

Re: MA2.2

Community Space Tenancy Policy:

NOVEMBER 8TH 2019



Agenda

- ❑ Overview of Community Space Tenancy Policy
- ❑ Overview of Tenancy Types
- ❑ Policy Features
- ❑ City Program Divisions
- ❑ Next Steps



What is the Community Space Tenancy Policy?

- ❑ City Council adopted the Community Space Tenancy (CST) Policy in 2017. To replace the Below Market Rent (BMR) process for leasing City owned/managed space to non-profit organizations.
- ❑ The CST policy aims to be a consistent, fair, accountable and transparent approach to leasing Community Space to non-profit organizations that fosters a supportive partnership with the City.
- ❑ Current tenants in their final BMR lease term wishing to continue their tenancy will be vetted against the CST policy on a case by case basis.



What is the Community Space Tenancy Policy?

Program Divisions lease City-owned or City-managed space at below-market rent to non-profit organizations that deliver community and cultural services or programs to Toronto residents.

- Social Development Finance and Administration (SDFA)
- Parks Forestry and Recreation (PFR)
- Economic Development and Culture (EDC)
- In partnership with Real Estate Services which administers the property or space.



What is the Community Space Tenancy Policy?

- The organization(s) have exclusive use of City-owned or managed space such as entire buildings or assigned spaces within a building.
- The organization(s) have use of the space over an extended period of time, typically 5 years with a renewal option.
- Basic rent over the term of the lease is \$2.00 per year plus all applicable taxes and is due in advance at the time of signing of the lease.
- The organization is responsible for all the operating costs for the space (hydro, water, security, electrical, property taxes, pest control, etc.) and any fit up or renovations.



Four Kinds of Community Space Tenancies

Community Partner Tenant

Community Hub Tenant

Legacy Tenant

Incubator Tenant

Community Partner Tenant

A single non-profit organization leasing a dedicated Community Space providing stable, consistent, and accessible community programs and services.

Community Hub Tenant

- ❑ Three or more non-profit organizations leasing their own dedicated space within a city facility with intentional program and service based on collaboration and integration.
- ❑ All tenants will agree to a co-location agreement that sets out the terms of integration, dispute resolution and shared services. Tenant fees reflect both dedicated and common space.



Legacy Tenant

An historic Community Space Tenancy that predates the Policy for City-Owned Space Provided at Below-Market Rent, adopted by Council in 2002.

Incubator Tenant

- **Short-term leases for grassroots organizations to meet an emerging need, and to develop organizational capacity.**
- For Incubator Tenants, the lease term is two years, with the possibility of a successive term of two years. After a maximum of four years, Incubator Tenants will have the opportunity to apply for a CST tenancy as either a Community Partner or Community Hub Tenant, or leave the CST portfolio.

Incubator Tenant

- Grassroots Organization either incorporated or unincorporated with intent to incorporate as a non-profit organization
- Organization operational budget is less than \$500,000
- Address an emerging and immediate local need
- Target particular group and/or sector
- Co-located with Mentor/Trustee Non for profit Organization that is financially stable
- Exist independently of a larger organizations
- Based in Toronto
- Have at least three core staff
- In operation for minimum 3 years

CST Eligibility





CST Criteria

1. **Non-profit status, incorporated;**
2. **Programs and services are aligned with a city division mandate;
Service delivery for Toronto residents;**
3. **Mandate is not the sole responsibility of senior levels of government; and**
4. **Financial viability to maintain 5-year lease**
5. **Provide a 5 year strategic plan for the use of the community space**
6. **Provide a 5 year financial plan for the sustainability of the community space and organization.**
7. **Assessment criteria will also be developed by program divisions with respect to priorities and objectives of the space, division or aligned to City objectives.**
8. **An emphasis is place on service priorities/gaps established by the local community and/or Ward.**

CST Policy Features





Differences between BMR and CST

- ❑ CST now includes services mandated by Senior Levels of Government such as health related services
- ❑ CST permits Community Partner Tenants to sublease their space to a maximum of 2 subtenants
- ❑ CST allows for social enterprises which are aligned with tenant services

Tenants are required to submit Annual Reports to their Program Division Head

Differences between BMR and CST

Legacy tenancy will renew on the same terms and conditions, with exception of lease term, or can opt to renew as Community Partner or Community Hub.

- ☐ Legacy tenants do not have the option of sublease or social enterprise that are not currently established in their existing lease/agreement.
- ☐ Tenant organizations with unexpired BMR lease terms can amend their lease at anytime in order to consider options available under CST.
- ☐ Council authorization is required.

CST Allocation Process



Request for Expression of Interest (REOI)

- ❑ A REOI is an open call conducted on all new/vacant CST space opportunities.
- ❑ If amending existing BMR lease to incorporate subtenant(s), or develop a Community Hub, an REOI will be conducted and Tenant organizations will have input in the process.

