TORONTO

STAFF REPORT
ACTION REQUIRED

Child Care Lease Agreements between City of Toronto and Toronto Community Housing Corporation

Date:	July 24, 2014
To:	Government Management Committee
From:	Chief Corporate Officer and General Manager, Children's Services
Wards:	**01,03,07,08,11,12,20,24,35,37,40,43**
Reference Number:	P:\2014\Internal Services\RE\Gm14021re – (AFS 19967)

SUMMARY

The purpose of this Report is to obtain Council's authority for the City, as tenant, to enter into Fifteen (15) lease agreements for directly operated Early Learning and Child Care programs with Toronto Community Housing Corporation, as landlord, for a five (5) year term, commencing January 1, 2014 substantially on the terms and conditions set out in Appendix "A".

RECOMMENDATIONS

The Chief Corporate Officer and the General Manager, Children's Services, recommend that:

1. Council authorize the City, as tenant, to enter into Fifteen (15) lease agreements with Toronto Community Housing Corporation, as landlord, for each of the directly operated Early Learning and Child Care locations listed in Appendix "A", substantially on the terms and conditions set out in Appendix "A" together with such other terms and conditions deemed appropriate by the Chief Corporate Officer and in form satisfactory to the City Solicitor.

2. Council grant authority for the Chief Corporate Officer to administer and manage the lease agreements, 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 total expenditure for the five (5) year term of the leases, commencing January 1, 2014, is estimated to be approximately $5,590,347.62 plus HST as shown on Appendix "B". Annual funding of $1,052,946.81 plus HST is available in the 2014 Operating Budget for Children's Services. The rent under the previous leases was $17.39 per square foot of the child care centre space. Under the five year renewal term, the gross rent has been set at $17.91 per square foot for the first year of the term and will be increased by 3% per annum for every successive year in the term of the lease. Funding requirements from 2015 to 2018 will be included in respective year's Operating Budget Submission for Children's Services and accommodated within approved operating budget targets

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

DECISION HISTORY

The subject Early Learning and Child Care Centres which are directly operated by the City through the Toronto Early Learning and Child Care Unit of Children's Services have been in operation in public housing facilities for many years. At its meeting of December 11, 12 & 13, 2007, Council approved new lease agreements for each location with Toronto Community Housing, based on standardized terms and conditions.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2007.GM10.9

Prior to the expiry of the existing sixteen standardized leases, the City exercised the option to renew the leases for the five year renewal term commencing January 1, 2009**.** The new lease agreements were on the same terms and conditions as the existing leases except as to rent and with no further rights of renewal.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.GM22.12

COMMENTS

City staff has, subject to Council approval, negotiated new rental rates for the five year term**.** The rent under the last year of the term of the existing leases is $17.39 per square foot of the child care centre space. For the proposed fifteen leases for the five year term, the negotiated rents are $17.91 per square foot of the child care centre space for the first year of the term, which rent will be increased annually by 3% per annum for every successive year in the term of the lease. The rents for the five year term have been calculated and are shown on Appendix "B".

It is the opinion of City Staff that the new rental rates are fair, reasonable and reflect market rent. Children's Services concurs with the negotiated rental rates.

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SIGNATURE

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Josie Scioli	Elaine Baxter-Trahair
Chief Corporate Officer	General Manager
	Children's Services

ATTACHMENTS

Appendix "A" - Major Terms and Conditions - Lease Agreements
Appendix "B" - Proposed Annual Rents for Rental Period January 1, 2014 to December 31, 2018

Appendix "A"
Major Terms and Conditions
Lease Agreements

Property Address Legal Description	Ward No.	Sq. Ft. Area	Amount for Year 1 of Lease	Parking Spots
75 Augusta Square	20	3,397 plus Play area – 6,403	$60,840.Yr. $5,070.mthly.	4 spots
365 Baymills Blvd.	40	3,763 plus Play area – 4,520	$67,395.Yr. $ 5,616.Mthly	4 spots
5 Brahms Avenue	24	3,340 plus Play area 4,675	$59,819.Yr. $4,984.Mthly.	3 spots
4 Cane Grassway	7	4,694 plus Play area – 8,154	$84,069.Yr $7,005.80Mthy.	Staff parking in designated area
7 Capri Road	3	3,107 plus Play area – 4,617	$55,646.Yr. $4,637.Mthly	
30 Denarda Street	11	1,950 plus Common Play area - 40,500	$34,924.Yr. $2,910.Mthly.	
405 Driftwood Ave.	8	5,412 plus Play area – 7,685	$96,928.Mthly $8,077.Yr	4 spots
10 Falstaff Avenue	12	6,928 plus Play area – 9,007	$124,080.Yr. $10,340.Mthly.	8 spots
31 Gilder Drive	37	3,287 plus Play area – 4,650	$58,870.Yr. $4,905.Mthly.	4 spots
47 Gilder Drive	37	1,296 plus Play area – 1,671	$23,211.Yr. $1,934 Mthly.	
20 Gordonridge Place	35	4,960 plus Play area – 8,355	$88,833.Yr. $7,402.Mthly.	3 spots underground Parking garage
2765 Islington Ave.	01	3,320 plus Play area – 4,493	$59,461.Yr. $4,955.Mthly	
4299 Kingston Road	43	6,092 plus Play area – 11,365	$109,107.Yr. $9,092.Mthly.	4 spots
3847 Lawrence Ave. East	43	4,036 plus Play area – 9,718	$72,284.Yr. $6,023.Mthly	7 spots
3101 Weston Rd	7	3,209 Sq Ft	$57,473.Yr. $4,789.Mthly.	
Total		**58,791 Sq. Ft.**	**1,052,946.81 Yr. $87,746.Mthly**	

