

## **Community Space Tenancy Lease Agreement and Municipal Capital Facility Designation for Midaynta Community Services at 1652 Keele Street**

**Date:** September 21, 2020

**To:** General Government and Licensing Committee

**From:** Executive Director, Social Development, Finance and Administration, and Executive Director, Corporate Real Estate Management

**Wards:** Ward 5 –York South-Weston

### **SUMMARY**

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Midaynta Community Services is a non-profit organization that provides settlement services and social cultural programs to improve the quality of life for newcomers, immigrants and youths. Midaynta Community Services has over 25 years of experience in community development, capacity building and service provision within the Somali Canadian community. Since 2016, Midaynta Community Services has partnered with Somali Immigrant Aid Organization, the current tenant at 1652 Keele Street, and successfully collaborated on various initiatives affecting the Somali Canadian community. Together, they have utilized the space at 1652 Keele Street to provide gang prevention, mentoring programs and settlement services to youth, families and the general community in the York-South Weston neighbourhood.

The purpose of this report is to obtain City Council authority to enter into a five (5) year lease agreement under the Community Space Tenancy Policy for approximately 393 square feet of space located at 1652 Keele Street in Ward 5 York South-Weston and to have the leased premises designated as a Municipal Capital Facility. Additionally, this report is seeking Council approval to grant the lease to Midaynta Community Services, the sister agency of the original lease holder, Somali Immigrant Aid Organization. The change of lease holder requires approval of an exemption to the Community Space Tenancy Policy to allow Midaynta Community Services to lease space at 1652 Keele Street without undertaking a Request for Expression of Interest process. This exemption would allow Midaynta Community Services with over 25 years of service provision with Somali Immigrant Aid to continue to provide programming at 1652 Keele Street to support racialized youth and their families without any interruption of services to the community.

Finally, this report recommends a correction to the Municipal Capital Facility designation of For Youth Initiative, Item GL10.7 approved by City Council on December 17, 2019. For Youth Initiative is another tenant at 1652 Keele Street. It assists young persons to identify and reach their personal goals, graduate high school, enroll in post-secondary

education, gain employment and achieve independence. The 3,632 square feet designated by By-law 1762-2019 did not include For Youth Initiative's share of the common space, 2,066 square feet, for a total of 5,698 square feet.

## **RECOMMENDATIONS**

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**The Executive Director, Social Development, Finance and Administration, and the Executive Director, Corporate Real Estate Management, recommend that:**

1. City Council authorize the City to enter into a lease agreement (the "Lease") pursuant to the Community Space Tenancy Policy with Midaynta Community Services for a five year term, with such revisions thereto and on such other or amended terms and conditions acceptable to the Deputy City Manager, Corporate Services, or their designate and in a form acceptable to the City Solicitor.
2. City Council authorize the Deputy City Manager, Corporate Services, or their designate, to administer and manage the Community Space Tenancy leases with Midaynta Community Services set out in Appendix "A", including the provision of any amendments, consents, approvals, waivers, notices, and notices of termination, provided that the Deputy City Manager, Corporate Services may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.
3. City Council grant an exemption to the Community Space Tenancy Policy to allow Midaynta Community Services to lease space at 1652 Keele Street without the need to solicit a Request for Expression of Interest as required by the Community Space Tenancy Policy.
4. City Council pass a By-law pursuant to Section 252 of the City of Toronto Act, 2006, providing authority to:
  - a. enter into a Municipal Capital Facility Agreement with Midaynta Community Services for the property known as 1652 Keele Street, with respect to approximately 393 square feet (250 dedicated and 143 of proportionate share of common area) of community space (the "Leased Premises"), for the purposes of providing a Municipal Capital Facility related to the provision of social and health services; and
  - b. exempt the Leased Premises from taxation for municipal and school purposes, with the tax exemption being effective from the latest of: (1) the commencement date of the Lease, (2) the date the Municipal Capital Facility Agreement is entered into, and (3) the date the Tax Exemption By-law is enacted.
5. City Council amend Schedule A of By-law 1762-2019 (a by-law authorizing the entering into of an agreement for the provision of a municipal capital facility by For Youth Initiative) to replace "3,632 square feet" with "5,698 square feet".

6. City Council direct the City Clerk to give written notice of the By-laws respecting Midaynta Community Services and For Youth Initiative to the Minister of Finance, the Municipal Property Assessment Corporation, the Toronto District School Board, the Toronto Catholic District School Board, le Conseil scolaire Viamonde, and le Conseil scolaire catholique MonAvenir.

## **FINANCIAL IMPACT**

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The Lease will provide Midaynta Community Services with approximately 393 square feet of gross rentable area (250 square feet of occupied space and 143 square feet as a proportionate share of common areas) at 1652 Keele Street Community Hub.

In accordance with the Lease, Midaynta Community Services will be responsible for all realty taxes and operating costs related to the Leased Premises, which are currently estimated at \$4,057.12 (plus HST) per year which equates to a rate of \$10.33 per square foot and is based on the tenants 1.93% proportionate share of the facility, resulting in no operating costs to the City, assuming compliance with the Lease.

The opportunity cost, expressed in net present value terms, for the initial five-year lease term is approximately \$17,709.

In accordance with the Community Space Tenancy Policy, this report recommends that the Leased Premises be designated a Municipal Capital Facility so as to be exempted from taxation.

The Leased Premises is owned by the City of Toronto. Although properties owned by the City of Toronto are exempt from taxation, Midaynta Community Services in Toronto may be deemed to be a taxable tenant and the Leased Premises would therefore be subject to taxation. The annual property taxes on the Leased Premises are estimated at approximately \$1,442, comprised of a municipal portion of \$760 and a provincial education portion of \$682, based on 2020 Current Value Assessment and 2020 tax rates.

Providing a property tax exemption for the Leased Premises will result in a net annual reduction in property tax revenue to the City of approximately \$760, representing the municipal portion of taxes that are currently payable that will no longer be collected once the Leased Premises are designated as a Municipal Capital Facility, as shown in Table 1 below. The provincial education portion of property taxes of \$682 will not be required to be remitted to the Province once the exemption for the Leased Premises takes effect, with no net impact to the City.

Table 1: Financial Implication of Property Tax Exemption - 1652 Keele Street (Midaynta Community Services)

Location	Municipal Taxes	Education Taxes	Total Property Taxes
1652 Keele Street 1914-05-2-090-00400	\$760	\$682	\$1,442
Total Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues			\$760
Reduction in Education Taxes Remitted			\$682

Given that Municipal Capital Facility Exemptions are not retroactive, in the event that the Municipal Property Assessment Corporation determines that the tenant has been in taxable occupation of these premises, the Municipal Property Assessment Corporation may issue supplementary/omitted assessment notices for the current year and the prior two years. Should the Municipal Property Assessment Corporation issue this additional taxable assessment, this would result in an unfunded estimated financial impact of \$2,736 for the 2018 and 2019 taxation years combined and \$1,442 for the current budget year. If a tax bill is issued for Midaynta Community Services in Toronto, at that point, the City will work with the tenant to address the cost.

In 2019, Somali Immigrant Aid Organization and Midaynta Community Services invested \$89,754 in programs and services in the Leased Premises. Over the five (5) year term of the Lease, it is estimated that Midaynta Community Services will invest \$ 448,770 in programs and services offered at the Leased Premises.

The For Youth Initiative's original staff report dated November 14, 2019 stated that providing a property tax exemption for the 3,632 square feet of space would result in net annual reduction in property tax revenue to the City of approximately \$6,655 as shown in Table 2 below. The provincial education portion of property taxes of \$6,189 would no longer be required to be remitted to the Province once the exemption for the Leased Premises took effect, with no net impact to the City.

Table 2: Original Financial Implications of Property Tax Exemption - For Youth Initiative

	Municipal Taxes	+ Education Taxes	= Total Property Taxes
Amounts Payable if Taxable (annual)	\$6,655	\$6,189	\$12,844
Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues:			\$6,655
Reduction in Education Taxes Remitted:			\$6,189

It was discovered that the square footage of the common area used by For Youth Initiative was not included in the original report. The square footage for common area space is 2,066 square feet, therefore the additional net annual reduction in property tax revenue to the City for this property is approximately \$4,074 as outlined in Table 3. This

property tax calculation on the additional space is based on 2020 Current Value Assessment and 2020 tax rates.

Additionally, the education taxes that will no longer be required to be remitted to the Province once the exemption becomes effective is \$3,656, as shown in Table 3.

Table 3 – Financial Implications of Property Tax Exemption (Common Area) – For Youth Initiative

	Municipal Taxes	+ Education Taxes	= Total Property Taxes
Amounts Payable if Taxable (annual)	\$4,074	\$3,656	\$7,730
Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues:			\$4,074
Reduction in Education Taxes Remitted:			\$3,656

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

## **EQUITY IMPACT STATEMENT**

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The provision of accessible community space is a key component of building strong neighbourhoods. Community use of City space at below-market rent is a form of collaboration and investment in community and cultural organizations.