CST Terms and Conditions





CST Agreements

- ❑ Tenants sign a Service Level Agreement with Program Division which outlines the tenant's permitted programs and services and CST eligibility requirements.
- ❑ Tenants will sign a lease with Real Estate Services.
 - Subtenants to Community Partner Tenants sign Sublease Acknowledgement Agreements
- ❑ Hub Tenants sign co-location agreements and governance commitment with hub tenants.

Service Level Agreement Terms

- ☐ Sets out the programs and services offered by the organization in the Community Space
- ☐ Agree activities and programs of the organization remain consistent with CST eligibility criteria
- ☐ Organization agrees to provide annual reports to the Program Division for annual reviews.
- ☐ The Organisation will notify the City of any changes in the Organization that may result in ineligible.
- ☐ The Service Agreement commences and terminates on the same dates as the Lease Agreement.
- ☐ The Organisation warrants that it is a not-for-profit organisation and that the below-market rent City space is used solely for non-profit purposes.
- ☐ The Service Agreement does not create or lead to any partnership or joint venture between the parties.
- ☐ Information about the respective contacts of the two parties for purposes of forwarding communications.



Social Enterprise

- ☐ CST permits tenants to engage in social enterprises that align with their services.
- ☐ Tenants must provide a detailed business plan demonstrating the purpose, services, community need and revenue being re-invested directly into programs and services delivered by the organization at the CST space.
- ☐ Tenants are required to meet all City Licensing, Building Standards and other conditions set out by the City, via other Division and responsible to ensure such requirements are maintained.
- ☐ Prior written approval from the Executive Director of SDFA and the Program Division Head is required before the social enterprise can be offered.



Lease Terms

- ❑ Leases are net and care free to the City
 - ❑ Basic rent = \$2/year – Tenant responsible for all operating costs (i.e. utilities, maintenance, security etc.)
 - ❑ Only cost to City is opportunity cost (market rent that is being foregone) and capital costs related to the facilities structural integrity
- ❑ Standard 5 year term. Some flexibility based on capital investment or operating funding requirements warranting an option to renew for 5 years
- ❑ Incubator Tenants – 2 year term with the possibility of a 2 year renewal option
- ❑ Terms are approved by City Council formalizing conditions for use of the community space as per City Policy prior to preparing the lease



Annual Reporting

All CST tenants are required to submit Annual Reports to their Program Division Head on the anniversary of the lease signing date. Reports must include:

- Programs and services being provided on-site
- Operating and capital budgets
- Number and range of clientele and partnerships.

Annual reports are used to ensure programs and services being offered are aligned with the Service Agreement and Lease to confirm tenants continued CST eligibility.

CST City Partners





Service Program Division Lead

Staff from CST Program Divisions do the following:

- 1. Assess the eligibility of tenant organizations for CST**
- 2. Present staff reports to City Council to approve CST tenancy**
- 3. Present tenants with their CST Service Agreement**
- 4. Monitor tenant service/programs**
- 5. Assess annual reports**
- 6. Conduct REOI process for new spaces**
- 7. First point of contact for issues concerning programs, and services offered from their CST space.**



Real Estate Services

Staff from Real Estate Services (RES) do the following:

- Inform the staff report
- Document and execute approved CST lease agreements
- Provide standard Landlord/property management services such as the monitoring of rental payments; account reconciliations; tenant fit-up and repair inquiries etc.
- Liaise with City Finance, Legal Services and Facilities Management as required

RES is generally the first point of contact in respect of any proposed alterations or repairs to the leased area or inquiries regarding the lease agreement.



CST City Partners

- ❑ Where the City of Toronto is not the direct owner of the property in which the CST tenancy is situated, there may be an additional primary property manager who also provides tenant/landlord support.
- ❑ Under these circumstances, Real Estate Services would still be the default landlord in respect of rental payments and general account reconciliations.
- ❑ SDFA is organizations point of contact for CST Policy related inquiries or considering new space.



Next Steps

1. Confirmation of lease renewal (*date - immediate*)

For BMR tenants wishing to consider Community Hub, Subleasing and Social Enterprises, please contact your Program Division to discuss the CST eligibility process and application

2. CST Application and documentation provided by Program Division (*date – 6 weeks*)
3. Notification of eligibility assessment (*date - 2 weeks*)
4. Staff Report and Council Authorization. (*date - 4 weeks*)
5. Service Agreement signed (*date - 4 weeks*)
6. Lease Agreement (*date - 6 weeks*)
7. Annual Report (*date - 1 year from lease start date.*)

CST Contacts

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CST Policy

<https://www.toronto.ca/legdocs/mmis/2017/ex/bgrd/backgroundfile-107615.pdf>

CST Website

<https://www.toronto.ca/community-people/get-involved/community/community-space-tenancy/>