



REPORT FOR ACTION

Lease with Royal Canadian Legion, Branch 344 at 1395 Lake Shore Boulevard West at Below-Market Rent

Date: June 12, 2018
To: Government Management Committee
From: Director, Real Estate Services
Wards: 14 - Parkdale-High Park

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a lease with the Royal Canadian Legion, Branch 344 for a five (5) year term with an option to renew for another five (5) years in respect of the lands and premises located at 1395 Lake Shore Boulevard West at below-market rent.

RECOMMENDATIONS

The Director, Real Estate Services recommends that:

1. City Council authorize the City enter into a lease (the "Lease") with the Royal Canadian Legion, Queen's Own Rifles, Branch 344 ("RCL344") for the lands and premises located at 1395 Lake Shore Boulevard West (the "Property") for a five (5) year term with an option to renew for another five (5) years, substantially on terms and conditions set out in Appendix "A", and on such other, or amended, terms acceptable to the Deputy City Manager, Internal Corporate Services, or her designate, and in a form satisfactory to the City Solicitor.
2. City Council authorize each of the Deputy City Manager, Internal Corporate Services and the Director, Real Estate Services severally to execute the Lease and any related documents on behalf of the City.
3. City Council authorize the City Solicitor to complete the Lease 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 consider reasonable.

4. City Council authorize the Deputy City Manager, Internal Corporate Services, or her designate, to administer and manage the Lease, including the provision of any amendments, consents, approvals, waivers, notices and notices of termination, provided that the Deputy City Manager, Internal Corporate Services may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

5. City Council considers the Lease to be in the interests of the City.

FINANCIAL IMPACT

The proposed Lease is being recommended for a nominal basic rent consideration. The leased premises includes a three-storey building comprising approximately 11,400 square feet of space, with separate banquet halls on each floor.

In accordance with the terms of the Lease, RCL344 will be responsible for all operating and capital costs, maintenance fees and realty taxes, if any, related to the Property, currently estimated at \$53,369.00 per year, or \$4.68 per square foot based on the 2017 occupancy costs reported by the RCL344, resulting in no costs to the City (assuming compliance with the Lease).

The total opportunity cost of the Lease over the five (5) year term is estimated to be approximately \$1,557,975.00 plus HST. The total opportunity cost over the five (5) year renewal term is approximately \$1,762,705.00 plus HST. The total opportunity costs for both terms is \$3,320,680.00 plus HST.

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

By its adoption of Executive Committee Report No. 40, Clause 101, City Council at its meeting on September 9 and 10, 1982 authorized the leasing of the Property to The Queen's Own Rifles of Canada Association (QORC) for a twenty (20) year term commencing October 1, 1982, with the rent to be reviewed every five (5) years. The Property was not to be used for any other purposes than that of operating a members' club for social and fund raising functions.

By its adoption of Executive Committee Report No. 48, Clause 15, City Council at its meeting on November 28, 1983 consented to the existing Management Agreement between QORC and RCL344 dated December 1, 1982. The Management Agreement between QORC and RCL344 allowed RCL344 to occupy the Property in its entirety, save and except a portion required by QORC, for the same duration of QORC lease with the City. In return, RCL344 appears to have assumed all of the responsibilities of the QORC pursuant to its lease with the City, including the rent.

BACKGROUND

The Property is improved with a 3-storey building containing 11,400 square feet of gross floor area situated on a 0.36 acre of land surrounded by parkland and the Martin Goodman Trail.

The 20-year term lease with QORC was subject to a rent review every five years. The initial rental rate for the first 5-year term was \$1,000 per month plus taxes. At the time of the first rent review, due to the tenant's and subtenant's financial difficulty, City Council agreed to reduce the rent for the period April 1, 1989 to December 31, 1989 to \$1.00, and set the monthly rent to \$1,000 per month for the balance of the second 5-year term. In 1992, the rent was to have been set at fair market rate; however City Council authorized a reduced rent for the third 5-year term at a rate of \$1,347.83 per month. To date, the rent has remained at a below market rate of \$1,347.83 per month or \$16,174 annually, inclusive of HST.

As the Property is being used as veteran's clubhouse and legion hall, QORC/RCL344 receives a 100% property tax rebate under the City's Tax Rebate Program for Veteran's Clubhouses and Legion Halls.

QORC's lease expired on September 30, 2002 and is currently on a month-to-month overhold. In late 2002, the City was in the early stages of its review of City-owned spaces leased at below-market rent for community and cultural services, and as such, non-profit organizations' requests for City space were not being addressed; however, pending resolution, then current non-profit tenants were granted a month-to-month leases.

COMMENTS

QORC has officially notified RCL344 that it will be terminating its lease with the City with the effective termination date of August 31, 2018. Accordingly, and with great urgency, RCL344 is requesting a lease for the continued occupancy of the Property at below-market rent.

The Royal Canadian Legion, Ontario Command has advised that the Legion's Branch 344 is a branch in good standing and is a not-for-profit, membership-based, organization under the Dominion Command Corporation number 058870-9, as per the Act to Incorporate 1948, as amended in 1981. The financial obligations, commitments, and all other agreements or arrangements pertaining to the application are the sole responsibility of the Branch.

