

Below Market Lease with Operator for Child Care Services - 38 Monte Kwinter Court

Date: May 24, 2022

To: General Government and Licensing Committee

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

Wards: 6 - York Centre

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a new ten (10) year lease agreement (the "Lease Agreement") with a child care operator to be selected by Children's Services, for use of approximately 9,061 square feet (comprising approximately 5,113 square feet of indoor space and approximately 3,948 square feet of outdoor space) for the purposes of delivering child care services on the ground floor of the condominium building municipally known as 38 Monte Kwinter Court, legally described as Unit 6, Level 1, Toronto Standard Condominium Plan No. 2814 (the "Property"), 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 lease agreement with a child care operator to be selected by Children's Services for a term of ten (10) years with an option to renew 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 their 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 lease agreements.

FINANCIAL IMPACT

The proposed Lease Agreement will provide the selected operator with approximately 464.5 square metres (5,113 square feet) of interior space known as Unit 6, Level 1, Toronto Standard Condominium Corporation 2814, for the purposes of delivering child care services, for nominal rent consideration. Condominium common expenses are currently \$1,710 per month. All operating costs related to the building occupancy, including monthly common expenses, utilities, and property tax are currently estimated at \$69,646 per year based on figures provided or obtained from comparable units. These costs will be paid by the operator for the entire duration of the Lease Agreement, resulting in no expected costs to the City of Toronto once the Lease Agreement has commenced.

Between March 29, 2022, when the City closed and registered the transfer of the Property, and prior to commencement of the Lease Agreement, the City will pay the carrying costs of the unit. The costs will be funded and budget is available in Corporate Real Estate Management's 2022 Council Approved Operating Budget under Property Management and Lease Administration. An operator is expected to be selected by Children's Services with a lease commencing by the third quarter of 2022. The estimated cost to the City during this interim period is approximately \$34,823.

Market research indicates the estimated total opportunity cost of the Lease Agreement over the twenty (20) year potential term, which includes an option to extend for ten (10) years, is approximately \$5,414,434 based on a starting market base rental rate of \$43.58 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 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 NY10.39 of the North York Community Council, adopted with amendments by City Council at its meeting of December 9, 2015, authorized the City to enter into a Section 37 agreement with the owner of 30 Tippet Road, dated June 27, 2016, to provide 464.5 square metres of day care and/or community space. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.NY10.39>

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>

COMMENTS

Property Details

The Property is newly constructed and originates from a Section 37 community benefits agreement with The Rocket Tippet Inc., dated June 27, 2016, to provide 464.5 square metres (5,113 square feet) of finished child care space in the base of Building A, the ground floor of the condominium building municipally known as 38 Monte Kwinter Court. The child care space was built out and finished to Children's Services satisfaction prior to closing and is ready for occupancy. The City closed and registered the transfer of the Property on March 29, 2022 and is ready for occupation and operation by the selected child care operator. See Appendix C and D for the Property location and floor plans.

The Property is located near the Toronto Transit Commission Wilson subway station, and major intersection being Allen Road and Wilson Avenue. Highway 401 is also within close proximity and access. See Appendix B for a location map of the Property.

The Lease Agreement

The proposed Lease Agreement is for a ten (10) year term, with an option to renew for an additional ten (10) years, for use of approximately 9,061 square feet (comprising approximately 5,113 square feet of indoor space and approximately 3,948 square feet of outdoor space) located on the ground floor of the condominium building municipally known as 38 Monte Kwinter Court. The selected child care operator would be responsible for all expenses including common, utilities and property taxes and is permitted to only use the Property for delivering child care services for children aged zero (0) to four (4). See Appendix A for full details of the terms and conditions of the Lease Agreement.

Selection of Child Care Operator

If City Council authorizes the proposed Lease Agreement, the City will subsequently undertake an Expression of Interest (the "E.O.I.") process to select an operator to deliver child care programs at the Property with an anticipated occupancy in the third quarter of 2022. The E.O.I. has been drafted and will be finalized and released once Council authority has been received.

The intention for this E.O.I. is to identify and confirm a qualified, licensed, not-for-profit child care provider to operate the child care centre located within the Property. Applications will be accepted from not-for-profit child care agencies or public institutions who hold a service agreement in good standing with the City of Toronto for child care fee subsidies and who have experience in the successful operation of licensed child care programs. The child care center will have space for up to 49 children, including: 10 infants, 15 toddlers and 24 preschoolers.

