

Below Market Lease Agreement with Network Child Care Service for Child Care Services – 21 Western Battery Road

Date: October 1, 2024

To: General Government 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 ten-year, nominal lease agreement (the "Lease") with Network Child Care Services (the "Tenant"), as tenant, as selected by the General Manager, Children's Services, pursuant to an Expression of Interest ("E.O.I.") process conducted by Children's Services, for the purpose of delivering child care services at a newly constructed centre located at Unit 1, 21 Western Battery Road (the "Leased Premises").

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 (the "Lease") with Network Child Care Services, as tenant, for a term of ten years with an option to renew for a further ten years in respect of Unit 1, Level 2, Toronto Standard Condominium Plan No. 2792, municipally known as 21 Western Battery Rd., Toronto, ON, M6K 0E3 (the "Leased Premises"), more particularly described in Appendix B and Appendix C hereto, substantially on the terms and conditions set out in Appendix A 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 proposed Lease will provide the Tenant with the Leased Premises 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, and any applicable property taxes related to Leased Premises. Condominium common expenses payable in relation to the Leased Premises are nominal. These costs will be paid by the Tenant for the entire duration of the Lease, resulting in no expected costs to the City of Toronto during the term.

The estimated total opportunity cost of the Lease over the twenty year potential term, including the extension option, is approximately \$7,484,584, based on a market base rental rate of \$45 for the interior space, and \$22 for the exterior space, with annual inflation of 2.5 percent.

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

DECISION HISTORY

At its meeting on May 22, 23 and 24, 2018, City Council adopted the Item TE32.43 “19 Western Battery Road - Committee of Adjustment Application - Agreement for Child Care Facility - Request for Authorization Report” authorizing the City to enter into an agreement pursuant to Section 45(9.1) of the Planning Act as contemplated by the Committee of Adjustment in its decision relating to Application A1066/17TEY to secure, among other matters, the conveyance by the owner of a minimum of 464.5 square metres of finished child care space to the City of Toronto at 19 Western Battery Road for nominal consideration.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.TE32.43>

At its meeting held on November 7, 8 and 9, 2017, City 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 on October 1, 2, and 3, 2002, City Council adopted Item 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

Background

In 2024, the City, in partnership with CentreCourt Developments, constructed a new child care centre, located at the south west intersection of Strachan Avenue and Wellington Street West in the Liberty Village neighbourhood. The child care centre was secured as a community benefit as part of an agreement pursuant to Section 45(9) of the Planning Act and is located on the ground floor and second level of a condominium building with a dedicated entry way from Western Battery Road. The child care centre will have space for up to 49 children, including: 10 infants, 15 toddlers and 24 preschoolers.

Selection of Child Care Operator

An E.O.I. conducted by Children's Services to identify and confirm a qualified, licensed, not-for-profit child care provider to operate the child care centre located within the Leased Premises closed May 16, 2024 and was awarded on June 13, 2024.

Applications were accepted from not-for-profit child care agencies and 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. Multiple bids were received and evaluated by staff. The top bid from Network Child Care Services was selected by Children's Services. The operator is expected to deliver the child care program at the Leased Premises with an anticipated occupancy in the first quarter of 2025.

The Lease Agreement

The Lease is for a ten-year term, with an option to extend for an additional ten years. The Tenant is responsible for all expenses including operating costs, utilities and property taxes and is permitted to only use the Leased Premises for delivering child care services for children aged zero to four. See Appendix A for the major terms and conditions of the Lease.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Shanley McNamee
General Manager, Children's Services