Since 1983, the Property has been the RCL344's headquarters. RCL344 hosts many events for veterans and their families and friends throughout the year. One of the key objectives of RCL344 is to "ensure that proper attention shall be paid to the welfare of all who have served and the welfare of their dependants and to see to the maintenance and comfort of those who require special treatment, particularly the disabled, sick, aged and needy, and to promote the welfare of their dependants; and to educate public opinion regarding national duties to the dead, the disabled and others who have served,

and their dependants". Funding to fulfill its mission is provided through a number of sources, including membership dues, publically accessible grants, fund raising, renting out their facilities and providing food and entertainment services in the community, sale of Legion merchandise, and the Poppy Trust Fund.

RCL344 does a great deal of fund raising efforts at the Property to enable the Branch to donate to local groups in need. RCL344's annual poppy campaign enables the Branch to assist veteran members and local veterans either at home or in hospital. The funds raised enable RCL344 to contribute a great deal of support to the much needed Veterans assistance programs that are within the local community, the district and nationally, thus making RLC344 a great asset to the community. To help defray operational expenses, RCL344 offers a variety of rooms and facilities for rent to local organizations and the general public to hold meetings, and for variety of events such as weddings, birthdays, etc.

The City reviewed RCL344's application for a lease of the Property as Community Space under the Community Space Tenancy (CST) policy in April 2018. Although RCL344 may hold events or services available for the community from time to time, the Property is mainly used as a member-based veteran club house and Legion hall. For this reason, RCL344 is deemed not eligible to lease the Property under the CST policy.

However, as RCL344 is a non-profit entity serving veterans, and given the historical use of the Property by QORC and RCL344 as a veteran's club house and legion hall, and also given that RCL344 has demonstrated the requisite financial viability to maintain the Property and related operating costs for the term of the Lease, this report recommends the Lease with RCL344, substantially on the terms and conditions as set out in Appendix "A".

CONTACT

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SIGNATURE

David Jollimore, Director
Real Estate Services

ATTACHMENTS

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

APPENDIX "A"

MAJOR TERMS AND CONDITIONS

Landlord:

City of Toronto

Tenant:

Royal Canadian Legion, Queen's Own Rifles, Branch 344

Leased Premises:

Lands and premises situated at 1395 Lake Shore Boulevard West

Commencement Date:

September 1, 2018

Term:

Five (5) years commencing on September 1, 2018 and expiring on August 31, 2023, with an option to renew for another five (5) years.

Basic Rent:

Basic Rent for the Term is \$2.00 per annum plus all applicable taxes.

Net Lease:

The Lease shall be absolutely net to the Landlord. During the Term or any extension or renewal thereof, the Tenant shall be responsible for all applicable costs, taxes, charges, expenses and outlays of any nature whatsoever arising from or relating to the use and occupancy of the Leased Premises. Any obligation which is not stated to be that of the Landlord shall be the Tenant's responsibility.

Operating Costs:

The Tenant shall pay all realty taxes and operating costs related to the Leased Premises. "Operating Costs" means the total of all costs and expenses attributable to the maintenance, repair, administration, management and operation of the Leased Premises including, without limited the generality of the foregoing: utilities, security, insurance, all taxes including applicable property taxes, supervision, landscaping, window cleaning, eavestrough cleaning, pest management, waste collection, disposal and recycling, snow removal, and other costs of maintenance and operation, including but not limited to sidewalks, driveways and all parking areas appurtenant to the Leased Premises.

Replacement, Maintenance and Repairs:

At its own costs and expense, the Tenant shall operate, repair, maintain, replace and keep the Leased premises and all leasehold improvements in good order and condition (both inside and outside, structural and otherwise). 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.

Use:

The Leased Premises shall be used and shall continually be operated throughout the Term for no other purpose than that of operating a members club for social and fund raising functions.

Early Termination:

The City shall have the right to terminate the Lease for any purpose at any time during the Term and any renewal/extension thereof upon providing the Tenant with sixty (60) day's prior written notice.

Standard Lease:

The Lease shall be drafted on the City's standard form, which shall contain such further revisions and other terms and conditions as may be satisfactory to the Deputy City Manager, Internal Corporate Services, and in a form acceptable to the City Solicitor.

Insurance:

The Tenant is to provide prior to the commencement of the Term and on an annual basis, proof of insurance in accordance with the City's insurance requirements outlined in the Lease, including but not limited to comprehensive general liability insurance with limits of not less than Five Million Dollars (\$5,000,000.00) per occurrence.

Indemnity by Tenant:

The Tenant will fully indemnify and save harmless the City, its respective employees, agents and those for whom it is at law reasonable for of, from and against all claims whatsoever. The Tenant agrees that it will not pursue any claim against a third party which may result in any claim by such third party against the City.

Condition of Leased Premises:

The Tenant will accept the Leased Premises and the Property in an "as is" condition.

Assignment and Subleasing:

The Tenant shall not sell, assign or otherwise dispose of its rights and obligations under the Lease or sublet the Lease Premises, or any part thereof, to a third party or in any way charge, encumber or pledge the Lease or its interest therein without the prior written consent of the City, which consent may be unreasonably withheld or delayed and need not be based upon any financial considerations whatsoever.

APPENDIX "B"

LOCATION MAP AND SITE VIEW - 1395 LAKE SHORE BOULEVARD WEST

