



STAFF REPORT ACTION REQUIRED

Lease Agreement with Earlscourt-Crèche Child Development Institute at Wellesley Community Centre - 495 Sherbourne Street

Date:	September 22, 2016
To:	Government Management Committee
From:	Chief Corporate Officer and General Manager, Children's Services
Wards:	28 – Toronto Centre-Rosedale
Reference Number:	P:\2016\Internal Services\RE\Gm16042re AFS (23684)

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a new lease agreement for nominal consideration with Earlscourt-Crèche Child Development Institute for the existing City-built child care centre comprising approximately 5,705 square feet of space on the second floor of the building known as Wellesley Community Centre, located at 495 Sherbourne Street (the "Centre").

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 Earlscourt-Crèche Child Development Institute ("CDI") for nominal consideration for a term of five (5) years, substantially based on the terms set out in 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, amendments, approvals, notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) for City Council for its determination and direction.

Financial Impact

The Lease Agreement will provide CDI with approximately 5,705 square feet of space (the "Leased Premises") for nominal net rent consideration of \$2 per year. All operating costs related to the occupancy of the Leased Premises by CDI (currently estimated at \$39,364.50 per year based on a rate of \$6.90 per square foot according to figures provided by Parks, Forestry and Recreation staff), plus any property taxes assessed against the Leased Premises, will be paid by CDI, resulting in no expected costs to the City of Toronto, as long as CDI is able to pay on time and continues to be financially viable.

Research indicates the total opportunity cost of the Lease Agreement over the five (5) year term is approximately \$338,847, based on a market rate of \$19.41 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 of September 22, 23, 24 and 25, 2003, City Council approved Report No.7 of the Community Services Committee authorizing Children's Services division to use a Request for Expressions of Interest process to select a child care operator for City-built child care centres. The report is available at:

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030922/cms7rpt/cl009.pdf>

At its meeting of November 30, December 1 and December 2, 2004, City Council adopted Clause 2 of Economic Development and Parks Committee Report No.8, authorizing a licence agreement with CDI for the Leased Premises for a five (5) year term, with CDI having the option to renew the licence agreement for an additional five (5) years at nominal rent. The report is available at:

<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/edp8rpt/cl002.pdf>

ISSUE BACKGROUND

CDI is a non-profit organization operating six (6) child care centres in Toronto, including the Centre at the Leased Premises. The original licence agreement with CDI for the Leased Premises was for a term of five (5) years commencing July 1, 2005 and expiring June 30, 2010 with an automatic right to renew for a further five (5) years on the same terms and conditions except for a further right to renew. The licence agreement was extended for a further five (5) years commencing July 1, 2010 and expiring June 30, 2015. Since then, CDI has continued its occupancy on a month-to-month basis in accordance with the terms and conditions of the expired licence.

COMMENTS

The Centre is licenced by the Ministry of Education to provide quality child care for 62 children (10 infants, 20 toddlers and 32 preschool children) at the Centre. CDI entered into the existing Purchase of Service Agreement with the City's Children's Services division on November 12, 2004. 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 families accessing this service.

In 2015, the Centre received \$1,002,358.17 in fee subsidies on behalf of families and \$87,044 in wage grants from the City. The amount of money the Centre receives from the City can vary annually as a result of changes in the number of families enrolled in receipt of fee subsidy and changes in its operating capacity affecting the number of staff it employs.

CDI has not been assessed under the City's existing Below-Market Rent Policy, as the policy is currently under review by the Social Development, Finance & Administration division, in consultation with other City divisions. Authority is being sought from City Council to enter into the 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 interests of the City. City staff consider the Lease Agreement to be in the City's interests as it assists CDI to continue providing much needed high quality child care services in the local community.

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SIGNATURE

Josie Scioli
Chief Corporate Officer

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General Manager
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ATTACHMENTS

