

**DELEGATED APPROVAL FORM
CHIEF CORPORATE OFFICER
DIRECTOR OF REAL ESTATE SERVICES**

TRACKING NO.: 2017-224

- Approved pursuant to the Delegated Authority contained in Executive Committee Item EX43.7 entitled "Delegation of Authority in Certain Real Estate Matters" adopted by City Council on May 11 and 12, 2010 (Confirmatory By-law No. 532-2010, enacted on May 12, 2010), as amended by GM24.9 entitled "Minor Amendments to Delegation of Authority in Certain Real Estate Matters" adopted by City Council on October 8, 9, 10 and 11, 2013 (Confirmatory By-Law No. 1234-2013, enacted on October 11, 2013), as amended by DAF 2013-307 and DAF 2014-087; and further amended by EX44.22 entitled "Strategic Property Acquisitions" adopted by City Council on August 25, 26, 27 and 28, 2014 (Confirmatory By-law No.1074-2014, enacted on August 28, 2014), and further amended by GM16.16 entitled "Transit Shelter Property Acquisitions" adopted by City Council on December 13, 14 and 15, 2016 (Confirmatory By-Law No. 1290-2016, enacted on December 15, 2016).
- Approved pursuant to the Delegated Authority contained in Executive Committee Item EX33.44 entitled "Union Station Revitalization Implementation and Head Lessee Selection" adopted by City Council on August 5 and 6, 2009. City Council confirmatory By-law No. 749-2009, enacted on August 6, 2009.

Prepared By:	Loretta Ramadhin	Division:	Real Estate Services
Date Prepared:	August 21, 2017	Phone No.:	416-392-7169

Purpose	To obtain authority to enter into a leasehold interest disposition agreement, (the "Leasehold Interest Agreement") with Second Base Scarborough Youth Shelter, ("Second Base") and an assignment, assumption and amendment ("Assumption") of the ground lease agreement, (the "Ground Lease") with The Incumbent and Churchwardens of Grace Church in Scarborough, ("Grace Church") for the purpose of continuing the shelter operations and services at 702 Kennedy Road, (the "Property").
Property	The property municipally known as 702 Kennedy Road, Toronto is situated on lands leased from Grace Church being those parts of Block A on Registered Plan No. 5180, City of Toronto, being described as Parts 3, 4, 5, 6, 7, 15, 16, and 17 as shown on Plan 64R-13459 [part of Parcel 06438-0368(LT)] in Appendix "D" and on the Location Map in Appendix "E". The leasehold interest in the Property includes and is subject to such easements as are required for access, utility, and servicing requirements of the Property and the adjacent lands owned and occupied by Grace Church.
Actions	It is recommended that: <ol style="list-style-type: none"> Authority is granted to enter into the Leasehold Interest Agreement with Second Base and the Assumption of the Ground Lease with Grace Church, to acquire the remaining leasehold interest in the Property and assume the rights and obligations under the Ground Lease, substantially on the terms and conditions set out in Appendix "B" and Appendix "C" and any other or amended terms and conditions as may be determined as reasonably necessary by the Chief Corporate Officer and in a form acceptable to the City Solicitor. Authority is granted to authorize the Chief Corporate Officer or her designate to administer and manage the Leasehold Interest Agreement and Ground Lease, including the provision of any consents, approvals, waivers, notices, and notices of termination, provided that the Chief Corporate Officer may, at any time, refer consideration of such matters to City Council for its determination and direction. Authority is granted to authorize the City Solicitor to complete the transaction on behalf of the City, including payment of any necessary expenses. The appropriate City officials are authorized and directed to take the necessary action to give effect thereto, including the execution of all approved agreements and ancillary documentation.
Financial Impact	Refer to Appendix "A" for Financial Impact
Comments	Refer to Appendix "A" for Comments
Terms	Refer to Appendix "B" for Terms and Conditions for the Leasehold Interest Agreement and Appendix "C" for the Terms and Conditions of the Ground Lease and Assumption