ATTACHMENTS

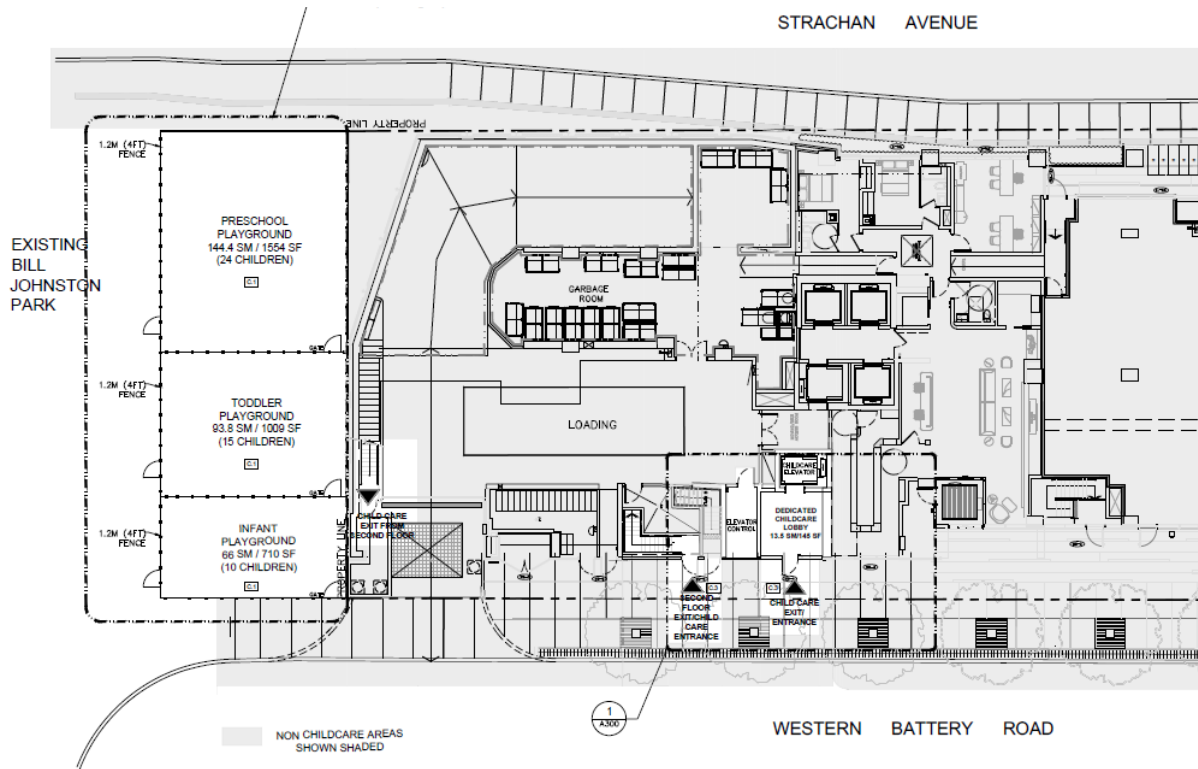
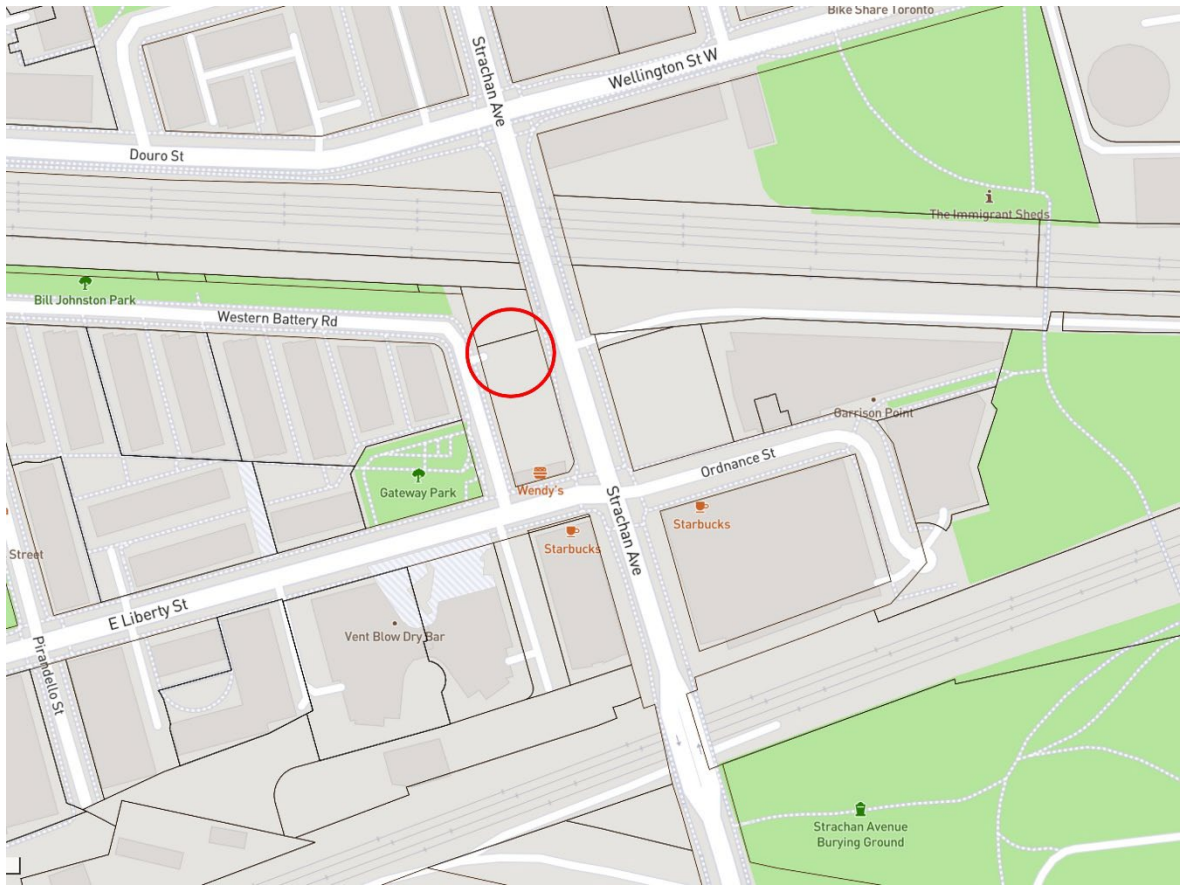
Appendix A - Major Terms and Conditions of Lease
Appendix B - Location Map of the Leased Premises
Appendix C - Floor Plan of Leased Premises

