

Below Market Sublease Agreement with Lumenus Community Services for EarlyON Centre Programs - 30 Sheppard Avenue East

Date: August 28, 2020

To: General Government and Licensing Committee

From: Executive Director, Corporate Real Estate Management and General Manager, Children's Services

Wards: Ward 18 - Willowdale

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a new sublease agreement with Lumenus Community Services for a five (5) year term for approximately 4,500 square feet area for EarlyON Centre programs, on the fourth floor of the building located at 30 Sheppard Avenue East, for nominal consideration.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management and General Manager, Children's Services, recommend that:

1. City Council authorize a new sublease agreement with Lumenus Community Services 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 Appendix A, and on such other or amended terms and conditions acceptable to the Executive Director, Corporate Real Estate Management.
2. City Council authorize the City Solicitor to complete all relevant agreements, and all documentation as required, and to deliver any notices, and amend the respective commencement, termination and other dates to such earlier or later date(s), on such terms and conditions, as the City Solicitor, or its designate, may from time to time, determine.
3. City Council authorize the Executive Director, Corporate Real Estate Management to execute such documents required to complete the relevant sublease agreements.

FINANCIAL IMPACT

The proposed sublease agreement will provide Lumenus Community Services with approximately 4,500 square feet of space for the purpose of delivering services and programming for children and families, for nominal rent consideration. All operating costs related to the building occupancy, currently estimated at \$99,000 per year based on a rate of \$22 per square foot according to figures obtained by market comparable, in addition to any property tax assessed, will be paid by the developer, RK (Sheppard Centre) Inc., for the entire duration of the Head Lease (i.e. 99 years), resulting in no expected costs to the City of Toronto (the "City").

Market research indicates the total opportunity cost of the sublease agreement over the 10-year potential term (which includes an option to extend for one five-year term) is \$1.5 million based on a starting market base rental rate of \$31 per square foot, with annual inflation of 2.0 percent.

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

DECISION HISTORY

On October 1, 2, and 3, 2002, Council adopted the report titled Policy for City-Owned Space Provided at Below-Market Rent 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>

On November 7, 8 and 9, 2017, Council adopted the report titled Community Space Tenancy Policy, which provided that such policy does not apply to Children's Services, and that Children's Services will seek Council approval for their lease agreements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.8>

Item NY4.24 of the North York Community Council, adopted with amendments by City Council at its meeting of March 31, April 1 and 2, 2015; Item MM5.22 adopted by City Council on March 31, April 1 and 2, 2015; Item MM41.26 adopted by City Council on May 22, 23 & 24, 2018; Item MM1.10 adopted by City Council on December 4, 5 and 13, 2018; and Item MM6.8 adopted by City Council on April 16 and 17, 2019, authorized the City to enter into a Section 37 community benefits lease with RK (Sheppard Centre) Inc., dated October 29, 2019, for an EarlyON facility on the fourth floor of 30 Sheppard Avenue East, for a cumulative term of ninety-nine (99) years.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.NY4.24>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.MM5.22>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM41.26>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM1.10>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM6.8>

COMMENTS

This transaction pertains to a Section 37 community benefits lease with RK (Sheppard Centre) Inc., dated October 29, 2019, for a child care facility on the second floor of 30 Sheppard Avenue East, for a cumulative term of ninety-nine (99) years.

The developer is required to construct, finish, furnish and fully equip the space, in compliance with applicable laws and child care licensing requirements, and provide the space free of charge, at no cost to the City and completely rent free. The space shall be used only for an EarlyON facility to be operated by the City or a non-profit operator chosen or created by the City. The City may assign and sublet the lease, with the consent of the developer, not to be unreasonably withheld.

The operator was selected shortly after the City received the authority to manage EarlyON Child and Family Centres based on their long history of offering EarlyON services in the Ward. Lumenus was approached to consolidate its existing programs and provide service in this location using its own funding. This organization is committed to providing accessible, equitable, high quality services that welcome all families and are responsive to local community needs. Lumenus Community Services is a fully accredited and registered charitable organization.

Lumenus Community Services is a child and family centre that works with families and other care providers to strengthen children's social, emotional, behavioural, developmental and adaptive functioning in all environments. The Lumenus Community Services continuum of service delivery model provides families with access to a wide array of services based on their individual needs. This coordinated and integrated approach recognizes the importance of prevention, early intervention and treatment services.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Shanley McNamee
General Manager, Children's Services

ATTACHMENTS

Appendix A - Terms and Conditions of Sublease
Appendix B - Sketch of Sublease Premises
Appendix C - Floor Plan

Appendix A - Terms and Conditions of Sublease:

Property:	30 Sheppard Avenue East
Sublandlord:	City of Toronto (the "City")
Subtenant:	Lumenus Community Services
Consent of Head Landlord:	The consent to the Sublease, by the developer as Head Landlord, has been obtained.
Subtenant shall comply with the Head Lease:	The Subtenant shall comply with all of the terms and conditions of the Section 37 community benefits Lease dated October 29, 2019 between the City as tenant and RK (Sheppard Centre) Inc. as head landlord.
Sublease Premises:	Total area of 4,500 square feet; located on the fourth floor of the building, as shown in Appendix B
Rent:	Basic rent of \$2 per annum (\$10 in total for the initial 5-year term) payable at the Commencement Date of the Lease Agreement, plus all applicable taxes.
Additional Rent:	N/A
Property Tax:	N/A
Commencement Date:	On or about October 1, 2020
Sublease Term:	Five (5) years
Commence operation of Daycare	The Subtenant shall commence operation of EarlyON Centre programs, on or about May 1, 2020.
Option to Extend:	Provided the Subtenant retains its not-for-profit status, and is not in default of the Sublease, the Subtenant has the option to extend the Sublease Term for one (1) 5-year term, on the same terms and conditions as the Sublease Agreement, save and except for any further right of extension.

