

## **Below Market Lease Agreement with a Selected Non-Profit Child Care Operator in East Bayfront - 75 Edgewater Drive**

**Date:** June 17, 2022

**To:** General Government and Licensing Committee

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

**Wards:** 10 - Spadina-Fort York

### **SUMMARY**

---

The purpose of this report is to obtain City Council authority for the City, as landlord, to enter into a nominal lease agreement (the "Lease") in respect of 75 Edgewater Drive, (the "Leased Premises") with a not-for-profit child care centre operator (the "Tenant") to be selected by the General Manager, Children's Services, pursuant to an Expression of Interest ("E.O.I.") process currently being conducted by the Children's Services. The Leased Premises are a two-level stratified, City-owned space, consisting of approximately 8,912 square feet of interior space and 3,900 square feet of outdoor space, situated within a mixed-use residential complex in the newly developed East Bayfront precinct. The Lease will be for an initial term of 10 years (the "Term"), with an option to renew for an additional term of 10 years.

### **RECOMMENDATIONS**

---

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

1. City Council authorize the Executive Director, Corporate Real Estate Management, on behalf of the City as landlord, to enter into a nominal lease agreement with a not-for-profit child care centre operator selected by the General Manager, Children's Services pursuant to an expression of interest, as tenant, for a term of ten (10) years with an option to renew for a further ten (10) years in respect of the Leased Premises, (more particularly described in Appendix A hereto), substantially on the terms and conditions set out in Appendix B of this report, and on such other or amended terms and conditions that are acceptable to the Executive Director, Corporate Real Estate Management and in a form satisfactory to the City Solicitor.

2. City Council authorize each of the Executive Director, Corporate Real Estate Management, and the Director, Transaction Services, Corporate Real Estate Management severally to execute the Lease, and any related documents on behalf of the City.

3. City Council authorize the Executive Director, Corporate Real Estate Management, their successors and designates, to administer and manage the Lease, including the provision of any consents, approvals, waivers, notices (including notices of termination) provided that the Executive Director, Corporate Real Estate Management may, at any time, refer consideration of such matters to City Council for direction and determination.

## **FINANCIAL IMPACT**

---

The Lease will be provided for nominal rent and in accordance with the terms of the Lease, the Tenant will be responsible for all repair and maintenance costs, operating costs, shared facilities costs, and any applicable property taxes related to Leased Premises. The Lease therefore alleviates the City's responsibility to pay the any operating costs in respect of the Leased Premises during the Term.

If the City does not enter into a Lease with the Tenant, the City would be responsible for its proportionate share of the shared facilities costs beginning in February of 2023. The City's proportionate share of the shared facility costs for the first year is approximately \$2,416.00. Funding has been included in the 2023 Outlook of the 2022 Council Approved Operating Budget for Corporate Real Estate Management ("C.R.E.M."), and will be included in the 2023 Budget submission for Council consideration.

Market research indicates the estimated total opportunity cost of the Lease over the twenty (20) year potential term, which includes an option to extend for ten (10) years, is approximately \$9,647,458.00 based on a starting market base rental rate of \$44.55 per square foot, with annual inflation of 2.0 percent.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with information contained in the Financial Impact section.

## **DECISION HISTORY**

---

At its meeting held on November 7, 8 and 9, 2017, Council adopted Item EX28.8, thereby approving the Community Space Tenancy Policy, which replaced the Policy for City-Owned Space Provided at Below-Market Rent. On June 29 and 30, 2020, City Council adopted Item GL12.7, thereby approving certain amendments to the Community Space Tenancy Policy. The Community Space Tenancy Policy, as amended, does not apply to the allocation of community space to organizations that operate under Purchase of Service Agreements with the City for child care.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.8>  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.GL12.7>

At its meeting held on August 25, 26 and 27, 2010, Toronto City Council approved the bayside real estate transaction (the "Bayside Transaction"), authorizing the sale and lease of city lands in East Bayfront, which contemplated the provision of a child care centre to be located within the Bayside lands by its adoption of EX46.33 "Staff Review of Waterfront Toronto's Proposed Sale and Lease of City Lands for Waterfront Revitalization – Bayside".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX46.33>

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**

---

In 2010, City Council approved the Bayside Transaction, authorizing the sale and lease of City lands in the East Bayfront. Amongst other municipal land uses, such as affordable housing and parklands, the Bayside Transaction envisioned that two childcare centres would be created as part of the community.

The Leased Premises form a portion of the East Bayfront Precinct, which in turn forms a portion of the Designated Waterfront Area. These lands were publicly owned prior to the Bayside Transaction, which set out an overall vision to redevelop the subject lands as a complete and inclusive mixed-use community comprised of residential, commercial, and municipal land uses.

In order to realize the child care targets within East Bayfront, the Bayside Transaction contemplated that the selected developer would construct and deliver a child care centre to the City for child care purposes, and that Waterfront Toronto would subsequently fit out the child care centre under the direction of the Children's Services.

### **Property Details**

The Leased Premises have been constructed and fit-out as a child care centre in accordance with the standards set out by Toronto Public Health and the Ministry of Education, all at no cost to the City. The Leased Premises contains space for 62 children: 10 infants, 20 toddlers and 32 preschoolers.