CONTACT

Alison Folosea, Director, Transaction Services, Corporate Real Estate Management,
416-338-2998, Alison.Folosea@toronto.ca

Therese Damaso, District Director, Children's Services, 416-392-5339,
Therese.Damaso@toronto.ca

SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Shanley McNamee
General Manager, Children's Services

ATTACHMENTS

Appendix A - Terms and Conditions of Lease Agreement
Appendix B - Location Map of the Property
Appendix C - Unit Location Plan
Appendix D - Unit Floor Plan

Appendix A - Terms and Conditions of Lease Agreement

Property:	Unit 6, Level 1, Toronto Standard Condominium Plan No. 2814, municipally known as 38 Monte Kwinter Court
Landlord:	City of Toronto (the "City")
Tenant:	To be determined
Lease Premises:	Total area of 9,061 square feet; comprising approximately 5,113 square feet of indoor space and approximately 3,948 square feet of outdoor space; located on the ground floor of the building, as shown in Appendix B
Rent:	Basic rent of \$2 per annum (\$20.00 in total for the initial ten-year term) payable at the Commencement Date of the Lease Agreement, plus all applicable taxes.
Additional Rent:	Monthly common expenses of \$1,709.73 to be paid by the Tenant. Monthly utilities estimated at \$787.73 to be paid by the Tenant.
Property Tax:	\$39,675.03 for 2022. To be paid annually by the Tenant.
Commencement Date:	To be determined
Lease Term:	Ten (10) years
Commence operation of Daycare	The Subtenant is estimated to commence operation of Child Care Centre programs in the third quarter of 2022.
Option to Extend:	Ten (10) years
Use of Premises:	Not-for-profit child care centre programs for children aged 0 to 4 years old. The childcare operator will enter into a Service Agreement for a Fee Subsidy with the City of Toronto, where they can provide access to families in receipt of a child care fee subsidy.

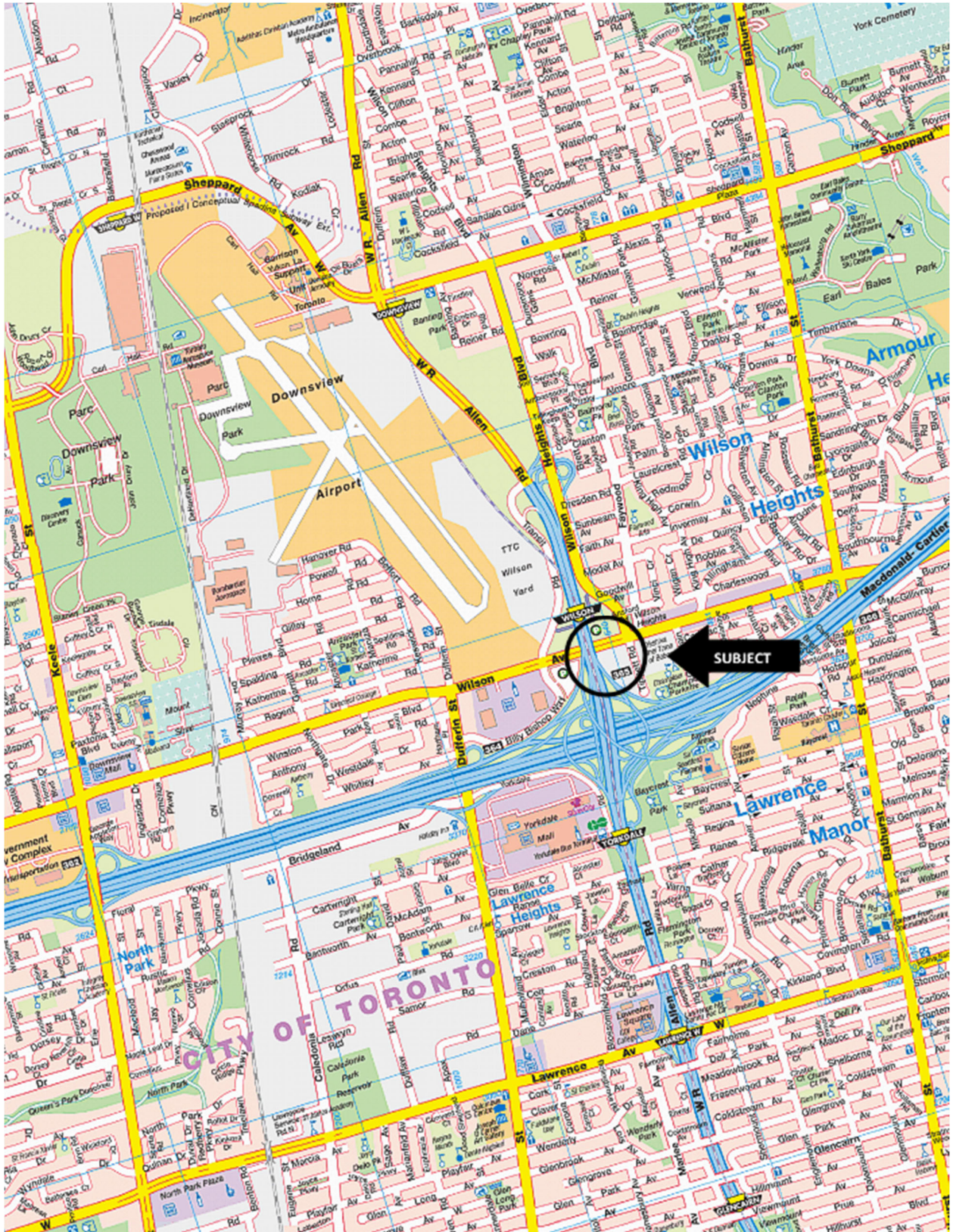
Property: Unit 6, Level 1, Toronto Standard Condominium Plan No. 2814, municipally known as 38 Monte Kwinter Court

