

Lease, Licence and Rent Deferral Agreements with Various Tenants at St. Lawrence Market (South)

Date: October 16, 2023

To: General Government Committee

From: Executive Director, Corporate Real Estate Management

Wards: 13 - Toronto Centre

SUMMARY

The purpose of this report is to obtain City Council authority to enter into numerous real estate related agreements in connection with the operation of St. Lawrence Market (South) (the "South Market") to ensure the financial sustainability of the South Market and continued success of its tenants. This report specifically seeks Council authority to:

- Enter into lease extension agreements (the "Extension Agreements") with 51 commercial tenants for the use of approximately 37,390 square feet of space at the building municipally known as St. Lawrence Market South Market Building located at 91-95 Front Street East (the "Leased Premises") for a further term of five years (the "Extension Term");
- Enter into a licence and a lease agreement with 8803552 Canada Inc. (operating as "ChocoSol Traders") (the "ChocoSol Agreements");
- Negotiate, approve, and enter into an interest-free rent deferral agreement with 8803552 Canada Inc. to defer rent payable from July 1, 2020, to October 31, 2022 (the "ChocoSol Rent Deferral Agreement"); and
- Further extend the initial rent deferral period until October 31, 2022.

The tenants within the South Market have been occupying the Leased Premises on a month-to-month basis under lease agreements that have been in overhold since January 1, 2020. Although the City had initially planned to negotiate the extension of various leases during 2020, the onset of the COVID-19 pandemic resulted in an indefinite postponement and instead, focused on supporting tenants through the pandemic to stimulate business recovery and avoid vacancy loss. With the pandemic concluding and the recovery of both the retail and tourism sectors having substantially occurred, Corporate Real Estate Management ("CREM") engaged with South Market tenants throughout 2023 to negotiate and extend the lease agreements. The Extension Term aligns with the implementation of the recently finalized five-year strategic plan for the St. Lawrence Market District, developed in partnership with the St. Lawrence Market Precinct Advisory Committee ("SLMPAC"), a civic committee that is an advocate for the Market Precinct and that assists the City in making key management decisions so that

the Precinct maximizes its excellence as a vital, dynamic, and beautiful space that celebrates its heritage.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management recommends that:

1. City Council authorize the City to enter into lease extension agreements (the "Extension Agreements") with 51 commercial tenants, as listed in Appendix A, for the use of approximately 37,390 square feet of area within the building known municipally as St. Lawrence Market South building located at 91-95 Front Street (the "Leased Premises") for a further term of five years (the "Extension Term") from January 1, 2020, to December 31, 2024, substantially on the terms and conditions set out in Appendix B, and on such other terms and conditions as approved or amended by the Executive Director, Corporate Real Estate Management or their designate, and in a form acceptable to the City Solicitor.
2. City Council authorize the City to enter into a licence and a lease agreement with 8803552 Canada Inc. (operating as "ChocoSol Traders") (the "ChocoSol Agreements"), substantially on the terms and conditions set out in Appendix C, and on such other terms and conditions as approved or amended by the Executive Director, Corporate Real Estate Management, or their designate, and in a form acceptable to the City Solicitor.
3. City Council authorize the Executive Director, Corporate Real Estate Management, to negotiate, approve and enter into an interest-free rent deferral agreement with 8803552 Canada Inc. to defer rent payable from July 1, 2020, to October 31, 2022 (the "ChocoSol Rent Deferral Agreement"), and such agreement to be in a form satisfactory to the City Solicitor.
4. City Council authorize the Executive Director, Corporate Real Estate Management to further extend the initial rent deferral period from April 1, 2020, to December 31, 2020 (authorized under Item No. CC24.02), as extended until June 30, 2021 (authorized under Item No. EX21.2) until October 31, 2022, provided that such qualifying tenant or licensee had a lease or a licence that was in good standing prior to April 1, 2020.
5. City Council authorize the Executive Director, Corporate Real Estate Management and the Director, Property Management Services severally to execute and deliver the Extension Agreements, the ChocoSol Agreements, the ChocoSol Rent Deferral Agreement, the rent deferral agreements, and any related documents contemplated thereunder on behalf of the City.
6. City Council authorize the Director, Property Management Services, or their designate, to administer and manage the Extension Agreements, the ChocoSol Agreements, the ChocoSol Rent Deferral Agreement, the rent deferral agreements, and amendments, including the provision of any consents, approvals, waivers, notices, and notices of termination, provided that the

Director, Property Management Services, may, at any time, refer consideration of such matters to City Council for its determination and direction.

FINANCIAL IMPACT

The proposed Extension Agreements, commencing on January 1, 2020, will result in approximately \$16,913,021 of revenue for the City between January 1, 2020 and December 31, 2024, inclusive of minimum rent, operating costs, utilities, and realty taxes.