The Leased Premises is located on two connected floors. Each of the four playrooms feature natural lighting and views to the outdoors. The main office overlooks a roomy lobby and secured front entrance. Amenity spaces include a meeting rooms, laundry room, barrier-free washrooms, stroller storage for parents and staff, a kitchen with adult

and child-height countertops, staff rooms and additional meeting rooms and programming spaces.

Staff and children will enter into a unique group of outdoor playground spaces designed for infant, toddler and preschool activities. The three playgrounds on the terrace are covered with a high ceiling and light penetrates from three sides through the Plexiglas protective guards. Water access, sand play and storage areas are available on each playground and child, age-appropriate structures are also included. The playground also has a dedicated washroom.

### **Selection of Child Care Operator**

Now that the Leased Premises have been constructed and the fit-out is nearing completion, the final phase is to select a not-for-profit licensed childcare operator. Children's Services is conducting an Expression of Interest process to select a not-for-profit licensed childcare operator to occupy the Leased Premises and operate a childcare centre. Selection results are expected to be announced in the third quarter of 2022.

### **The Lease Agreement**

The proposed Lease is for a ten (10) year term, with an option to renew for an additional ten (10) years, for use of approximately 8,912 square feet of interior space and 3,900 square feet of outdoor space, situated within a mixed-use residential complex in the newly developed East Bayfront precinct. The selected child care operator would be responsible for all expenses including utilities and other costs attributable to the Leased Premises. See Appendix B for details of the terms and conditions of the Lease.

## **CONTACT**

---

Alison Folosea, Director, Transaction Services, Corporate Real Estate Management  
416-338-2998, [Alison.Folosea@toronto.ca](mailto:Alison.Folosea@toronto.ca)

Karen Wilson, District Director, Children's Services  
416-392-3997, [Karen.Wilson@toronto.ca](mailto:Karen.Wilson@toronto.ca)

## **SIGNATURE**

---

Patrick Matozzo  
Executive Director, Corporate Real Estate Management

Shanley McNamee  
General Manager, Children's Services

## **ATTACHMENTS**

---

Appendix A - Location Maps and Legal Description of Leased Premises

Appendix B - Major Terms and Conditions of Lease

# Appendix A - Location Maps and Legal Description of Leased Premises

## Legal Description

The property known municipally as 75 Edgewater Drive, being part of Block 3 on Plan 66M-2542, designated as Parts 15 and 16 on Plan 66R-32009

## Location Maps



## Appendix B - Major Terms and Conditions of Lease

<b>Leased Premises:</b>	75 Edgewater Drive, Toronto
<b>Landlord:</b>	City of Toronto
<b>Tenant:</b>	To be determined
<b>Term:</b>	The initial term of the Lease shall be 10 years (the "Term").
<b>Option to Extend:</b>	Provided the Tenant retains its not-for-profit status (or is a public institution), and is not in default under the Lease, the Tenant has the option to extend the Lease Term for one 10 year term, on the same terms and conditions as the Lease, save and except for any further right of extension.
<b>Basic Rent:</b>	A nominal sum of \$2.00 per year shall be payable by the Tenant to the Landlord.
<b>Additional Rents:</b>	The Tenant will be responsible, on their own account, for the cost of all utilities, and other costs attributable to the Child Care Facility including, but not limited to: water, natural gas, hydro, waste collection, and shared facilities costs (see below).
<b>Maintenance and Repairs (Interior):</b>	The Tenant will be responsible for any maintenance, alternations and replacement costs of the Child Care Facility and building systems, including appropriate sized heating and ventilation, plumbing systems, provided that the cost of any alterations and replacements requested or undertaken by the Child Care Operator and approved by the Landlord to enhance, improve or reconfigure the Child Care Facility will be paid by the Child Care Operator (the "Tenant's Repairs").

<b>Leased Premises:</b>	75 Edgewater Drive, Toronto
<b>Shared Facilities:</b>	The Tenant shall be required to liaise with the Shared Facilities Manager, and to abide by all of the terms of a shared facilities agreement (the "SFA") which governs the relationship and responsibilities between the owners of the child care space, the retail space, and the residential condominium corporation (collectively, the "Components"). The Shared Facilities Agreement applies to the systems and facilities shared by the Components and governs the obligations of the parties with respect to the operation and maintenance of their respective Components and the overall building such as the exterior building façade, structural elements, exterior signage and window cleaning. The shared servicing systems, the exterior walkways and landscaping, and the underground parking.
<b>Shared Facilities Costs:</b>	The Tenant will be responsible for a 2.14 percent proportionate share of the Shared Facilities Costs under the SFA. The Shared Facilities Costs represent the cost of the maintenance, repair and operation of the Shared Facilities, including a reserve fund for major repairs.
<b>Insurance:</b>	The Tenant shall provide an insurance certificate or other proof of insurance in accordance with the Landlord's requirements prior to the commencement of the Term of the Lease, and thereafter on an annual basis, and upon request of the City.
<b>Use of Leased Premises:</b>	The Leased Premises shall be used only as a "child care centre" within the meaning of the <i>Child Care and Early Years Act</i> , as amended or replaced, or a facility providing services and programs for children under the age of six years together with their families; and for no other purpose ("Child Care Facility").