Property Details	Ward:	35 – Scarborough Southwest
	Assessment Roll No.:	1901041130003000020
	Approximate Size:	n/a
	Approximate Area:	3124.76 m ² (33,634.64 sq ft)
	Other Information:	n/a

A.	Director of Real Estate Services has approval authority for:	Chief Corporate Officer has approval authority for:
<p>1. Acquisitions:</p> <p>2. Expropriations:</p> <p>3. Issuance of RFPs/REOs:</p> <p>4. Permanent Highway Closures:</p> <p>5. Transfer of Operational Management to ABCDs:</p> <p>6. Limiting Distance Agreements:</p> <p>7. Disposals (including Leases of 21 years or more):</p> <p>8. Exchange of land in Green Space System & Parks & Open Space Areas of Official Plan: N/A</p> <p>9. Leases/Licences (City as Landlord/Licensor):</p> <p>10. Leases/Licences (City as Tenant/Licensee):</p> <p>11. Easements (City as Grantor):</p> <p>12. Easements (City as Grantee):</p> <p>13. Revisions to Council Decisions in Real Estate Matters:</p> <p>14. Miscellaneous:</p>	<p><input type="checkbox"/> Where total compensation does not exceed \$1 Million.</p> <p><input type="checkbox"/> Statutory offers, agreements and settlements where total compensation does not cumulatively exceed \$1 Million.</p> <p>Delegated to a more senior position.</p> <p>Delegated to a more senior position.</p> <p>Delegated to a more senior position.</p> <p><input type="checkbox"/> Where total compensation does not exceed \$1 Million.</p> <p><input type="checkbox"/> Where total compensation does not exceed \$1 Million.</p> <p>Delegated to a more senior position.</p> <p><input type="checkbox"/> (a) Where total compensation (including options/renewals) does not exceed \$1 Million;</p> <p><input type="checkbox"/> (b) Where compensation is less than market value, for periods not exceeding three (3) months, including licences for environmental assessments and/or testing, etc.</p> <p><input type="checkbox"/> Where total compensation (including options/renewals) does not exceed \$1 Million.</p> <p><input type="checkbox"/> (a) Where total compensation does not exceed \$1 Million.</p> <p><input type="checkbox"/> (b) When closing road, easements to pre-existing utilities for nominal consideration.</p> <p><input type="checkbox"/> Where total compensation does not exceed \$1 Million.</p> <p><input type="checkbox"/> Amendment must not be materially inconsistent with original decision (and may include increase not to exceed the amount of the original decision by the lesser of 10 per cent and \$500,000).</p> <p><input type="checkbox"/> (a) Approvals, Consents, Notices and Assignments under all Leases/Licences;</p> <p><input type="checkbox"/> (b) Releases/Discharges;</p> <p><input type="checkbox"/> (c) Surrenders/Abandonments;</p> <p><input type="checkbox"/> (d) Enforcements/Terminations;</p> <p><input type="checkbox"/> (e) Consents/Non-Disturbance Agreements/Acknowledgements/Estoppels/Certificates;</p> <p><input type="checkbox"/> (f) Objections/Waivers/Cautions;</p> <p><input type="checkbox"/> (g) Notices of Lease and Sublease;</p> <p><input type="checkbox"/> (h) Consent to regulatory applications by City, as owner;</p> <p><input type="checkbox"/> (i) Consent to assignment of Agreement of Purchase/Sale; Direction re Title;</p> <p><input type="checkbox"/> (j) Documentation relating to Land Titles applications;</p> <p><input type="checkbox"/> (k) Correcting/Quit Claim Transfer/Deeds.</p>	<p><input type="checkbox"/> Where total compensation does not exceed \$3 Million.</p> <p><input type="checkbox"/> Statutory offers, agreements and settlements where total compensation does not cumulatively exceed \$3 Million.</p> <p><input type="checkbox"/> Issuance of RFPs/REOs.</p> <p><input type="checkbox"/> Initiate process & authorize GM, Transportation Services to give notice of proposed by-law.</p> <p><input type="checkbox"/> Transfer of Operational Management to ABCDs.</p> <p><input type="checkbox"/> Where total compensation does not exceed \$3 Million.</p> <p><input type="checkbox"/> Where total compensation does not exceed \$3 Million.</p> <p><input type="checkbox"/> Exchange of land in Green Space System and Parks and Open Space Areas of Official Plan.</p> <p><input type="checkbox"/> (a) Where total compensation (including options/renewals) does not exceed \$3 Million;</p> <p><input type="checkbox"/> (b) Where compensation is less than market value, for periods not exceeding six (6) months, including licences for environmental assessments and/or testing, etc.</p> <p><input checked="" type="checkbox"/> Where total compensation (including options/renewals) does not exceed \$3 Million.</p> <p><input type="checkbox"/> Where total compensation does not exceed \$3 Million.</p> <p>Delegated to a less senior position.</p> <p><input type="checkbox"/> Where total compensation does not exceed \$3 Million.</p> <p><input type="checkbox"/> Amendment must not be materially inconsistent with original decision (and may include increase not to exceed the amount of the original decision by the lesser of 10 per cent and \$1 Million).</p> <p><input type="checkbox"/> (a) Approvals, Consents, Notices and Assignments under all Leases/Licences;</p> <p><input type="checkbox"/> (b) Releases/Discharges;</p> <p><input type="checkbox"/> (c) Surrenders/Abandonments;</p> <p><input type="checkbox"/> (d) Enforcements/Terminations;</p> <p><input type="checkbox"/> (e) Consents/Non-Disturbance Agreements/Acknowledgements/Estoppels/Certificates;</p> <p><input type="checkbox"/> (f) Objections/Waivers/Cautions;</p> <p><input type="checkbox"/> (g) Notices of Lease and Sublease;</p> <p><input type="checkbox"/> (h) Consent to regulatory applications by City, as owner;</p> <p><input type="checkbox"/> (i) Consent to assignment of Agreement of Purchase/Sale; Direction re Title;</p> <p><input type="checkbox"/> (j) Documentation relating to Land Titles applications;</p> <p><input type="checkbox"/> (k) Correcting/Quit Claim Transfer/Deeds.</p>