The City will defer rent from April 1, 2020, to October 31, 2022, for nine tenants with deferred rent balances that cumulatively total \$464,991. Repayment agreements for the deferred rent balances are being proposed to schedule the recovery of the outstanding rent.

Revenues to the City will be directed to the Operating Budget for Corporate Real Estate Management (CREM), under cost center FA1375 and functional area code 3220200000

	2020	2021	2022	2023	2024
Base Rent	\$2,477,922	\$2,477,655	\$2,474,549	\$2,548,785	\$2,619,568
Additional Rent	\$972,942	\$717,500	\$874,700	\$874,700 ¹	\$874,700 ¹
Total	\$3,450,864	\$3,195,155	\$3,349,249	\$3,423,485	\$3,494,268

¹Additional Rent in 2023 and 2024 has been estimated but will be reconciled to actuals each year.

The Interim Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information as identified in the Financial Impact section.

DECISION HISTORY

At its meeting on February 18, 2021, City Council adopted Item EX21.2, which authorized the Controller, Finance and Treasury Services, in consultation with the Executive Director, Corporate Real Estate Management, to approve and execute agreements to extend the term of interest-free rent deferral agreements with qualifying tenants and licensees, through June 30, 2021, provided that such tenant or licensee had a lease or licence in good standing prior to April 1, 2020.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.EX21.2>

At its meeting on September 30, 2020 City Council adopted Item CC24.2, which authorized the Executive Director, Corporate Real Estate Management to negotiate, approve and enter into interest-free rent deferral agreements with qualifying tenants and licensees, which permitted for a rent deferral period that extended through December

31, 2020, provided that such tenants or licensees had a lease or licence in good standing prior to April 1, 2020.

<https://secure.toronto.ca/council/agenda-item.do?item=2020.CC24.2>

At its meeting of March 31, 2010, City Council adopted Item GM29.9 - St. Lawrence Market (South) - New Lease Agreement, granting authority for the Chief Corporate Officer to enter into a five year lease agreement with 64 tenants, commencing on January 1, 2010, and ending on December 31, 2014, and an extension lease term for an additional five year term, commencing on January 1, 2015 and ending on December 31, 2019.

<https://secure.toronto.ca/council/agenda-item.do?item=2010.GM29.9>

COMMENTS

Background

The South Market enjoys a rich history spanning over 200 years, serving as a prominent food market and shopping destination. The market is home to a diverse array of 61 vendors, offering an extensive range of food products, including fresh produce, seafood, meats, delectable baked goods, dairy items, and distinctive non-food merchandise. The South Market garners substantial support from customers throughout the Greater Toronto Area and tourists visiting the region.

The tenants within the South Market have been occupying the Leased Premises on a month-to-month basis under lease agreements that have been in overhold since January 1, 2020. Although the City had initially planned to negotiate the extension of various leases during 2020, the onset of the COVID-19 pandemic resulted in an indefinite postponement. CREM determined that, until the pandemic had ended and the post-pandemic retail market conditions substantially recovered, it would not be in the interest of the City or the tenants to negotiate new agreements. CREM focused on supporting tenants through the pandemic to stimulate business recovery and avoid vacancy loss. With the pandemic concluding and the recovery of both the retail and tourism sectors having substantially occurred, CREM engaged with South Market tenants throughout 2023 to negotiate and extend the lease agreements.

ChocoSol Traders joined the South Market during the pandemic as a pop-up vendor, operating under a short-term licence agreement. ChocoSol Traders accumulated arrears within the initial stages of the license term for which rent deferral was required. To authorize the proposed lease, distinct Council authority is required for the ChocoSol Rent Deferral Agreement to render them in good standing. The major terms and conditions of the ChocoSol Agreements are identified in Appendix C.

Rent Structure and Term of the Extension Agreements

CREM recommends entering into the Extension Agreements with 51 vendors, as listed in Appendix A, to commence at the point in which the previous agreements expired at the end of 2019 for a term of five years. The Extension Term corresponds with the implementation of the recently finalized five-year strategic plan for the St. Lawrence Market District. In partnership with the St. Lawrence Market Precinct Advisory Committee ("SLMPAC"), the strategic plan was developed to define the near-term

objectives of the district ahead of the new St. Lawrence Market North Market Building joining the portfolio. Within the plan, one of the key strategic actions is to review the breadth of vendor value propositions within the context of fostering a greater diversity of product offerings, services, and programs. This includes exploring a more significant Indigenous presence and opportunities to create open, inclusive, and accessible space for activities and events such as pop-ups, performances, food-related events, and exhibitions. The review will seek to optimally curate all spaces within the South Market and its immediate surroundings. Moreover, it will inform the future tenant leasing strategy, assessment of prevailing market rates beyond 2025 and accompanying lease terms.

Within the first three years of the Extension Term, the base rents align with market rates assessed before the pandemic, ranging from \$63.38 per square foot to \$72.88 per square foot. Additional rent obligations (landlord expense recoveries) have been annually reconciled against landlord costs and subsequently recovered from tenants.

Within the remaining two years of the Extension Term, CREM proposes that base rents increase by 3 percent annually. This has been determined through an evaluation of local comparable market data and a review of other specialty markets. Additional rents have been estimated at \$24.00 per square foot, which will be charged in addition to the base rent and reconciled against actuals annually. The major terms and conditions of the Extension Agreements are identified in Appendix B.

With this leasing approach and the inclusion of the proposed base rent increases for years three and four of the Extension Term, the City achieved a net operating income of \$245,173 in the first year of the Extension Term that is projected to grow to \$323,636 by the end of the fifth year of the Extension Agreements. This includes all revenues for the South Market, including ATM revenues, alongside the recovery of all landlord expenses through additional rent charges.

Pandemic Related Rent Deferral

The COVID-19 pandemic forced the closure of non-essential businesses and periodically reduced operation of the commercial retail space at the South Market. As a result, some tenants experienced financial difficulty during this period stemming from reduced revenue and increased operating costs to comply with public health guidelines.

While the lease agreements operated in overhold, CREM did not apply rent increases for 2020 to 2022 to support tenant business recovery, maintain stability within the South Market's operation and avoid bad debt accumulation. However, certain tenants experienced an extended period of business recovery and have required rent deferral agreements with a condition to repay the deferred rent over the balance of the term. As such, CREM is seeking authority to enter into interest-free rent deferral agreements with qualifying tenants who have accumulated rent arrears between April 1, 2020, and October 31, 2022, with the intent to preserve their tenancies, avoid vacancy loss and recover the value of the lease agreement within the balance of the recommended term.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

ATTACHMENTS

Appendix A – List of Tenants
Appendix B – Major Terms and Conditions of Extension Agreements
Appendix C – Major Terms and Conditions of Chocosol's Licence and Lease
Agreements
Appendix D – Location Map

Appendix A - List of Tenants

No.	Tenant Name	Store Type	Category	Level	Rentable Area (square feet)	Storage Area (square feet)
1.	Alex Farm Products	Cheese	1	Upper	801.68	151.54
2.	Anything Goes Accessories	Jewellery and Accessories	4	Lower	177.92	0
3.	Aren't We Sweet	Other Specialty Food	2	Lower	217.85	0
4.	Au Yeung, Stephen	Newspapers	4	Lower	110	0
5.	Bright Sky Jewellery	Jewellery & Accessories	4	Lower	118.44	0
6.	Brown Brothers Meats and Poultry	Meat Market	1	Upper	800.52	165.21
7.	Buster's Sea Cove	Take-out Fast Food	2	Upper	524.69	181.38
8.	Carnicerros Inc.	Meat Market	1	Upper	1,084.92	0
9.	Carousel Bakery	Bakery	2	Upper	799.38	140.42
10.	Caviar Direct	Other Specialty Food	2	Lower	246.7	173.27
11.	ChocoSol Traders	Other Specialty Food	2	Lower	243.47	0
12.	Chris' Cheese Mongers	Cheese	1	Upper	881.5	209.73
13.	Churrasco's Chicken	Take-out Fast Food	2	Upper	506.78	0
14.	Crepe It Up Café	Take-out Fast Food	2	Lower	159.68	0

No.	Tenant Name	Store Type	Category	Level	Rentable Area (square feet)	Storage Area (square feet)
15.	Di Liso Fine Meats	Meat Market	1	Upper	794.93	300.53
16.	Domino Foods	Grocery - Bulk	2	Lower	1,729.8	132.7
17.	European Delights	Delicatessens	2	Lower	508.66	0
18.	Everyday Gourmet	Other Specialty Food	2	Lower	597.49	0
19.	Eve's Temptations	Other Specialty Food	1	Lower	305.59	73.11
20.	Family Food Market Co.	Green Grocer	1	Upper	1,171.86	0
21.	Future Bakery	Bakery	1	Upper	775.59	0
22.	Giftworks	Gift and Novelty	3	Lower	661.77	0
23.	Harbourfront Foods	Green Grocer	1	Lower	957.28	255.19
24.	Honey World	Other Specialty Food	2	Lower	140.15	57.81
25.	Inti Taita Impressions	Clothing	4	Lower	128.21	0
26.	Kailash	Clothing	4	Lower	219.63	0
27.	Kozlik's Canadian Mustard	Other Specialty Food	2	Upper	299.8	0
28.	La Boucherie Fine Meats Inc.	Meat Market	1	Upper	789.78	0
29.	Manotas Organics and Fine Foods	Other Specialty Food	2	Lower	643.25	0

