

## **Below Market Sublease Agreement with Canadian Mothercraft Society for a Non-profit Child Care Facility - 45 Dunfield Avenue**

**Date:** October 19, 2020

**To:** General Government and Licensing Committee

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

**Wards:** Ward 12 – Toronto-St. Paul's

### **SUMMARY**

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The purpose of this report is to obtain City Council authority to enter into a new sublease agreement with Canadian Mothercraft Society for a ten (10) year term for approximately 5,716 square feet of interior space and 2,734 square feet of exterior space directly adjacent to the interior space for a non-profit child care facility, on the ground floor of the building located at 45 Dunfield Avenue (now 44 Lillian Street), Toronto, Ontario, for nominal consideration.

### **RECOMMENDATIONS**

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

1. City Council authorize a new sublease agreement with Canadian Mothercraft Society for a term of ten (10) years with an option to extend for a further ten (10) 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 Canadian Mothercraft Society with approximately 8,450 square feet of total space for the purpose of delivering non-profit child care services and programming for infants, toddlers and preschoolers, for nominal rent consideration, resulting in no cost to the City of Toronto (the "City").

All operating costs related to the building occupancy (utilities, maintenance, insurance, common area charges, capital costs, etc.), in addition to any property tax assessed, will be paid by the developer, Shiplake Properties LTD., for the entire duration of the Head Lease (i.e. 99 years), resulting in no expected costs to the City. Canadian Mothercraft Society will be responsible for all costs of operating the premises, including costs such as staff salaries, benefits, food, educational supplies/equipment, furniture, decorations and child issuance.

The City will receive and facilitate the transfers of one-time cash contributions from Shiplake Properties LTD. to Canadian Mothercraft Society of \$150,000 to offset start-up costs for the child care facility to operate out of the premises, as well as, \$180,000 for a child care reserve fund to replace the child care facility's appliances and large equipment in the future.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

## **DECISION HISTORY**

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On February 25, 2014, the Toronto and East York Community Council adopted the recommendations of a Preliminary Report dated January 26, 2014, from the Director, Community Planning, Toronto and East York District to provide for community consultation regarding the proposed re-zoning of the lands at 45-77 Dunfield Avenue. The report can be found at:

<http://www.toronto.ca/legdocs/mmis/2014/te/bgrd/backgroundfile-66513.pdf>

On February 3 and 4, 2016, City Council adopted the report TE13.5 titled 45-77 Dunfield Avenue - Zoning Amendment Application - Final Report, which required the Owner at 45-77 Dunfield Avenue to enter into an Agreement pursuant to Section 37 of the Planning Act to lease the day care portion discussed in this report to the City that is to be free of all rent, taxes, maintenance, insurance, utilities and common area costs. The section 37 agreement was also to provide for two (2) one-time payments for the purposes of initial setup costs and future replacement of appliances and equipment.

<https://www.toronto.ca/legdocs/mmis/2016/te/bgrd/backgroundfile-87732.pdf>

On May 3, 2016, City Council adopted the motion MM18.12 titled Updated Term Sheet for Child Care Facility and Zoning By-laws - 45-77 Dunfield Avenue - by Councillor Josh

Matlow, seconded by Councillor Gord Perks, which amended the previous authority to provide for three (3) additional parking spaces among other things.

<https://www.toronto.ca/legdocs/mmis/2016/mm/bgrd/backgroundfile-92631.pdf>

## **COMMENTS**

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This transaction pertains to an executed lease with Shiplake Properties Ltd., dated January 13, 2020, for a child care facility on the ground floor of 45 Dunfield Avenue, for a cumulative term of ninety-nine (99) years that was on account of the executed community benefits section 37 agreement that preceded it.

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. Assignments or subleases to operators for the use as a child care facility do not require consent from the developer.

The City undertook an Expression of Interest process to select an operator. Canadian Mothercraft Society was selected as a result of this process to provide services in the area and operate the facility at its own cost.

Canadian Mothercraft Society is known to provide services that are supported by critical research on child care best practices ranging from high-quality child care and enrichment programs, to services for children and families with special needs, and specialized training programs for child care providers and other professionals. The organization also delivers several high quality child care programs in various parts of the city of Toronto. Canadian Mothercraft Society is a fully accredited and registered charitable organization. Children's Services Division supports this sublease to permit Canadian Mothercraft Society to operate a non-profit child care facility at 45 Dunfield Avenue.

