

## **Below Market Sublease Agreement with The Neighbourhood Group Community Services for Child Care Centre Programs - 30 Sheppard Avenue East**

**Date:** August 28, 2020

**To:** General Government and Licensing Committee

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

**Wards:** Ward 18 - Willowdale

### **SUMMARY**

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The purpose of this report is to obtain City Council authority to enter into a new sublease agreement with The Neighbourhood Group Community Services (The Neighbourhood Group) for a five (5) year term for approximately 6,448 square feet of interior space and approximately 3,197 square feet of outdoor play area for Child Care Centre programs, on the second floor of the building located at 30 Sheppard Avenue East, for nominal consideration.

### **RECOMMENDATIONS**

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

1. City Council authorize a new sublease agreement with The Neighbourhood Group 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

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The proposed sublease agreement will provide The Neighbourhood Group with approximately 6,448 square feet of interior space and approximately 3,197 square feet of outdoor play area for the purposes of delivering child care services, for nominal rent consideration. All operating costs related to the building occupancy, currently estimated at \$220,000 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.

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 \$3.4 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

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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 a child care facility on the second 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

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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 a child care 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 City undertook an Expression of Interest process to select an operator. The City looked for not-for-profit organizations who are committed to providing accessible, equitable, high quality services that welcome all families and are responsive to local community needs. The Neighbourhood Group was selected as a result of this process.

The Neighbourhood Group was founded in 1962 and opened its first childcare centre in the 1970's. The Neighbourhood Group is an independent, non-denominational, incorporated not-for-profit charitable organization.

The Neighbourhood Group's eight licensed child care centres in Toronto provide a stimulating and nurturing environment for children from birth to the age of 12, many of whom come from single parent and low-income families. Each centre offers a program of social, emotional and cognitive development in addition to nutritious meals and snacks prepared on site. In 2013, The Neighbourhood Group expanded child care programs to accommodate children in full-day kindergarten.

## CONTACT

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Therese Damaso, District Director, Children's Services, 416-392-5339, [Therese.Damaso@toronto.ca](mailto:Therese.Damaso@toronto.ca)

## **SIGNATURE**

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Patrick Matozzo  
Executive Director, Corporate Real Estate Management

Shanley McNamee  
General Manager, Children's Services

## **ATTACHMENTS**

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Appendix A - Terms and Conditions of Sublease  
Appendix B - Map of Sublease Premises  
Appendix C - Floor Plan (Indoor Area)

## Appendix A - Terms and Conditions of Sublease:

<b>Property:</b>	Part of 30 Sheppard Avenue East
<b>Sublandlord:</b>	City of Toronto (the "City")
<b>Subtenant:</b>	The Neighbourhood Group Community Services (The Neighbourhood Group)
<b>Consent of Head Landlord:</b>	The consent to the Sublease, by the developer as Head Landlord, has been granted.
<b>Subtenant shall comply with the Head Lease:</b>	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.
<b>Sublease Premises:</b>	Total area of 9,645 square feet; comprising approximately 6,448 square feet of indoor space and approximately 3,197 square feet of outdoor space; located on the second floor of the building, as shown in Appendix B
<b>Rent:</b>	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.
<b>Additional Rent:</b>	N/A
<b>Property Tax:</b>	N/A
<b>Commencement Date:</b>	October 1, 2020
<b>Sublease Term:</b>	Five (5) years
<b>Commence operation of Daycare</b>	The Subtenant shall commence operation of Child Care Centre programs, on or before October 1, 2020.