No.	Tenant Name	Store Type	Category	Level	Rentable Area (square feet)	Storage Area (square feet)
30	Mike's Fish Market	Seafood	1	Upper	1,227.19	0
31.	Olympic Cheese Mart	Cheese	1	Upper	846.05	357.93
32.	Paddington Pump Restaurant	Restaurant - with Liquor	2	Upper	1,335.36	365.74
33.	Pasta Mia	Grocery - Bulk	2	Lower	350.65	0
34.	Peter's Natural Health Foods	Grocery - Bulk	2	Upper	332.73	0
35.	Placewares	Kitchenware	3	Upper	976.85	57.03
36.	Ponesse Foods	Green Grocer	1	Upper	1,093.59	0
37.	Quik Sushi	Take-out Fast Food	2	Lower	333.36	67.97
38.	Rube's Rice	Grocery - Bulk	2	Lower	427.44	253
39.	Scheffler's Meats and Delicatessen	Cheese	1	Upper	905.13	253.45
40.	Seafront Fish Market	Seafood	1	Upper	1,039.42	0
41.	St. Lawrence Market Juice Bar	Take-out Fast Food	2	Lower	453.97	183.76
42.	SK Quality Meats	Meat Market	1	Upper	1,239.29	0
43.	St. Lawrence Chinese Food (Yip's)	Take-out Fast Food	2	Lower	546.64	182.44
44.	St. Lawrence Pizza and Pasta	Take-out Fast Food	2	Upper	712.41	0

No.	Tenant Name	Store Type	Category	Level	Rentable Area (square feet)	Storage Area (square feet)
45.	St. Lawrence Smoke and Gift	Gift and Novelty	3	Upper	467.35	120.92
46.	St. Lawrence Uppercut Meat Packers	Meat Market	1	Upper	1,306.94	288
47.	St. Urbain Bagel	Bakery	1	Upper	599.99	90.02
48.	Stonemill Bakehouse Ltd	Bakery	1	Lower	935.65	0
49.	Uno Mustachio	Take-out Fast Food	2	Lower	431.05	199.53
50.	Wine Country Merchants	Wine Store	2	Upper	774.70	0
51.	Yianni's Kitchen	Take-out Fast Food	2	Lower	396.64	0

Appendix B – Major Terms and Conditions of Extension Agreements

Leased Premises	Approximately 37,390 square feet of rentable area on the lower and upper floor of the building, located at 93 Front Street East, Toronto.	
Tenants	As listed in Appendix A	
Extension Term	January 1, 2020 to December 31, 2024	
Rental Rates	Item	Rate
	Semi-Gross Rent: Upper Level (per square foot)	\$72.88
	Semi-Gross Rent: Lower Level (per square foot)	\$63.38
	Storage Rent - (per square foot)	\$32.70
	Percentage Rent Category 1: Food - Fresh and Processed Products	2 percent
	Percentage Rent Category 2: Food - Restaurants, Fast-Food, Specialty Food	4 percent
	Percentage Rent Category 3: Non-Food - Specialty Stores	6 percent
	Percentage Rent Category 4: Short-Term Lease	8 percent
	Semi-gross rent will remain the same for 2020, 2021 and 2021 and will increase by 3 percent for 2023 and 2024.	
Percentage Rent	2 to 8 percent of annual Gross Sales that exceed the Breakpoint.	

All other terms and conditions shall remain the same.

Appendix C – Major Terms and Conditions of Chocosol’s Licence and Lease Agreements

Licence Agreement

Licensee	8803552 CANADA INC c.o.b. ChocoSol Traders
Licensed Area	LL37 - 243.47 square feet
Use	Sell bulk cacao, cacao nibs, cacao pods, cacao imagery, vanilla, achiote, and other key companion crops along with a display of bulk locally made chocolate available for packaging or bulk purchase and local cacao chocolate drinks.
Term	A total of 211 individual days between July 1, 2020, and March 31, 2022.
Licence Fee	\$84.99 per day
Insurance	Commercial General Liability insurance in an amount not less than \$2,000,000, “all-risk” insurance and such other insurance as may be required by the City.

Lease Agreement

Tenant	8803552 CANADA INC c.o.b. ChocoSol Traders
Leased Premises	LL37- 243.47 square feet
Use	Sell bulk cacao, cacao nibs, cacao pods, cacao imagery, vanilla, achiote, and other key companion crops along with a display of bulk locally made chocolate available for packaging or bulk purchase and local cacao chocolate drinks.
Term	April 1, 2022, to December 31, 2024
Semi-Gross Rent	\$64.96 per square foot
Insurance	Commercial General Liability insurance in an amount not less than \$2,000,000, “all-risk” insurance and such other insurance as may be required by the City.
Other	Chocosol shall make monthly payments for the deferred licence fee in the amount of \$1,034.28 during the lease term for a period of 26 weeks. Failure to comply with this obligation shall be considered a default under the lease.

Appendix D - Location Map