## **CONTACT**

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Karen Gray, Director, Children's Services, 416-397-1465, [Karen.Gray@toronto.ca](mailto:Karen.Gray@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 - Location  
Appendix C - Floor Plan

### **Appendix A - Terms and Conditions of Sublease**

**Property:** 45 Dunfield Avenue

**Head Landlord / Developer:** Shiplake Properties LTD.

**Sub-landlord / Tenant:** City of Toronto (the "City")

**Subtenant:** Canadian Mothercraft Society

**Consent of Head Landlord:** The consent to the Sublease, by the developer as Head Landlord, is not required.

**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 January 13, 2020 between the City as tenant and Shiplake Properties LTD. as head landlord.

**Sublease Premises:** Total area of 8,449.67 square feet (consisting of 5,715.64 square feet of interior space and 2,734.03 square feet of exterior space directly adjacent to the interior space) in addition to three (3) parking spaces; located on the ground floor of the building, as shown in Appendix B and Appendix C.

**Rent:** Basic rent of \$2 per annum (\$20 in total for the initial 10-year term) which shall be deemed to have been paid on the Commencement Date of the Sublease Agreement and each anniversary thereof during the term, plus all applicable taxes.

**Additional Rent:** The subtenant will manage and pay for all costs of operating in the premises including costs such as staff salaries, benefits, food, educational supplies/equipment, furniture, decorations and child issuance. The Head Landlord will manage and pay for all building occupancy costs (utilities, taxes, maintenance, insurance, common area charges, capital costs, etc.).

**Commencement Date:** On or about November 2, 2020 or such other date as determined by the Executive Director, Corporate Real Estate Management and General Manager, Children's Services.

**Sublease Term:** Ten (10) years

**Property:** 45 Dunfield Avenue

**Option to Extend:** The Subtenant has the option to extend the Sublease Term for one (1) 10-year term, on the same terms and conditions as the Sublease Agreement, save and except for any further right of extension. This is conditional on the Subtenant retaining its not-for-profit status, not being in default of the Sublease and providing the Sublandlord with six (6) to 12 months written notice.

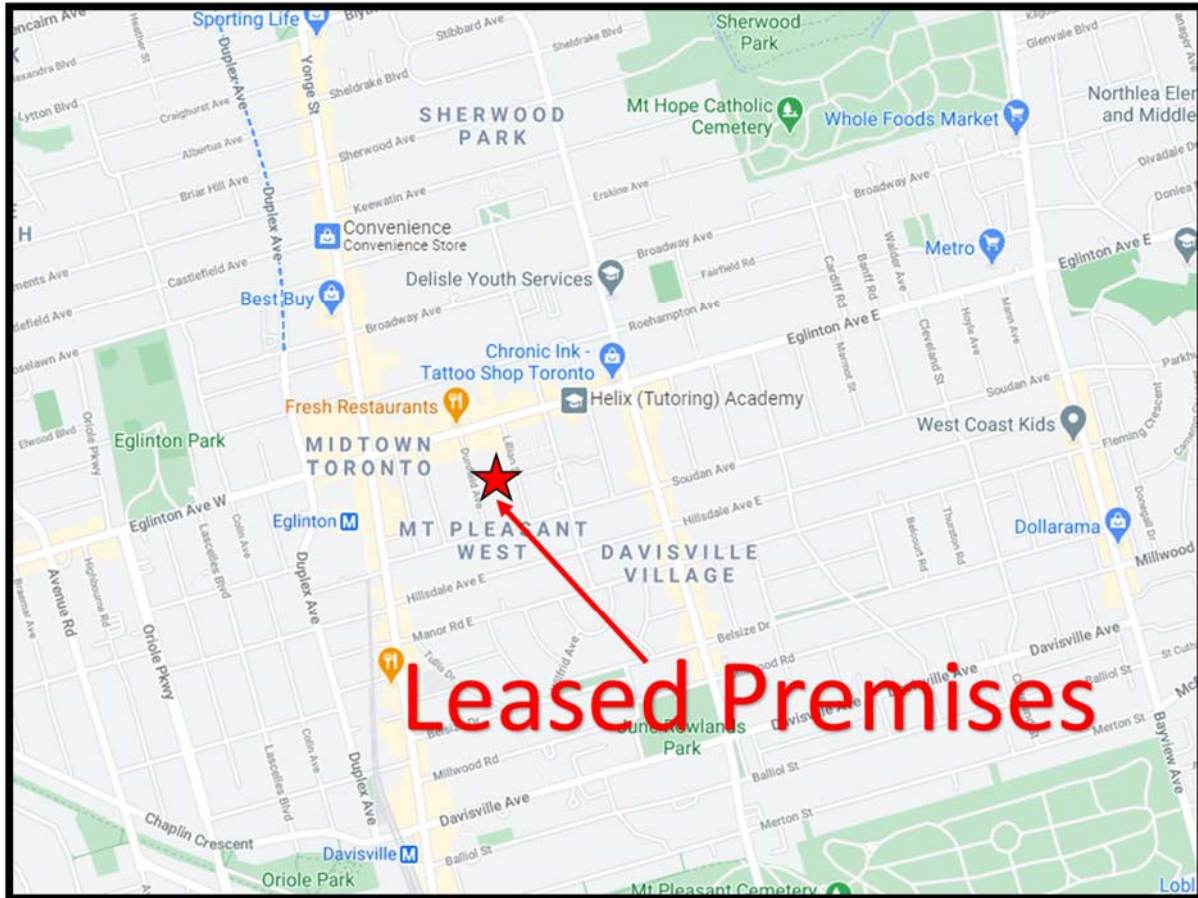
**Use of Premises:** Solely for a child care facility and for no other purpose, to be operated by the City or a non-profit operator chosen or created by the City.