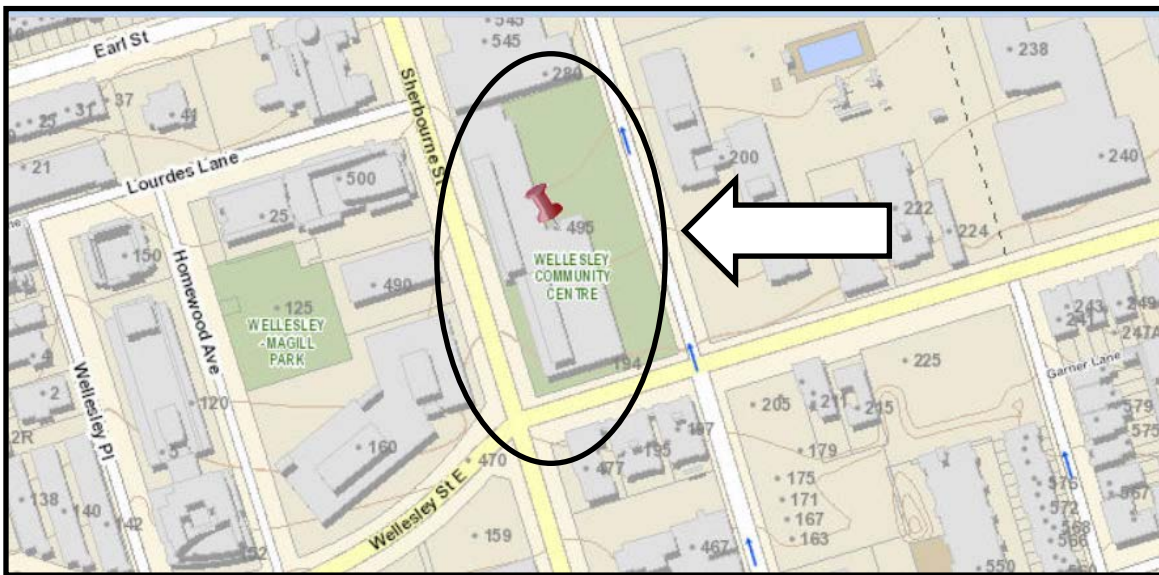
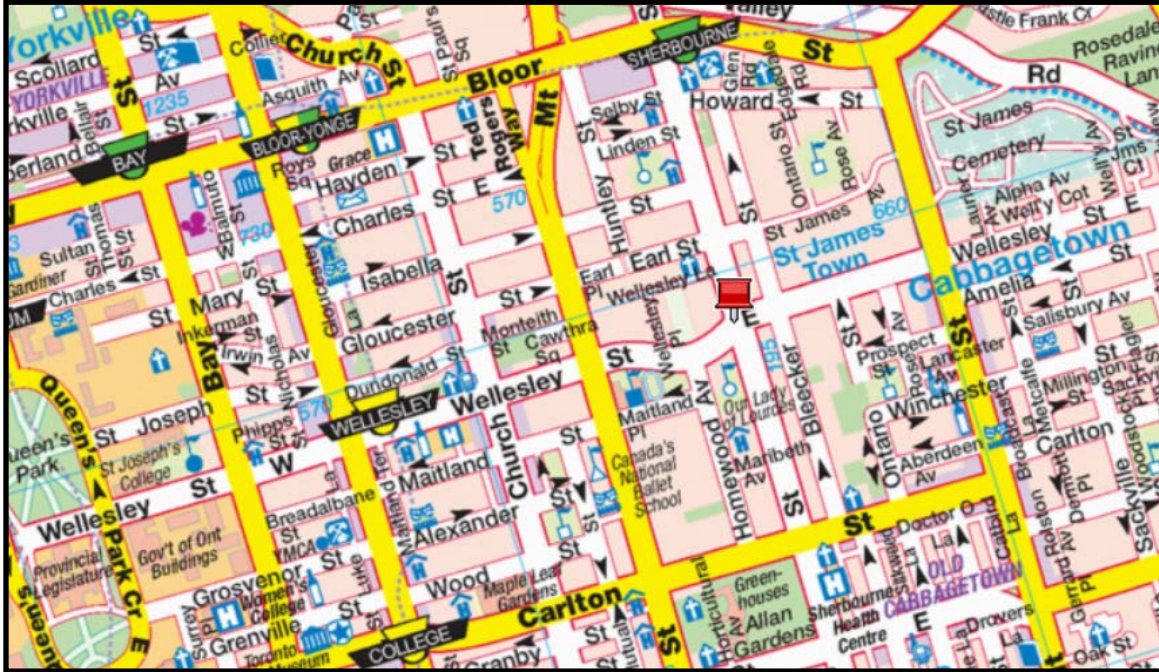
Appendix A: Proposed Lease Terms and Conditions
Appendix B: Location Map, Site Map and Sketch of Leased Premises

Appendix A: Proposed Lease Terms and Conditions

Property Address:	495 Sherbourne Street
Leased Premises:	5,705 ft ² : of space located on the second floor of the Wellesley Community Centre building, as shown on Appendix B.
Landlord:	City of Toronto
Tenant:	Earls court-Crèche Child Development Institute
Use:	A not-for-profit child care centre licensed under the <i>Child Care Early Years Act, 2014</i> , as same may be amended or replaced from time to time, in accordance with the Lease Agreement and the Tenant's Purchase of Service Agreement with the City dated November 12, 2004.
Basic Rent:	\$2.00 per annum (\$10.00 in total for the 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 Leased Premises.
Property Tax:	The Tenant shall be responsible for any property taxes levied on the Leased Premises.
Commencement Date:	December 1, 2016 or such other date acceptable to the Chief Corporate Officer

Term:	5 years
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 and on each anniversary thereof.
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



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