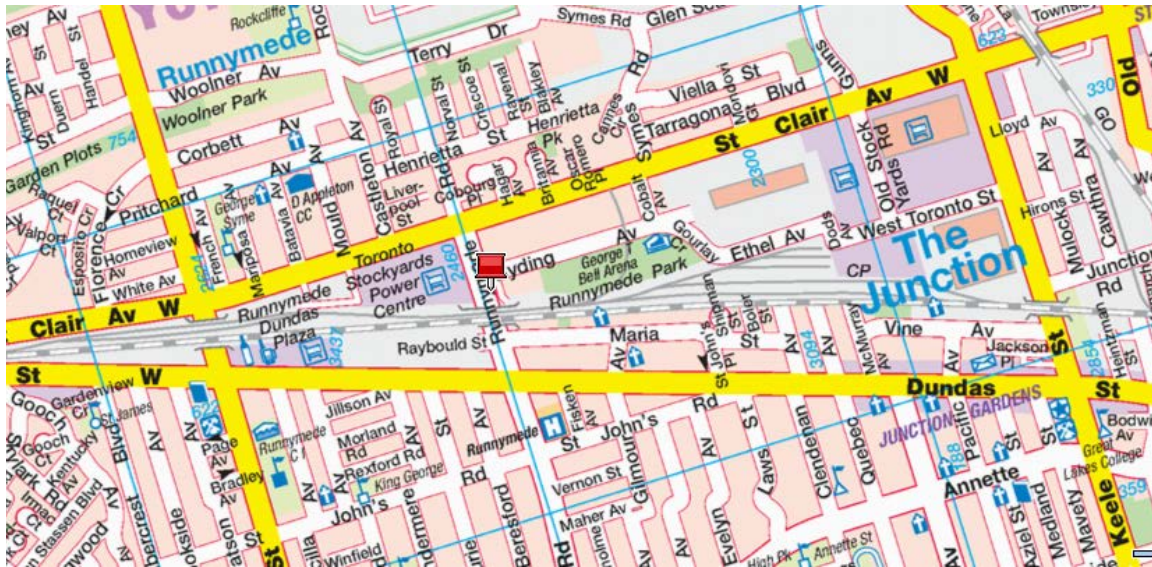
16. Overholding: If the Tenant overholds at the end of the Term, Basic Rent will be 125% of basic rent payable in the last month of the preceding term, and either party may terminate by giving six (6) months' prior written notice.

17. Landlord Right to Rectify: If Tenant default continues for 21 consecutive days or such longer period reasonably required to cure default, after notice to Tenant, Landlord may rectify and charge such costs to Tenant, together with interest at Royal Bank of Canada Prime Rate plus two (2%) percent.

18. Tenant Right to Rectify: If Landlord default continues for 21 consecutive days or such longer period reasonably required to cure default, after notice to Landlord, Tenant may rectify and charge such costs to Landlord, together with interest at Royal Bank of Canada Prime Rate plus two (2%) percent. If not paid by Landlord, such costs may be deducted from rent and other charges payable by Tenant under the Lease.

Appendix "B"

Location Map



Property Image