**Property:** Part of 30 Sheppard Avenue East

**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.

**Use of Premises:** Child Care Centre programs for families with children 0 – 12, and for no other purpose

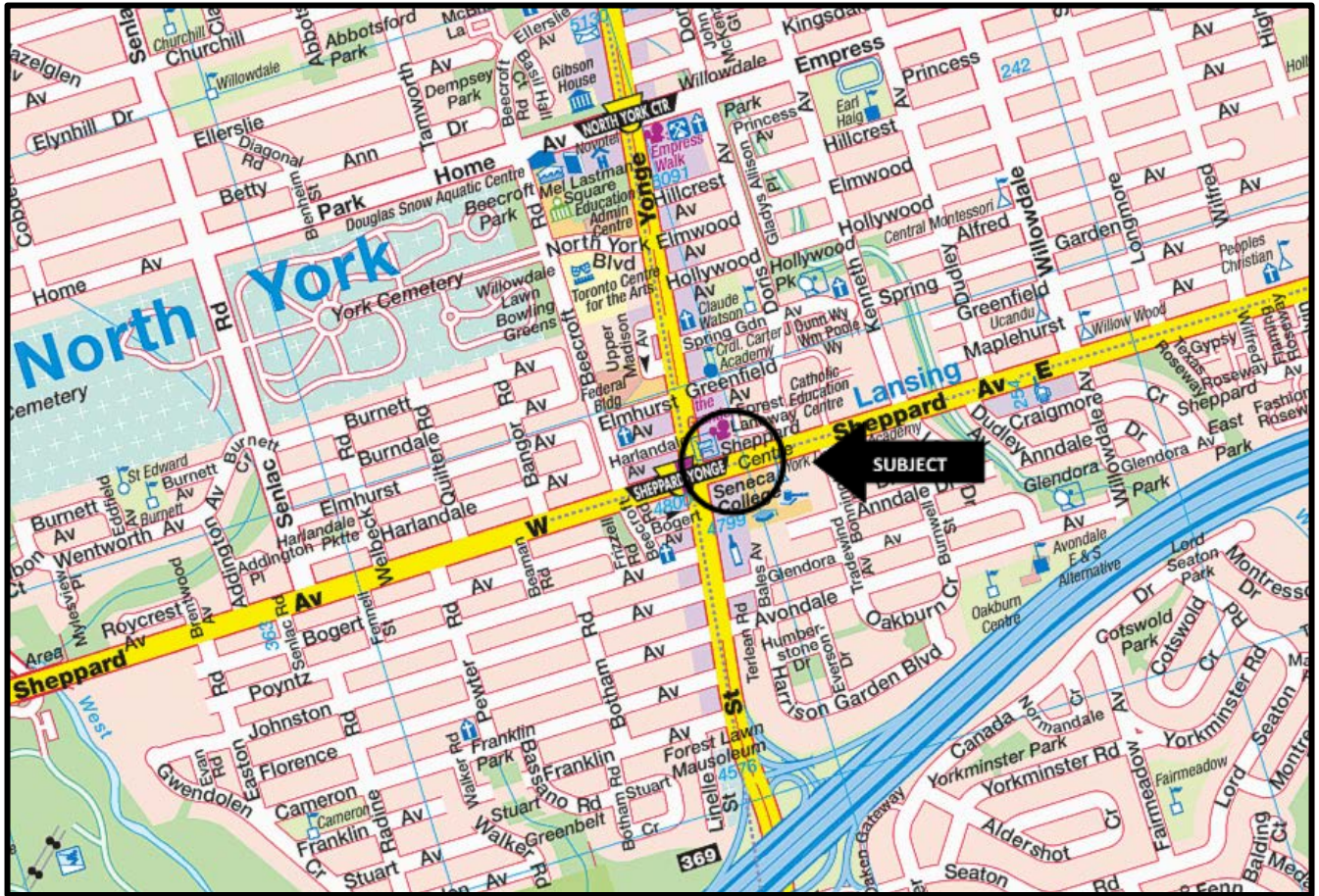
**Insurance:** The Subtenant shall provide an Insurance Certificate or other proof of insurance in accordance with City's insurance requirements prior to the Commencement Date, and thereafter on an annual basis, and upon request by the City.

**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:** 13 pick-up & drop-off designated parking spaces.

**Other:** N/A

Appendix B - Map of Sublease Premises



**Appendix C - Floor Plan (Indoor Area)**