Insurance: The Tenant 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.

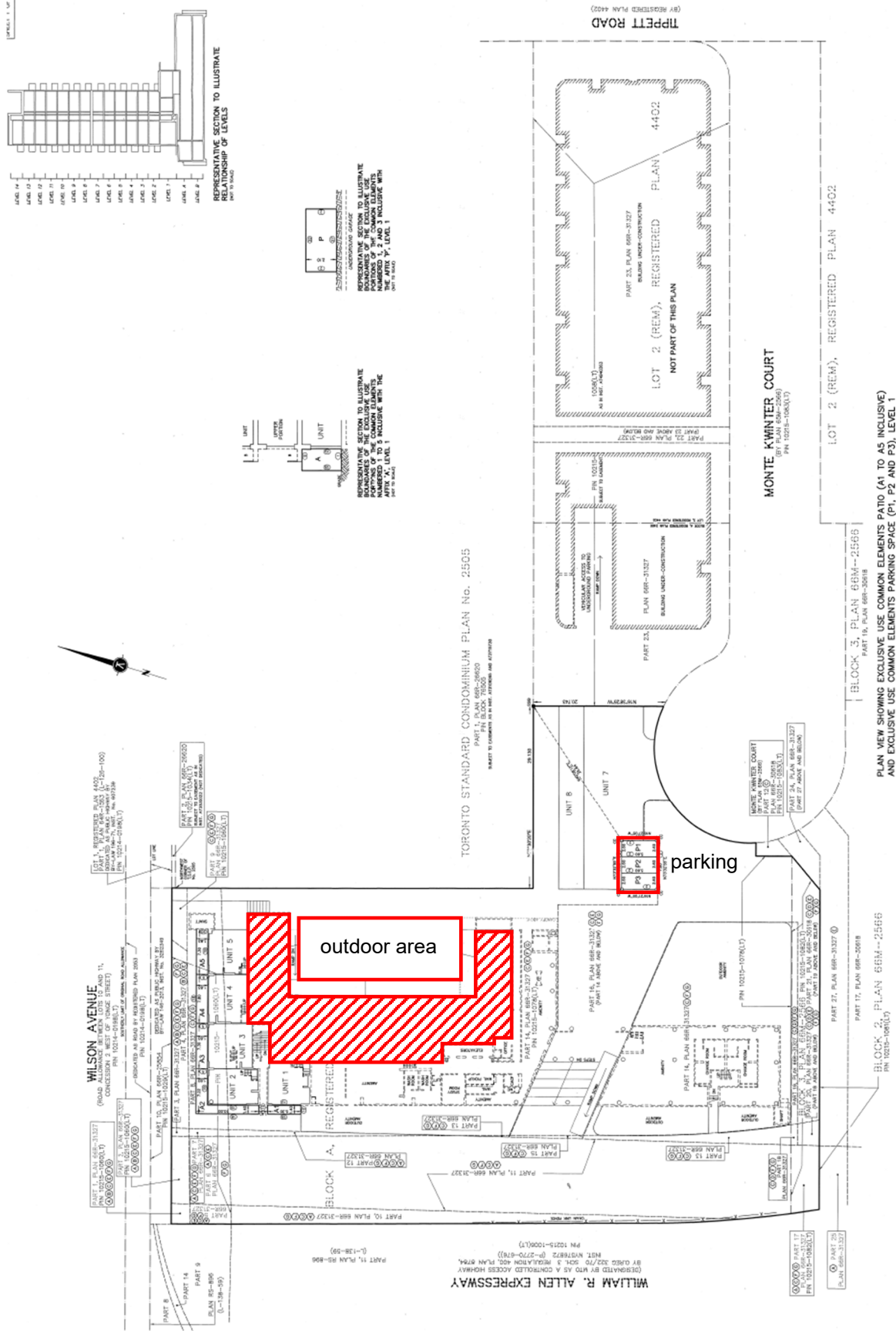
Parking: 3 pick-up & drop-off designated parking spaces.