Appendix A – Major Terms and Conditions of Lease

Property:	Unit 1, Level 2, Toronto Standard Condominium Plan No. 2792, municipally known as 21 Western Battery Rd., Toronto, ON, M6K 0E3
Landlord:	City of Toronto (the "City")
Tenant:	Network Child Care Services
Leased Premises:	Total area of 8,025 square feet; comprising approximately 5,000 square feet of indoor space and approximately 3,025 square feet of outdoor space at grade; located on the ground floor of the building, as shown in Appendix B
Basic Rent:	A nominal sum 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 Lease agreement, plus all applicable taxes.
Additional Rent:	<p>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, and waste collection.</p> <p>The Tenant will manage and pay for all costs of operating in the premises including, but not limited to: staff salaries, benefits, food, educational supplies/equipment, furniture, and decorations.</p>
Maintenance and Repairs (Interior):	The Tenant will be responsible for any maintenance, alterations and replacement costs of the Child Care Facility and building systems. The cost of any alterations and replacements requested or undertaken by the Tenant and approved by the Landlord to enhance, improve or reconfigure the Child Care Facility will be paid by the Tenant.
Property Tax:	To be paid annually by the Tenant.
Commencement Date:	On or about March 1, 2025, or such other date as determined by the Executive Director, Corporate Real Estate Management and General Manager, Children's Services.
Lease Term:	The initial term of the Lease shall be 10 years (the "Term").
Option to Extend:	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 Term for one 10-year term, on the same terms and conditions as the Lease, save and except for any further right of extension.
Permitted Use:	The Leased Premises shall be used solely as a not-for-profit child care centre for children ages 0 to 4, and for the purpose of operating programs for children aged 0 to 4 years old, licensed under and operated in accordance with the <i>Child Care and Early Years Act, 2014</i> (Ontario) and all other applicable laws, and for no other purpose.