B. Chief Corporate Officer and Director of Real Estate Services each has signing authority on behalf of the City for:	
<p><input type="checkbox"/> 1. Agreements of Purchase and Sale and all implementing documentation for purchases, sales and land exchanges not delegated to staff for approval.</p> <p><input type="checkbox"/> 2. Expropriation Applications and Notices following Council approval of expropriation.</p> <p><input checked="" type="checkbox"/> 3. Documents required to implement the delegated approval exercised by him or her.</p>	<p>Chief Corporate Officer also has approval authority for:</p> <p><input type="checkbox"/> Leases/licences/permits at Union Station during the Revitalization Period, if the rent/fee is at market value.</p> <p>Consultation with Councillor(s)</p>

Councillor:	Michelle Holland	Councillor:	
Contact Name:	Michael Giles	Contact Name:	
Contacted by:	Phone <input type="checkbox"/> x E-Mail <input type="checkbox"/> Memo <input type="checkbox"/> Other <input type="checkbox"/>	Contacted by:	Phone <input type="checkbox"/> E-mail <input type="checkbox"/> Memo <input type="checkbox"/> Other <input type="checkbox"/>
Comments:	August 10, 2017	Comments:	
Consultation with ABCDs			
Division:	Shelter, Support and Housing Administration	Division:	Financial Planning
Contact Name:	Gordon Tanner	Contact Name:	Filisha Jenkins
Comments:	concurs	Comments:	concurs
Legal Division Contact			
Contact Name:	Jennifer Davidson		
DAF Tracking No.: 2017-224		Date	Signature
Recommended by:	Manager – Tim Park	Aug 21 st 2017	Signed By: Tim Park
<input checked="" type="checkbox"/> Recommended by:	Director of Real Estate Services Joe Casali	Aug 23rd 2017	Signed By: Joe Casali
<input type="checkbox"/> Approved by:			
<input checked="" type="checkbox"/> Approved by:	Chief Corporate Officer Josie Scioli	Aug 25th 2017	Signed By: Josie Scioli