The provision of space to Midaynta Community Services will help the organization to utilize an equity approach of targeted universalism, where all Torontonians benefit when the issues of those most marginalized are addressed such as anti-Black racism. Moreover, making the City space more accessible and welcoming to Black Torontonians will help the community group develop and provide services for Black residents including women, youth, newcomers, LGBTQ2S people, people affected by the justice system, people with disabilities, and people living with HIV/AIDS.

## **DECISION HISTORY**

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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.  
<https://www.toronto.ca/legdocs/2002/agendas/council/cc021001/pof13rpt/cl001.pdf>

At its meeting on November 19 and 20, 2007, City Council granted authority to enter into Lease and service agreements with Somali Immigrant Aid Organization as below market rent tenants.  
<https://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-7803.pdf>

At its meeting on May 3rd, 4 and 5th 2016, City council adopted the preliminary decision "Notice of Motion for Somali Immigrant Aid Organization, requesting that S DFA: (i)

report to GMC by June 2016 with the results of the eligibility review for Somali Immigrant Aid Organization application to renew their Lease at 1652 Keele Street; and (ii) City Council allow Somali Immigrant Aid Organization to continue to occupy the City-owned space at 1652 Keele Street pending the completion of the eligibility review and final Council decision.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.MM18.8>

At its meeting on July 12, 2016 City Council adopted the Lease Agreement with Somali Immigrant Aid Organization (Toronto) at 1652 Keele Street without amendments and without debate.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM13.26>

At its meeting on November 7, 8 and 9, 2017, City Council adopted the "Community Space Tenancy Policy", replacing the Below-Market Rent Policy.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.8>

At its meeting on December 17, 2019, City Council authorized a Community Space Tenancy Lease Agreement and Municipal Capital Facility Designation with For Youth Initiative in Toronto - 1652 Keele Street.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL10.7>

## **COMMENTS**

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Somali Immigrant Aid Organization has been a tenant at 1652 Keele Street since 2003 under the City's Below-Market Rent Policy. Their Below Market Rent lease expired on December 31, 2015. In 2016, Council authority was received to renew Somali Immigrant Aid Organization's lease for a one year term, with expiry of July 31, 2017 provided that throughout the term, Somali Immigrant Aid Organization demonstrated that the organization:

- (i) can provide programs and services to residents of Toronto at 1652 Keele Street; and
- (ii) can remain in good financial standing with the City.

Although Somali Immigrant Aid Organization had some challenges remaining in good financial standing during the one year lease, their sister organization Midaynta Community Services has helped to rectify their performance and financial standing issues by ensuring that consistent payments are made on time, and have aided the provision of high quality programs and services for residents living in the York South Weston area.

Midaynta Community Services and Somali Immigrant Aid Organization share over 25 years of experience in community development, capacity building and service provision within the Somali Canadian Community. In April 2016, Somali Immigrant Aid Organization submitted a lease renewal application to Social Development, Finance and Administration for their space at 1652 Keele Street. The application was submitted in partnership with their sister organization, Midaynta Community Services, who received a \$479,000 grant from the Ministry of Community and Social Services (now known as Ministry of Children, Community and Social Services) to operate a gang prevention program. In the 2016 lease renewal staff report with Somali Immigrant Aid Organization, it was cited that Midaynta Community Services will manage the financial aspect of the

grant and Somali Immigrant Aid Organization will provide the space and program activities for participants.

Midaynta Community Services over the years continues to receive funding from the Ministry of Children, Community and Social Services and has secured additional \$83,950 from the City of Toronto Housing and Homelessness Initiative to provide culturally sensitive programs to prevent homelessness among racialized communities and \$55,905 from Employment and Social Development Canada, summer jobs initiative to provide racialized youth in Toronto with paid work experience. Midaynta Community Services has since taken a lead role on the program and service delivery in collaboration with Somali Immigrant Aid Organization. Due to the high demand for services and current lack of resources, Somali Immigrant Aid Organization has submitted a request for Midaynta Community Services to officially take over as the City's tenant at 1652 Keele Street. This will help the two organizations to pull resources together to better service the Somali Canadian community in York South Weston.

This report is seeking Council's approval to enter into a lease agreement with Midaynta Community Services thus allowing the agency to become the main tenant agency at 1652 Keele Street. Additionally, as a pre-existing service provider within the facility, the report is seeking Council's approval for City Council to grant an exemption from Request for Expression of Interest requirement of the Community Space Tenancy Policy. The exemption will allow Midaynta Community Services with over 25 years in service provision with Somali Immigrant Aid to continue to utilize the space at 1652 Keele Street to support racialized youth and their families who are homeless or at risk of homelessness, provide settlement service to Somali Canadian communities and support high risk racialized youth through gang prevention and intervention programs.