Non-Profit status: Tenant to maintain non-profit status throughout the Term, and any extension thereof.

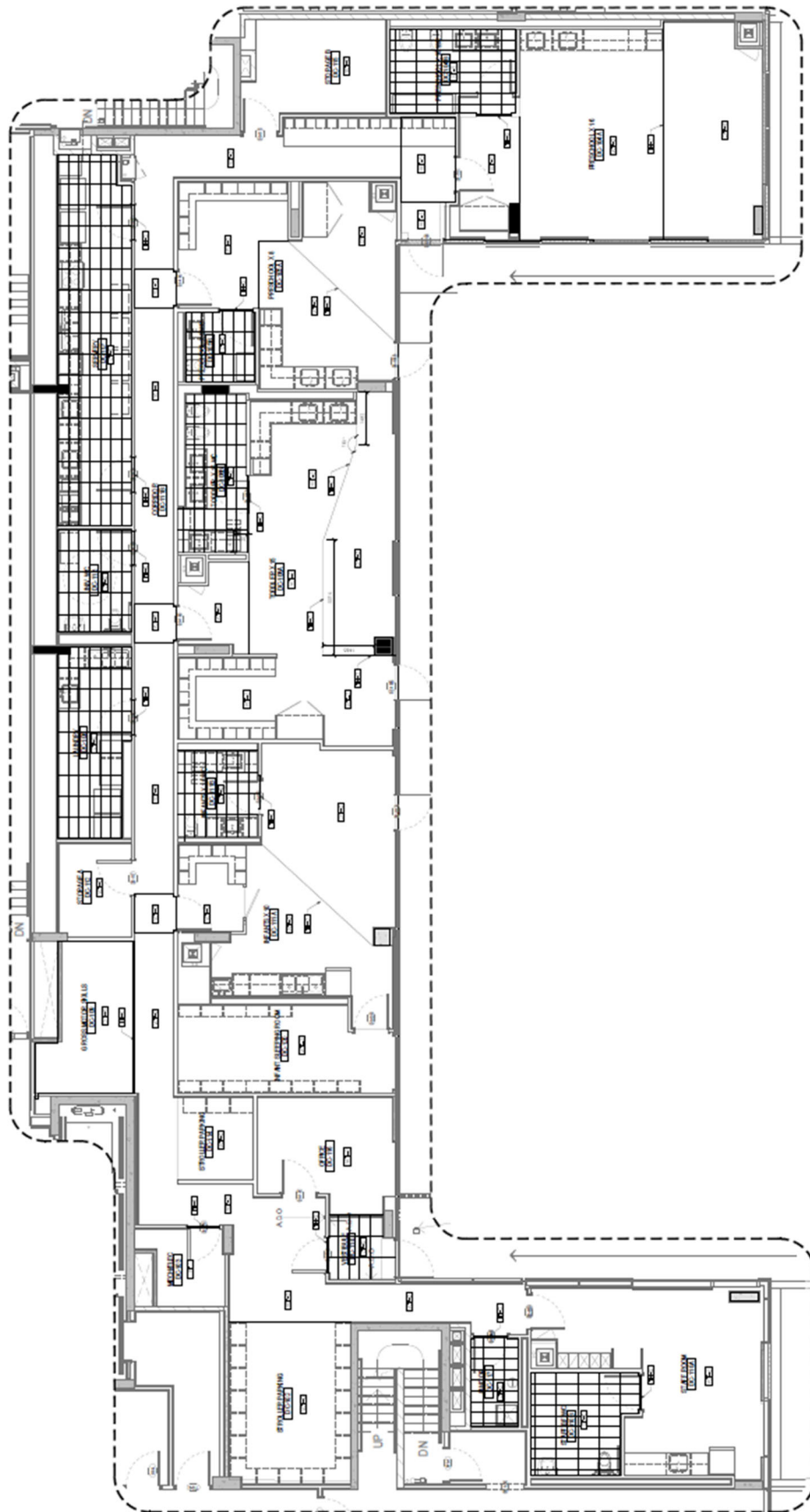
Appendix B - Location Map of Property



Appendix C - Property Location Plan



Appendix D - Property Floor Plan



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