



STAFF REPORT ACTION REQUIRED

Below-Market Rent Renewal Lease Agreement with Scarborough Historical Society at 6282 Kingston Road

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| Date: | March 16, 2016 |
| To: | Government Management Committee |
| From: | Chief Corporate Officer and General Manager, Economic Development and Culture |
| Wards: | Ward 44 Scarborough East |
| Reference Number: | P:\2016\Internal Services\RE\Gm16010re (AFS # 22679) |

SUMMARY

The purpose of this report is to obtain City Council authority to renew a Below-Market Rent ("BMR") lease agreement with Scarborough Historical Society ("SHS") for approximately 3,785 square feet of City-owned space located at 6282 Kingston Road (the "Lands").

RECOMMENDATIONS

The Chief Corporate Officer and the General Manager of Economic Development and Culture recommend that:

1. City Council grant an exemption from the Return on Investment (ROI) requirement set out in the City's below market rent policy as the tool is under development with Social Development, Finance and Administration Division.
2. City Council:
 - a. Authorize a lease renewal (the "Agreement") with Scarborough Historical Society ("SHS") for a five (5) year term based on the terms and conditions set out in the attached Appendix "A", and other terms and conditions deemed appropriate by the Chief Corporate Officer (the "CCO") in consultation with the General Manager, Economic Development and Culture (the "GM"), and in a form acceptable to the City Solicitor; and

- b. Deem the grant of the Agreement at below market rent to be in the interest of the City.
3. City Council authorize the City Solicitor to complete the Agreement, deliver any notices, pay expenses and amend the commencement and other dates to such earlier or later date(s), on such terms and conditions, as they may, from time to time, determine.
4. City Council authorize the Chief Corporate Officer to administer and manage the Agreement, including the provision of any consents, approvals, notices and notices of termination, provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.

Financial Impact

The proposed Agreement with SHS is for the renewal of an existing lease of 3,785 square feet of space located at 6282 Kingston Road for a nominal net rent consideration. All operating costs, maintenance fees, and utilities related to the building occupancy will be paid by SHS directly.

In accordance with the City's BMR policy, the opportunity costs of entering into the Agreement must be determined and reported to City Council. Research indicates that the total opportunity cost of the SHS lease over the 5-year term is approximately \$325,000.00 plus HST.

SHS is currently exempt from paying all realty taxes related to the Lands, however the Municipal Property Assessment Corporation ("MPAC") is currently assessing the Lands to determine their eligibility for tax exemption. Pending MPAC's review, the Tenant will be responsible for all realty taxes related to the Lands if the Lands are deemed non-exempt.

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

DECISION HISTORY

At its meeting on October 1, 2, and 3, 2002, Council adopted "A Policy for City-Owned Space Provided at Below-Market Rent" (the 'BMR Policy') as the first step in rationalizing how City-owned space is provided to community and cultural organizations.

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

Through subsequent reports, Council has refined the BMR policy framework and has authorized the extension of existing BMR lease agreements. The most recent report was submitted to City Council on November 19 and 20, 2007 titled "Providing City-Owned Space to Community Organizations at Below-Market Rent."

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/pof7rpt/cl024.pdf>

One of the five key recommendations of Creative Capital Gains, the City's cultural action plan adopted by City Council, is "To ensure a supply of affordable, sustainable, cultural space." The renewal of an existing BMR lease supports this recommendation:

[Chttp://www1.toronto.ca/city_of_toronto/economic_development_culture/cultural_services/cultural_affairs/initiatives/files/pdf/creative-capital-gains-report-august9.pdf](http://www1.toronto.ca/city_of_toronto/economic_development_culture/cultural_services/cultural_affairs/initiatives/files/pdf/creative-capital-gains-report-august9.pdf)

By adoption of the Administration Committee Report No. 16, Clause 14, on August 1, 2, 3, and 4, 2000, Council approved the expropriation of 6282 Kingston Road, the Morrish Store. Expropriation Plan no. 12188 was registered on October 17, 2000 and Notices of Expropriation, Notices of Election as to Date of Compensation and Notices of Possession were served on November 8, 2000.

SHS entered into a five year BMR lease agreement with the City to utilize approximately 3,785 square feet of City-owned space located at 6282 Kingston Road in 2011.
<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-7803.pdf>

The BMR policy established a framework for the leasing of City-owned space to not-for-profit community organizations at below-market rent where their services or programs align with approved Council priorities. This proposed tenancy is consistent with this framework.

ISSUE BACKGROUND

SHS promotes, preserves and stimulates an interest in the history of Scarborough. Founded in 1956, SHS has grown to be one of the largest and most active historical societies in Canada. Their focus is to collect and share the history of Scarborough from its earliest recorded history to the experiences of its newest residents. SHS activities aim to collect, preserve, protect, identify, relocate and restore any buildings or artifacts concerning the heritage of Scarborough. SHS operates and maintains the Scarborough Archives and is open to the public daily for tours and research.

SHS current lease agreement with the City expires on May 31, 2016. An eligibility review and performance assessment for BMR status was conducted by the Economic Development and Culture Division at the City of Toronto in February 2016. The organization was deemed eligible to continue occupying its City-owned space as a BMR tenant. Council authority is now required to enter into the Agreement renew the current lease.

COMMENTS

The City has a long history of supporting the community-based service sector and cultural organizations by way of providing of space for administrative and program delivery purposes. It should be noted that this location is outside the downtown core and is an area of the City that has far less access to cultural space and programs.

The renewal of the BMR lease agreement at 6282 Kingston Road will allow SHS to continue to provide its valuable services to Scarborough communities.

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SIGNATURE

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ATTACHMENTS

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