An eligibility review conducted by staff from Social Development, Finance and Administration has determined that Midaynta Community Services satisfies all requirements and is eligible under the Community Space Tenancy Policy. Midaynta Community Services has demonstrated the requisite financial viability to maintain the Leased Premises and related operating costs for the term of the Lease. Under the Community Space Tenancy Policy, Midaynta will be considered a Community Partner Tenant.

Midaynta Community Services plans to serve a total of 700 individuals with 2 full-time staff, and 2 volunteers in 2020/2021 year at 1652 Keele Street. The community group also plans to facilitate 1000 community development and public education activities within their other satellite offices in the 2020/2021 program year. Midaynta Community Services' programs at 1652 Keele Street will include: youth mentorship project, housing support, family violence and child welfare counselling, gang prevention programs for Somali youth, mental health supports and outreach and referrals to other settlement and orientation services within the community including translation and interpretation.

These programs and services align with Toronto Youth Equity Strategy, Toronto Newcomer Strategy, and Toronto Action Plan to Confront Anti-Black Racism and are compatible with the Community Space Tenancy Policy.

## **Municipal Capital Facility Designation**

The Community Space Tenancy Policy provides that when seeking City Council approval for any initial Community Space Tenancy approval of a municipal capital facility designation will also be sought where appropriate. Designating the property leased by Midaynta Community Services in Toronto, a community-based service sector organization providing social and health services as described above, as a municipal capital facility and exempting the property from taxes will assist in providing services to the public which are in line with services provided by the City.

Section 252 of the City of Toronto Act, 2006 allows City Council to exempt from taxation for municipal and school purposes land or a portion of land on which a municipal capital facility is or will be located once the City enters into an agreement with the landlord or tenant for the provision of the municipal capital facility.

Ontario Regulation 598/06 prescribes facilities providing social and health services as eligible municipal capital facilities for the purpose of section 252.

Upon the passing of the by-law authorizing the agreement and the tax exemption, the City Clerk must give written notice of the by-law to the Minister of Finance, the Municipal Property Assessment Corporation and the Secretary of any affected school board(s).

## **CONTACT**

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## **SIGNATURE**

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Denise Andrea Campbell  
Executive Director, Social Development, Finance & Administration

Patrick Matozzo  
Executive Director, Corporate Real Estate Management

## **ATTACHMENTS**

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Appendix A – Major Terms and Conditions  
Appendix B – Location Map & Site View of Leased Premises



## APPENDIX A:

### Major Terms and Conditions - Community Space Tenancy Lease at 1652 Keele Street

Landlord:	City of Toronto
Tenant:	Midaynta Community Services
Rentable Area & Proportionate Share:	The tenant occupies a gross floor area of 393 sq.ft. (net area equals 250 sq.ft.) within the 1652 Keele Street facility which has a total gross floor area of 20,329 square feet. The tenant's proportionate share equates to 1.93%.
Commencement Date:	January 1, 2020
Term:	Lease Agreement: Five (5) years (January 1st, 2020 to December 31st, 2024).
Basic Rent:	\$2.00 per annum plus all applicable taxes.
Standard Community Space Tenancy Net Lease:	The Lease shall be a standard Community Space template document with no allowance for additions or deletions save for changes of a technical nature preapproved by the Director of Corporate Real Estate Management or if additions or deletions are preapproved by Council. The Tenant shall have 90 days from the date of Council approval to execute the Community Space Lease. The Tenant shall have up to 60 days from the date of Council approval to advise the Landlord of any unforeseen circumstances that may impact executing the Lease within the 90 days. Extensions to execute the Lease require Council approval. The Lease shall be absolutely net to the Landlord. During the Term or any extension thereafter, 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/Additional rent:	The Tenant shall pay a proportionate share of all realty taxes and operating costs related to the Property. "Operating Costs/Additional Rent" means the total of all costs and expenses attributable to the maintenance, repair, administration, management and operation of the Lease Premises including, without limiting 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. In situations where the Tenant will lease a complete facility, either from the commencement date or at any time thereafter during the term, the Tenant will be responsible to have all applicable utility meter accounts changed into its own corporate name.

Landlord:	City of Toronto
Operating Cost Rate:	The 1652 Keele Street facility currently has a 2020 budgeted operating cost of approximately \$10.33 per sq.ft. With a rentable area of 393 sq.ft., this equates to an annual additional rent of \$4,057 plus HST. This is subject to an annual year end reconciliation.
Permitted Use:	General office services of a community programming nature or as otherwise specified within the Service Level Agreement.

## APPENDIX B:

### Appendix B – Location Map & Site View of Leased Premises