General Conditions ("GC")

- (a) The local Councillor (or local Councillors if the subject property is located on a ward boundary or if the transaction involves an exchange of properties in more than one ward), will be consulted prior to the exercise of delegated Approving Authority by staff for all Acquisitions, Disposals, Land Exchanges and Leases.
- (b) Where approving power has been delegated to staff, the Chief Corporate Officer, in consultation with the applicable Deputy City Manager or the City Manager, may determine that such matter is of such special interest that same should be returned to the relevant Committee and Council for consideration and determination.
- (c) Exercise of delegated authority is subject to all applicable Council policies, statutes or other applicable law.
- (d) Authority to approve financial commitments/expenditures is subject to all amounts being available in an approved budget, or funding being available from third party sources, except for "Strategic Property Acquisitions" as set out in EX44.22 adopted by Council August 25, 26, 27 and 28, 2014, which identifies alternative funding mechanisms subject to additional approval requirements.
- (e) Property interests are to be based on appraised value, and no interest shall be granted at less than market value unless otherwise specifically authorized.
- (f) Authority to approve transactions at less than market value is subject to statutory anti-bonus provisions.
- (g) Total compensation means the aggregate of all types of payments, including land value, estimated clean-up costs, potential arbitration awards, loss claims, etc, but exclusive of any applicable taxes and registration costs.
- (h) Authority to acquire property is conditional upon provision being made to bring the property into compliance with applicable MOE or other requirements such that it will be fit for its intended municipal purpose, except for property acquisitions of 50M² or less for transit shelter purposes.
- (i) Authority to initiate the permanent road closure process in **A.4** is conditional upon confirmation by the GM of Transportation Services that it is feasible to permanently close the highway.
- (j) Disposal authorities in **A.7** are subject to the property having been declared surplus, and the disposal policy complied with.
- (k) Land exchanges, except for those in **A.8**, may be authorized based on the delegated Approving Authority for Disposals in **A.7**.
- (l) Approving Authority with respect to land located in the Designated Waterfront Area is conditional upon the approval of the Director, Waterfront Secretariat.
- (m) Authority to approve an exchange of land in **A.8** is conditional upon confirmation by the Chief Planner and Executive Director, and the GM of Parks, Forestry & Recreation, that the land being exchanged is (i) nearby land of equivalent or larger area, and (ii) of comparable or superior green space utility.
- (n) Approving Authority in **A.9** Leases (City as Landlord) but not Licences (City as Licensor) is limited to periods (including options/renewals) of less than twenty-one (21) years.
- (o) Total compensation in leasing matters where the City is landlord (**A.9**) includes the value of tenant improvements if factored into tenant's rental payments.
- (p) Total compensation in leasing matters where the City is the tenant (**A.10**) includes the value of any tenant improvements to be paid by the City.
- (q) Where options/renewals are included in leases, if the renewal rent is to be determined at a date later than the original approval date, total compensation is to be calculated as though all options are exercised, estimating the renewal rent based on the highest rent payable in the first term of the lease.
- (r) Total compensation in leasing matters where the City is landlord (**A.9**) or tenant (**A.10**) is to be calculated from the date of approval pursuant to this delegation (ie. first allowing for the expiry of any prior approvals, whether by Council or a delegated authority).
- (s) Approving Authority in leasing matters includes authority to approve renewals/extensions within the parameters of the delegated Approving Authority.
- (t) Approving Authority includes authority for amendments within the parameters of the delegated Approving Authority, the cumulative total of which may not exceed the delegated financial limit.
- (u) Where proposed additional amounts in **A.13** exceed 10 per cent of the original decision, even if otherwise in compliance with all other conditions, then approving authority is transferred upwards to the next more senior level of approving authority having the relevant overall financial limit.
- (v) Approving Authority includes authority for all documents necessary to implement the authority, on terms and conditions satisfactory to the Approving Authority, in consultation with the relevant operating Division(s).
- (w) Staff positions referred to in this delegation include successors from time to time.
- (x) Documents are to be in a form satisfactory to the City Solicitor (including indemnity and insurance provisions).
- (y) Delegated signing authorities in **B** are conditional upon the documents having received the City Solicitor's prior "Approval as to Form".
- (z) This delegation does not affect sales, acquisitions and leases over which the Affordable Housing Committee has responsibility.
- (aa) Authority to use land acquired by the City for parking purposes by the Toronto Parking Authority is conditional upon Council enacting a by-law designating such use.
- (bb) All residential leasing documents shall adhere to the *Residential Tenancies Act* and any successor legislation.
- (cc) Despite GC(n), Approving Authority in residential leasing matters is not limited to periods of less than twenty-one (21) years.

