



STAFF REPORT ACTION REQUIRED

Lease Agreement with St. Lawrence Co-operative Day Care

Date:	April 22, 2016
To:	Government Management Committee
From:	Chief Corporate Officer and General Manager, Children's Services
Wards:	28 – Toronto Centre-Rosedale
Reference Number:	P:\2015\Internal Services\RE\Gm16015re AFS (22870)

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a new lease agreement with St. Lawrence Co-operative Day Care Inc. for approximately 5,763 square feet of space in the St. Lawrence Community Centre building located at 230 The Esplanade for nominal consideration.

RECOMMENDATIONS

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

1. City Council authorize a new lease agreement (the "Lease Agreement") with St. Lawrence Co-operative Day Care Inc. ("St. Lawrence Day Care") for a term of five (5) years with an option to renew for a further five (5) years for nominal consideration, substantially based on the terms set out in the attached Appendix A, and on such other or amended terms and conditions acceptable to the Chief Corporate Officer, or her designate, and in a form acceptable to the City Solicitor, and that this grant be deemed to be in the interest of the City.
2. City Council authorize the Chief Corporate Officer, or her designate, to administer and manage the Lease 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 Lease Agreement will provide the St. Lawrence Day Care with approximately 5,763 square feet of space comprised of 4,927 square feet of indoor space and 836 square feet of outdoor space for playground purposes (the "Leased Premises") for nominal net rent consideration. All operating costs related to the building occupancy (currently estimated at \$15,214 per year based on a rate of \$2.64 per square foot according to figures provided by Parks, Forestry & Recreation staff), plus any property taxes assessed, will be paid by the tenant, resulting in no expected costs to the City of Toronto so long as the St. Lawrence Day Care is able to pay on time and continues to be financially viable.

Research indicates the total opportunity cost of the Lease Agreement over the potential 10-year term is approximately \$1,124,500 based on a market rate of \$17.82 per square foot and an annual appreciation rate of 2%.

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

DECISION HISTORY

At its meeting on July 2, 1996, City Council adopted Clause No. 2 of the Executive Report No. 20 thereby authorizing the execution of a ten (10) year lease between The Corporation of the City of Toronto and St. Lawrence Co-operative Day Care (the "Original Lease").

At its meeting held on November 26, 27 and 28, 2002, City Council adopted Clause 2 of the Economic Development and Parks Committee Report No. 10 authorizing a renewal of the Original Lease between City of Toronto and St. Lawrence Co-operative Day Care Inc. for a period of ten (10) years.

ISSUE BACKGROUND

St. Lawrence Day Care is operated by a non-profit board of directors comprised of parents and community members and has been a tenant of the St. Lawrence Community Centre since 1992. The original lease, dated August 31, 1992, was for a term of 10 years with an automatic right to renew for a further 10 year term on the same terms and conditions except for the requirement by the tenant to pay all or any specified portion of the Landlord's operating costs attributable to the Leased Premises. There was also no further right to renew. The lease was renewed in 2002 for a further 10-year term, which expired on August 30, 2012.

Since then, St. Lawrence Day Care has continued its occupancy on a month-to-month basis in accordance with the terms and provisions of the expired lease. Additional rent to cover operating costs has not been charged by the Parks, Forestry & Recreation division, which has operational management of the building, however, the tenant was asked to assume responsibility for all caretaking, cleaning and janitorial work related to the Leased Premises during its second term.

COMMENTS

The St. Lawrence Day Care provides quality child care for children ages 2.5-12 years of age. It is licensed by the Ministry of Education to educate 107 children comprised of 47 preschool children and 60 school age children in the Leased Premises.

The St. Lawrence Day Care entered into the existing Purchase of Service Agreement with the Children's Services division on July 1, 1999. The agreement is in good standing and the centre continues to meet or exceed the quality standards set by the City. Through this agreement with the City, fee subsidies are available to assist eligible parents with the cost of care and wage grants help to offset the high cost of child care for all families accessing the service.

In 2015 the St. Lawrence Day Care received \$629,675 in fee subsidies on behalf of families and \$125,812 in wage grants. The amount of money this centre receives from the City can vary annually as a result of changes in the number of families enrolled in the centre in receipt of fee subsidy and changes in the centre's operating capacity affecting the number of staff it employs.

The St. Lawrence Day Care has not been assessed under the City's existing Below-Market Rent (BMR) Policy as the policy is currently under review by the Social Development, Finance & Administration (SDFA) division, in consultation with other City divisions. Authority is being sought from City Council to enter into the proposed Lease Agreement pursuant to Section 83(1) of the *City of Toronto Act, 2006*, which allows City Council to provide grants to non-profit corporations for any purpose that Council considers to be in the interest of the City. City staff consider the proposed Lease Agreement to be in the City's interest as it assists the St. Lawrence Day Care to continue providing much needed high quality child care services in the local community.

CONTACT

Joe Casali
Director, Real Estate Services
Tel: (416) 392-7202
jcasali@toronto.ca

Karen Wilson
District Director, Children's Services
Tel: (416) 392-3997
KWilson1@toronto.ca

SIGNATURE

Josie Scioli
Chief Corporate Officer

Elaine Baxter-Trahair
General Manager, Children's Services

ATTACHMENTS

Appendix A: Proposed Lease Terms and Conditions
Appendix B: Location Map, Site Map and Sketch of Leased Premises

Appendix A: Proposed Lease Terms and Conditions

Property Address:	230 The Esplanade
Leased Premises:	Total area of 5,763 ft ² : 4,927 ft ² indoor space & 836 ft ² outdoor space all located on the first floor of the building, as shown on Appendix B.
Landlord:	City of Toronto
Tenant:	St. Lawrence Co-operative Day Care Inc.
Use:	Licensed day care in accordance with the Lease Agreement and its Purchase of Service Agreement with the City dated July 1, 1999.
Basic Rent:	Basic rent of \$2.00 per annum (\$10.00 in total for the initial 5-year term) payable at the Commencement Date of the Lease Agreement, plus all applicable taxes.
Additional Rent:	The Tenant is responsible for its proportionate share of operating costs and is also responsible for any other applicable additional costs related to the premises.
Property Tax:	The Tenant shall be responsible for any property taxes levied on the premises.
Commencement Date:	August 1, 2016, or such other date acceptable to the Chief Corporate Officer
Lease Term:	5 year term

Option to Renew:

The Tenant shall have the option to extend the Term for an additional 5-year term on the same terms and conditions as the Lease Agreement, conditional on the Tenant retaining its not-for-profit status, complying with its Purchase of Service Agreement with the City, and subject to the City's right to recover full operating costs.

Insurance:

The Tenant is to provide on an annual basis proof of insurance in accordance with the Landlord's insurance requirements prior to the Commencement Date.

Early Termination:

The Landlord shall have the right to terminate the Lease Agreement for any reason at any time during the Term upon providing the Tenant with three (3) months' prior written notice.

Pre-Authorized Payment:

The Tenant shall pay rent through a pre-authorized payment method by completing the Landlord's standard Pre-Authorized Payment Plan Application Form.

Late Payment Charge:

Interest on the amount outstanding shall bear simple interest at the rate of 1.25% per month (15% per year). Subject to City Council approval, the default rate of interest may be increased by the Landlord from time to time, by notice to the Tenant.

Appendix B: Location Map, Site Map and Sketch of Leased Premises