Property: 30 Sheppard Avenue East

Use of Premises: EarlyON Child and Family Centre programs for families with children 0 – 6, and for no other purpose

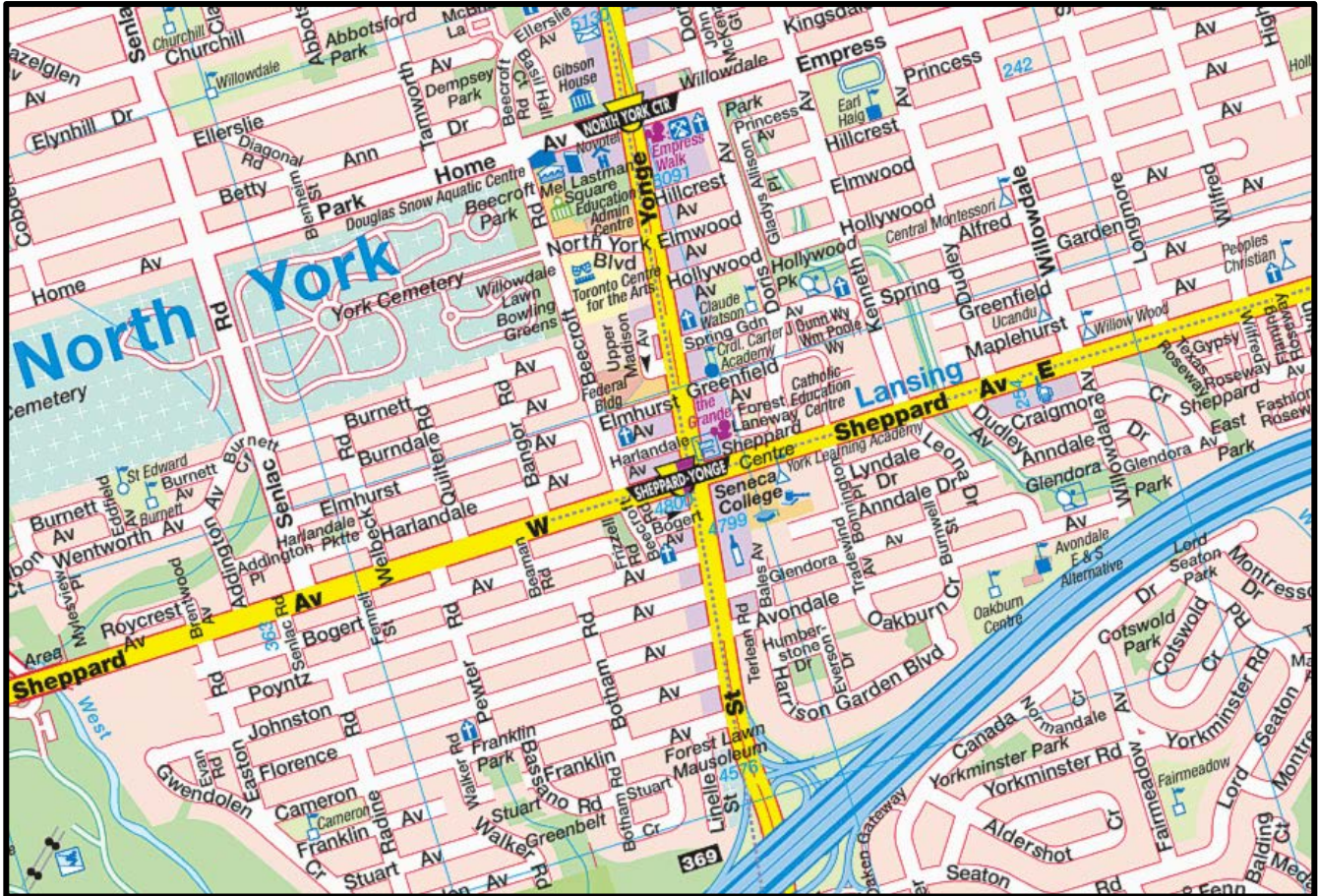
Insurance: The Subtenant shall provide an Insurance Certificate or other proof of insurance in accordance with City's insurance requirements prior to the Commencement Date, and thereafter on an annual basis, and upon request by the City.

Early Termination Rights: City of Toronto shall have the right to terminate the Sublease for any reason, and at any time during the Sublease Term, by providing the Subtenant with six (6) months' prior written notice.

Parking: Not included.

Other: N/A

Appendix B - Location



Appendix C - Floor Plan