Appendix "A"

Financial Impact

The following costs will be incurred by the City in connection with the Leasehold Interest Agreement:

1. Leasehold Interest Disposition Consideration:		\$1,782,489.29
Less Amounts Owed to the City for Housing Help Funds and Closure Costs:	(\$ 157,489.29)	
Less State of Good Repair (SOGR) Abatement:	(\$ 925,000.00)	
Less SOGR Emergency Abatement:	(\$ 50,000.00)	
Balance Due on Completion:		\$ 650,000.00
2. HST recovery (1.76%, if applicable):		\$ 11,440.00
Total Leasehold Interest Disposition Costs:		\$ 661,440.00

The following costs will be incurred by the City in connection with the Ground Lease:

1. Ground Rent: \$28,800.00 (plus HST) per annum for the first 5 years and increasing by the CPI of the last calendar year of the previous five-year period until the year 2057 (the 40 year term)		
Estimated Total Ground Rent assuming 2% increase each 5 year period:		\$1,235,947.55
2. Legal Fees (plus HST):		\$ 4,000.00
Balance of Ground Lease Costs:		\$ 1,239,947.55
3. HST recovery (1.76%, if applicable):		\$ 21,823.08
Total Ground Lease Costs:		\$ 1,261,770.63

Funding for the Leasehold Interest Disposition Costs, totaling \$650,000 (plus HST) or \$661,440.00 (net of HST recoveries) is available in the 2017 Council Approved Capital Budget for Shelter, Support and Housing Administration (SSHA) under capital account CHS026 and will be accommodated for in future Capital Budget submissions. Funding for the Ground Lease Costs totaling \$1,297,947.55 (plus HST) or \$1,261,770.63 (net of HST recoveries) is available in the 2017 Council Approved Operating Budget for SSHA under account F00111 and will be accommodated for in future Operating Budget submissions. Any ongoing operating costs along with any required renovations as required under the SOGR to the building will be included in future Budget submissions for Council consideration.

The Deputy City Manager & Chief Financial Officer has reviewed this DAF and agrees with the financial impact information.

Comments

The building was built in 1992, through capital funding provided by the Ministry of Community and Social Services, (the "Ministry"), for the purpose of serving as a youth shelter and was operated by Second Base. The shelter was constructed on lands owned by Grace Church and leased to Second Base pursuant to a Ground Lease having a term of 40 years. There are 15 years currently remaining on the lease term. The ongoing required purchase of service funding had been provided by Shelter, Support and Housing Administration (SSHA) while the shelter was in operation. Second Base ceased active shelter operations in October of 2015 and SSHA has determined that continued shelter services are required at this location. The City will acquire the remaining leasehold interest accrued to Second Base through the Leasehold Interest Agreement. Second Base currently has a sublease in place with Homes First Society, with the consent of Grace Church.

To assist Second Base with the wind down of their program, Housing Help and Closure Costs funds were advanced by SSHA. Second Base has agreed that those amounts will be repaid to the City (SSHA) through adjustments on the closing relative to the leasehold interest acquisition of the remaining 15 year term. Grace Church has agreed to enter into an Assumption with the City and Second Base whereby the City will assume the rights and obligations under the Ground Lease which will be amended to increase the term from 15 years to 40 years and to reflect current market rent. It is intended that the facility will be subsequently sub-leased by the City to a purchase of service operation, which will be determined through the competitive bidding process to be conducted by SSHA staff.