Landlord:

Toronto Community Housing Corporation

Term:

Five (5) Year Term, Commencing on January 1, 2014 and ending on December 31, 2018

Use:

The operation of the Child Care Centre offering day care services consistent with the Day Nurseries Act

Rent:

$17.91 semi-gross per square foot. inclusive of air conditioning, heating, hydro, and water consumption and life safety systems, parking spaces and parking maintenance costs.

Additional Rent:

The Tenant arranges at its expense Security and waste management services

Renewal Option:

The Tenant shall have the option to renew this Lease for one additional term of Five (5) Years. In order to exercise its option to renew this Lease, the Tenant must give to the Landlord notice of renewal in writing not less than six (6) months before the date of expiry of the Term

Termination:

Either the Landlord or the Tenant may terminate this Lease at any time during the Term provided that the Landlord or the Tenant gives the other party not less than one hundred and eighty (180) days prior written notice.

Repairs:

The Tenant agrees to provide interior maintenance and repair to the Child Care Centre, at its expense, including janitorial cleaning, repainting, pest control, purchase and maintenance of air conditioning units, provision of portable fire extinguishers, and replacement flooring if deemed necessary by the Tenant.

The Tenant agrees to maintain and repair the Playground, as the Tenant deems necessary for the use under this Lease, throughout the Term.

Municipal Capital Facility:

The Landlord acknowledges that the Tenant has the right in its discretion, to request Council to exempt the leased Premises from taxation for municipal and school purposes if the Tenant considers that the Leased Premises may be used as a municipal capital facility. Provided Council grants satisfactory approval to this effect, the Landlord agrees to enter at its sole cost and expense into the necessary municipal capital facility agreement with the City pursuant to Section 252(1) of City of Toronto Act, 2006, as amended, in a form acceptable to the City Solicitor and legal counsel for the Landlord and to pass the full benefit of such exemption onto the Tenant during the entire period of any such exemption.

Redevelopment of Site:

If the Landlord decides to substantially develop or redevelop any of the properties containing the sixteen (16) locations, or a portion thereof, and said development or redevelopment requires the relocation of the Tenant, then;

The Landlord shall give the tenant not less than one hundred and eighty (180) days' written notice of the Landlord's intention to relocate the tenant to another property owned or operated by the Landlord;

The Landlord shall pay for all costs associated with the relocation.

Appendix "B"

Proposed Annual Rents for Rental Period January 1, 2014 to December 31, 2018

Total Gross Rent $5,590,237.61

Address	Square Footage	2014 Gross Rent/Annum	2015 Gross Rent/Annum	2016 Gross Rent/Annum	2017 Gross Rent/Annum	2018 Gross Rent/Annum
4299 Kingston Rd.	6,092	$109,107.72	$112,380.95	$115,752.38	$119,224.95	$122,801.70
3847 Lawrence E.	4,036	72,284.76	74,453.30	76,686.90	78,987.51	81,357.13
31 Gilder Drive	3,287	58,870.17	60,636.28	62,455.36	64,329.02	66,258.89
47 Gilder Drive	1,296	23,211.36	23,907.70	24,624.93	25,363.68	26,124.59
20 Gordonridge Pl.	4,960	88,833.60	91,498.61	94,243.57	97,070.87	99,983.00
365 Baymills Blvd.	3,763	67,395.33	69,417.19	71,499.71	73,644.70	75,854.04
5 Brahms Ave.	3,340	59,819.40	61,613.98	63,462.40	65,366.27	67,327.26
405 Driftwood Ave	5,412	96,928.92	99,836.79	102,831.89	105,916.85	109,094.35
4 Cane Grassway	4,694	84,069.54	86,591.63	89,189.37	91,865.06	94,621.01
75 Augusta Sq	3,397	60,840.27	62,665.48	64,545.44	66,481.81	68,476.26
3101 Weston Road	3,209	57,473.19	59,197.39	60,973.31	62,802.51	64,686.58
10 Falstaff Avenue	6,928	124,080.48	127,802.89	131,636.98	135,586.09	139,653.67
7 Capri Road	3,107	55,646.37	57,315.76	59,035.23	60,806.29	62,630.48
2765 Islington Ave	3,320	59,461.20	61,245.04	63,082.39	64,974.86	66,924.10
30 Denarda St	1,950	34,924.50	35,972.24	37,051.40	38,162.94	39,307.83
	58,791	**$1,052,946.81**	**$1,084,535.21**	**$1,117,071.27**	**$1,150,583.41**	**$1,185,100.91**