**Insurance:** The Subtenant shall take out and keep in full force and effect comprehensive general liability insurance of \$5 million and automobile insurance of \$1 million.

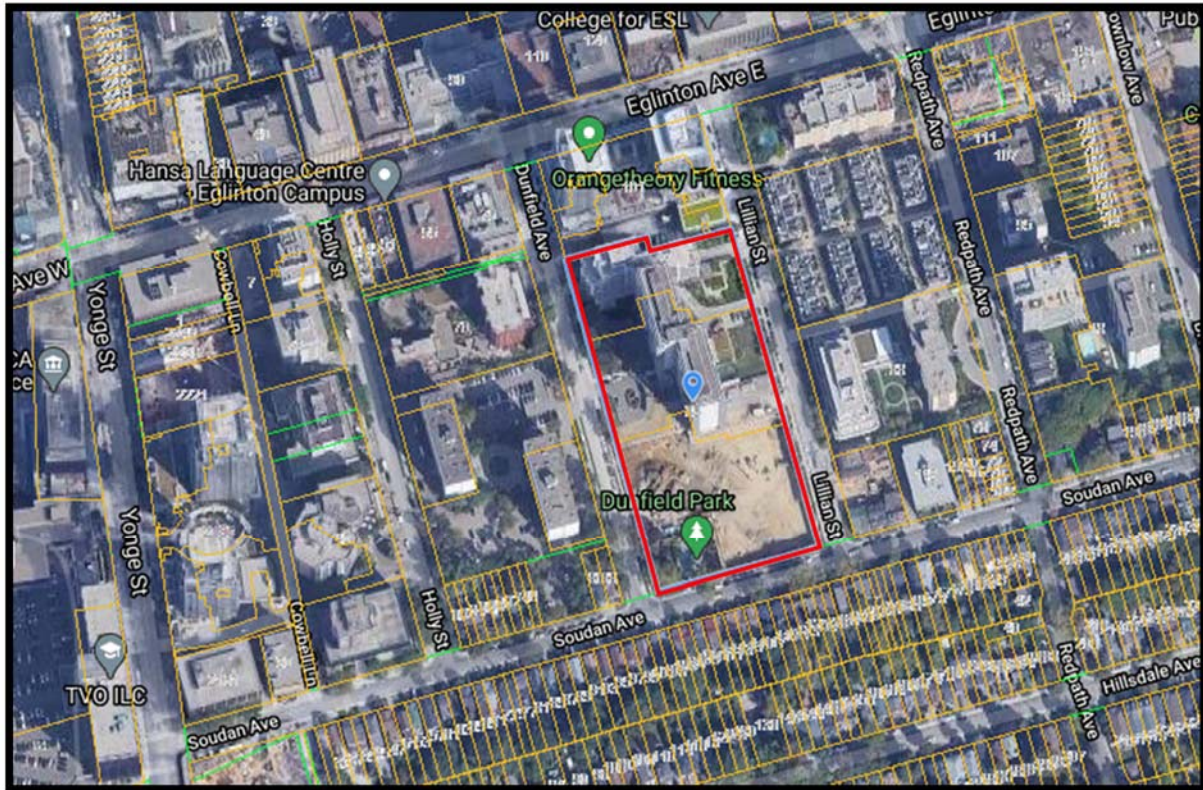
**Early Termination Rights:** City of Toronto shall have the right to terminate the Sublease for any reason, and at any time during the Sublease Term, by providing the Subtenant with three (3) months' prior written notice.

**Parking:** Three (3) Spots included.

## Appendix B - Location



## Appendix C - Floor Plan





Appendix C - Floor Plan Continued