As authorized by DAF 2017-225, the City will enter into a sublease agreement with Homes First Society for one (1) year and a consent to assign the lease with Grace Church, for the purpose of continuing the shelter operations and services at the Property until the competitive bidding process can be completed. Homes First Society will be required to pay to the City the Ground Rent owed under the Ground Lease and will assume all operating costs during its occupancy of the Property.

Real Estate Services staff have obtained a detailed valuation of Second Base's remaining leasehold interest and are satisfied as to its accuracy. Further, a Designated Substance Survey and Phase 1 Environmental Site Assessment have been completed and no concerns have been indicated. A Building Condition Assessment has also been completed and a cost estimate of high priority required repairs has been identified and through negotiations with Second Base, those required capital and maintenance costs are deducted from the leasehold interest consideration.

Appendix "B"

Terms and Conditions

Leasehold Interest Agreement

Tenant:	Second Base Scarborough Youth Shelter
Property:	702 Kennedy Road, Toronto which is situated on lands leased from the Incumbent and Churchwardens of the Church of the Epiphany, Scarborough (Grace Church) being those parts of Block A on Registered Plan No. 5180, City of Toronto, being described as Parts 3, 4, 5, 6, 7, 15, 16, and 17 as shown on Plan 64R-13459 [part of Parcel 06438-0368(LT)] in Appendix "D"
Balance due on Completion:	\$650,000.00 (plus HST) after adjustments
Completion Date:	September 1, 2017, 2017 (or as mutually agreed)
Pre-conditions to Completion:	<p>(1) This agreement is conditional on Second Base assigning and disposing to the City their leasehold interest in the lease with the Grace Church for the remaining term, subject to any amendments that the City and the Grace Church may agree upon.</p> <p>(2) This agreement is conditional upon Second Base entering into release/surrender agreements with Grace Church and the Ministry of Community and Social Services on or before the Completion Date. This is in relation to the Lease Amending Agreement which expires July of 2032 that was entered into by Second Base, the Church, and the Ministry in order to set out obligations of those parties in the event of default or other termination of the Lease. This condition further relates to the Capital Funding Agreement which expires April 2031 that Second Base and the Ministry entered into in order to secure the obligations of Second Base as it related to the capital funding provided by the Ministry. The City requires the Province no longer have any interests either in the Property or the Ground Lease.</p> <p>(3) This agreement is conditional upon the payment in full of all obligations owed by Second Base to its lender, the Finnish Credit Union Limited, which obligations are secured by way of a leasehold mortgage registered on title and a general security agreement against the assets of Second Base. Both will be released/discharged as a consequence of this transaction.</p>
Warranties:	Second Base represents and warrants that all warranties provided for in the agreement are correct and true as to the best of their knowledge.
Indemnities:	Second Base will provide written a covenant to indemnify and save harmless the City from and against any claims incurred by the City resulting from any breach of the Warranties.

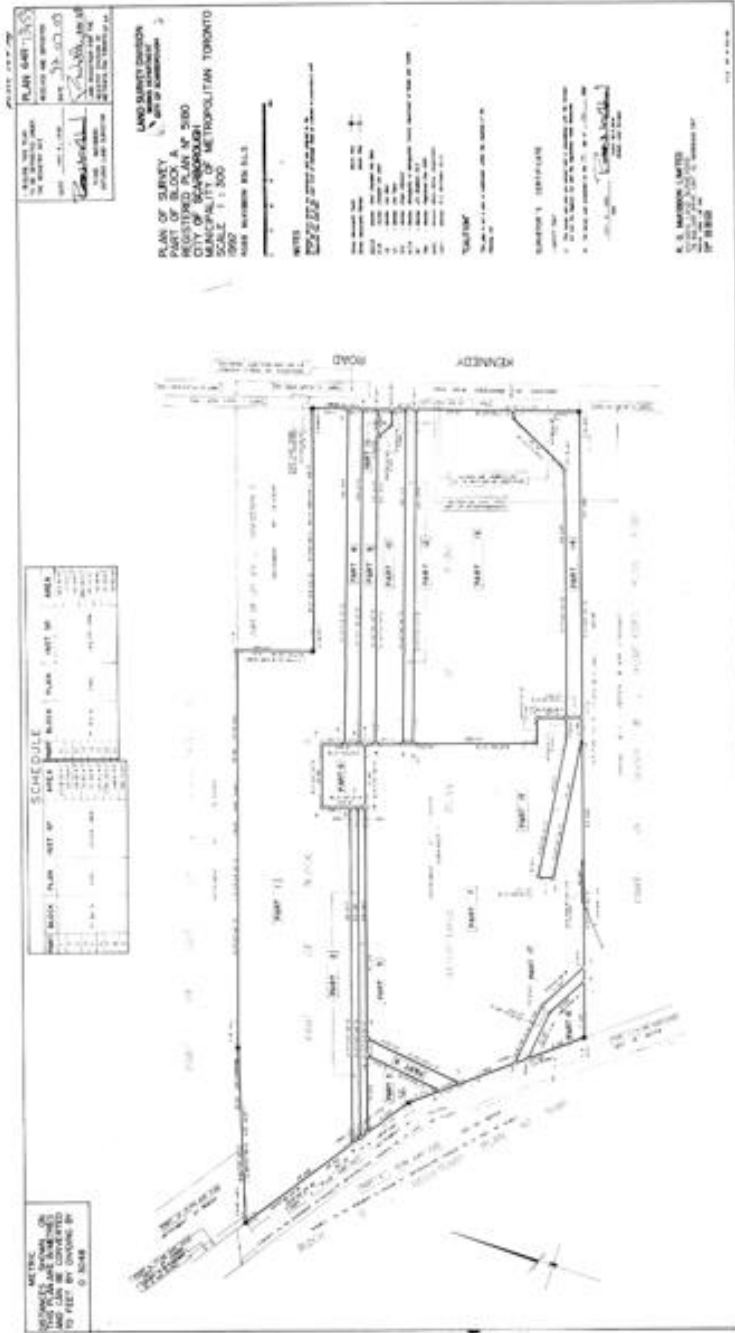
Appendix "C"

Ground Lease and Assumption:

Landlord:	The Incumbent and Churchwardens of Grace Church in Scarborough
Assignor:	Second Base Scarborough Youth Shelter
Assignee:	City of Toronto
Amended Term:	40 years commencing on September 1, 2017 and terminating on August 31, 2057
Ground Rent:	\$28,800.00 per annum for the first 5 years payable annually in equal monthly installments and increasing by the CPI of the last calendar year of the previous five-year period until the year 2057. The Ground Lease is otherwise net to the Landlord, the City being obligated to pay all other costs, whether utility, maintenance, or capital.
Realty Tax Implications:	It is contemplated that the City will enter into a Municipal Capital Facility Agreement in order to confirm the continued tax exempt status of the Property under Bylaw 25120 (former Scarborough).
Legal Fees:	\$4,000, exclusive of HST tax, to cover legal costs incurred by Grace Church in the review and execution of this agreement. Grace Church has provided a written accounting of such costs.
Right to Sublet:	A sub-lease of the entire Property for shelter uses is permitted under the Ground Lease, however Grace Church must be provided with at least 60 days prior written notice and the City and the sub-Tenant must enter into Grace Church's form of Consent agreement. All reasonable legal costs of Grace Church incurred with respect to any sublease, not to exceed \$2,000.00 per occurrence, inclusive of tax, will be paid for by the City.
Insurance:	The City, or its subtenant, will be required to maintain "All Risks" building insurance on a replacement basis together with a Builder's Risk rider during any periods of construction showing Grace Church as an additional insured. Further the City is also required to carry Commercial General Liability insurance in the amount of \$5 million which may be adjusted from time to time.

Appendix "D"

Plan 64R-13459



Appendix "E"

Location Map