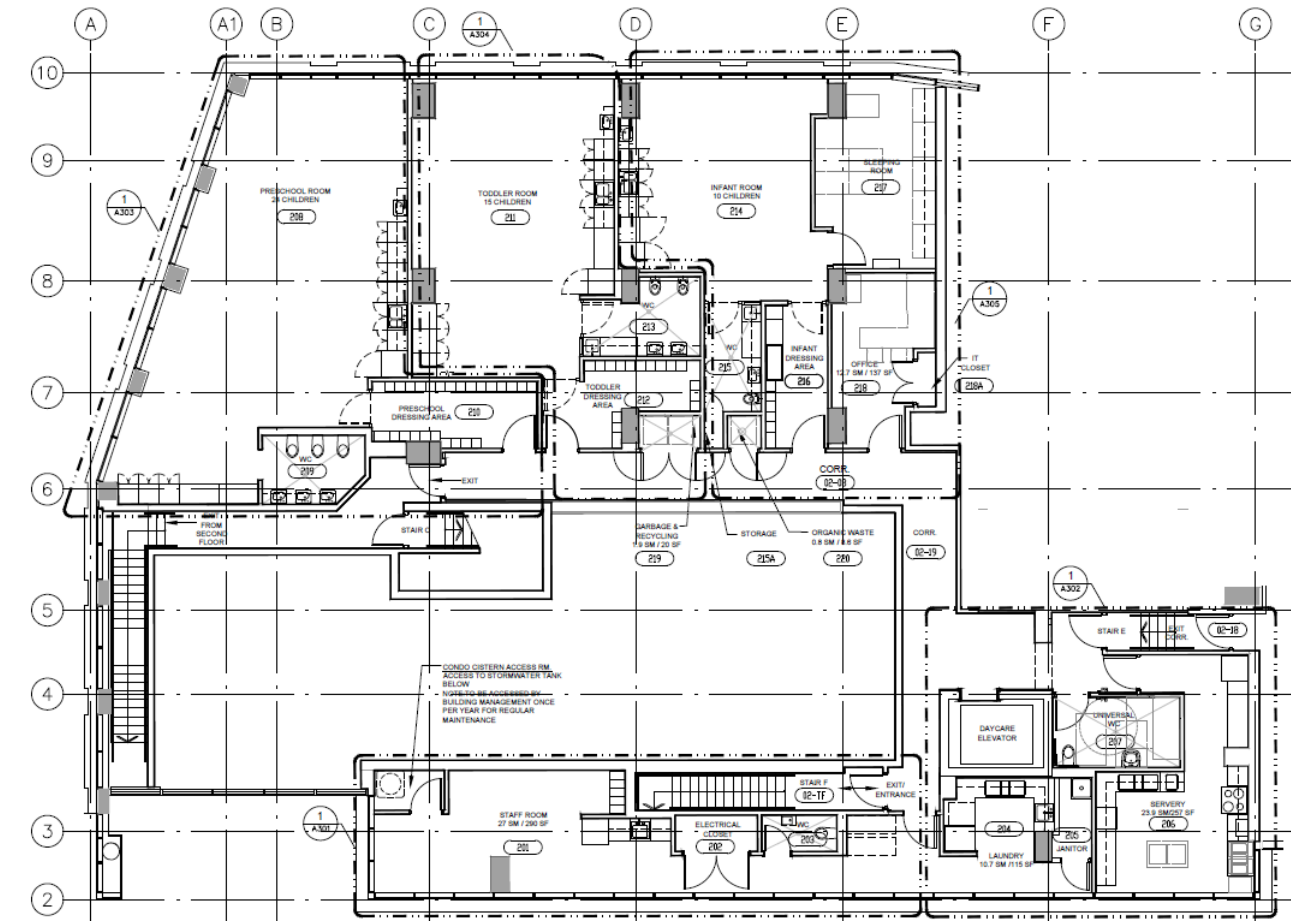
	The Tenant shall pay all expenses and obtain and maintain at all times, all permits, licences, and authorization necessary to continue its Permitted Use.
Service Agreement:	The childcare operator will enter into a Service Agreement for a fee subsidy with the City of Toronto. A default of the Service Agreement by the Tenant shall constitute a default under the Lease.
Insurance:	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.
Non-Profit status:	Tenant to maintain non-profit status throughout the Term, and any extension thereof.
Subleasing:	The Tenant shall not be entitled to sublease the Leased Premises without the consent of the Landlord.

Appendix B - Location Map of Leased Premises



Appendix C – Floor Plan of Leased Premises

Interior Space:



Outdoor Play Space:

