

Below Market Lease Agreement with Network Child Care Services for Child Care Services – 292 Dundas Street West

Date: June 27, 2025

To: General Government Committee

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

Wards: 11 – University-Rosedale

SUMMARY

This report seeks authority for the City, as landlord, to enter into a ten-year nominal lease agreement (the "Lease") with Network Child Care Services, as tenant (the "Tenant"), for the purpose of operating a not-for-profit child care at the newly constructed centre located on the ground and second level of a condominium building at 292 Dundas Street West (the "Leased Premises"). The 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, is expected to operate the child care program at the Leased Premises with occupancy anticipated in the fourth quarter of 2025.

The child care centre was secured by the City as a community benefit as part of an agreement pursuant to Section 37 of the Planning Act.

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 to enter into a nominal lease agreement (the "Lease") with Network Child Care Services, as tenant, (the "Tenant") for a term of ten years (the "Term") with an option to extend for a further period of ten years in respect of the premises located at the property municipally known as 292 Dundas Street West (the "Leased Premises"), as more particularly set out in Appendix A and illustrated on the location map and floor plan in Appendix B and Appendix C respectively, and including 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 severally each of the Executive Director, Corporate Real Estate Management, and the Director, Real Estate Services, Corporate Real Estate Management to negotiate and execute the Lease, and any related documents on behalf of the City.

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 the Leased Premises. Condominium common expenses payable in relation to the Leased Premises 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 of the Lease. Condominium common expenses are anticipated to be nominal.

The estimated total opportunity cost of the Lease over the 20-year potential term, including the extension option, is approximately \$4,494,150 based on a market base rental rate of \$40 for the interior space, and \$20 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 14 and 15, 2019, City Council adopted Item 2019.CC7.10, thereby authorizing the City Solicitor to advise the Local Planning Appeal Tribunal that City Council supports a settlement in principle for the Zoning By-law Amendment appeal for the property at 292-294 Dundas Street West, 129-131 McCaul Street and 70 St. Patrick Street, subject *inter alia* to the conveyance of a fully equipped 62 space day care, in accordance with the City's Child Care Development Guideline, 2016, to be secured as a Section 37 Agreement benefit.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.CC7.10>

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 2025, Tribute Communities and Greybrook Realty Partners, constructed a new child care centre as part of their development at the north west intersection of Dundas Street West and St. Patrick Street in the Kensington-Chinatown neighbourhood. The child care centre was secured as a community benefit as part of an agreement pursuant to Section 37 of the Planning Act and is located on the ground and second floor of a condominium building. The child care centre will have space for up to 62 children, including 10 infants, 20 toddlers and 32 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 February 7, 2025, and was awarded on March 21, 2025.

Applications were accepted from not-for-profit child care agencies and public institutions who held a service agreement in good standing with the City of Toronto for child care fee subsidies and who had 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 fourth quarter of 2025.

The Lease Agreement

The Lease is for a ten-year term, with an option to extend for an additional ten year period. The Tenant will be responsible for all expenses including operating costs, utilities and property taxes and will be 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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Ann Pagnin, Program Manager, Asset Management, Children's Services, 416-392-4670, Ann.Pagnin@toronto.ca

SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Shanley McNamee
General Manager, Children's Services

ATTACHMENTS

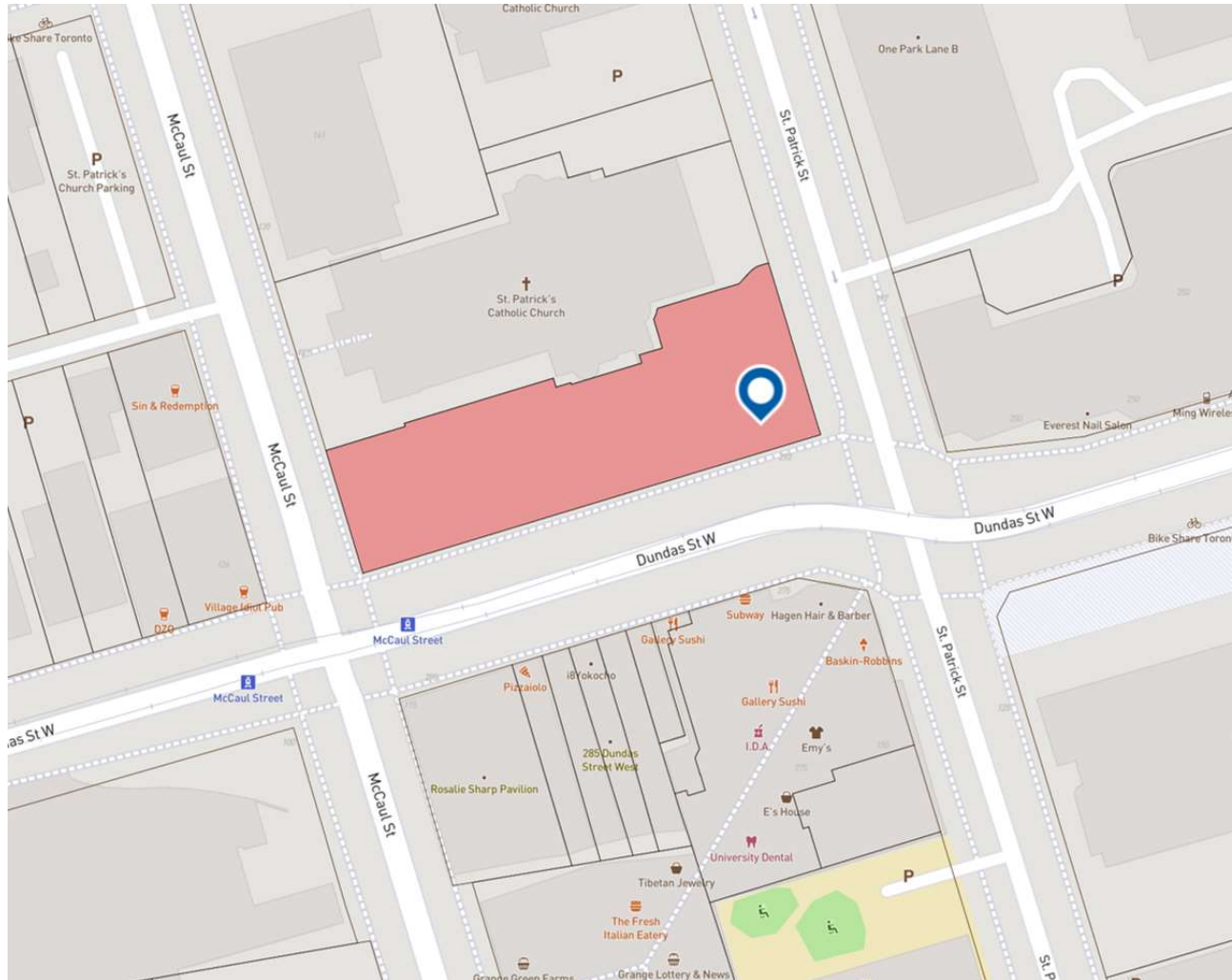
Appendix A - Major Terms and Conditions of Lease
Appendix B - Location Map of the Leased Premises
Appendix C - Floor Plan of Leased Premises

Appendix A – Major Terms and Conditions of Lease

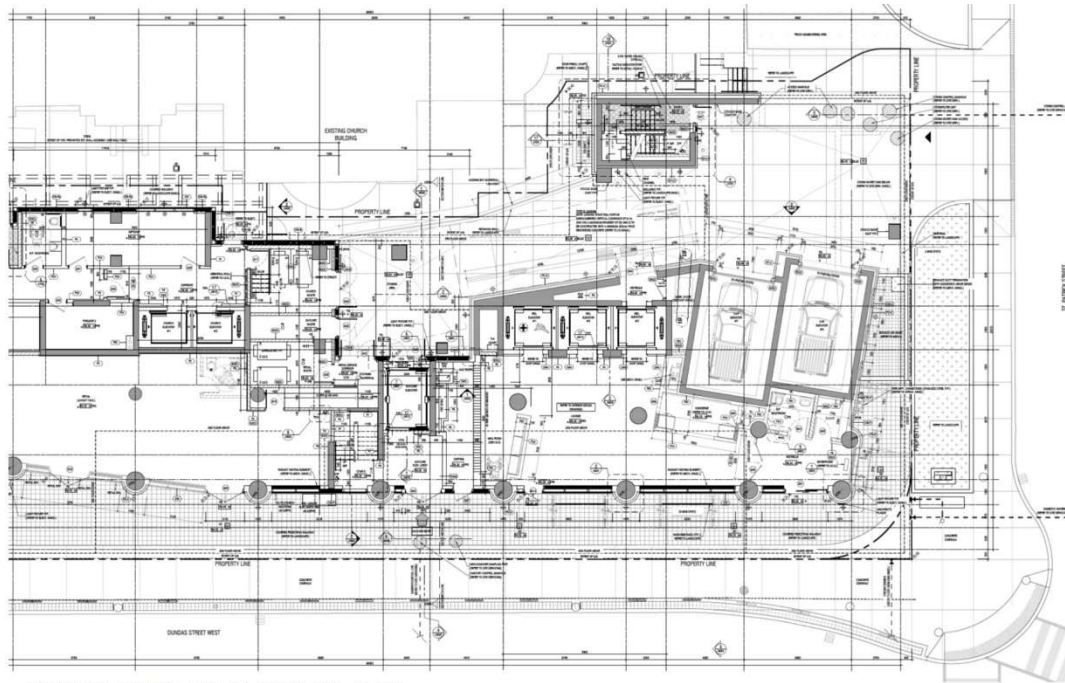
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| Property: | 292 Dundas Street West, Toronto, Ontario, M5T 1G2 |
| Landlord: | City of Toronto (the "City") |
| Tenant: | Network Child Care Services |
| Condominium Lands Owner: | Tribute (McCaul Street) Limited (the "Condo") |
| Leased Premises: | Total area of 9,203 square feet; comprising approximately 6,878 square feet of indoor space and approximately 2,325 square feet of outdoor space; located on the upper 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 ten-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: the cost of Tenant's insurance, realty taxes, water, natural gas, hydro, waste collection, and all other charges and expenses which are the responsibility of the Tenant under the Lease.</p> <p>The Tenant will also 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. |
| Condo Responsibilities: | <p>Pursuant to an Easement and Reciprocal Rights agreement to be executed by the City, the Condo and the to be named church which will also operate within the development, the Condo will be responsible for maintaining and repairing common areas and shared facilities, including structural components, exterior walls, roof, and shared utility systems, ensuring they are in good, proper, and safe condition. The Condo will cover the associated costs.</p> <p>Additionally, the Condo will be responsible for maintenance, alterations, and replacement costs of the Child Care Facility's building systems not covered by the Tenant, including the roof, exterior walls, elevator, stairwell, foundation, and shared utility systems servicing the Child Care Facility.</p> |
| Property Tax: | To be paid annually by the Tenant. |

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| Commencement Date: | On or about October 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 ten years. |
| 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 ten-year term, on the same terms and conditions as the Lease, save and except for any further right of extension. |
| Permitted Use: | <p>The Leased Premises shall be used solely as a not-for-profit child care centre licensed under and operated in accordance with the <i>Child Care and Early Years Act, 2014</i> (Ontario) and all other applicable laws, for the purpose of operating programs for children aged zero to four years old, and for no other purpose.</p> <p>The Tenant shall pay all expenses and obtain and maintain at all times, all permits, licences, and authorization necessary to continue its Permitted Use.</p> |
| 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 City'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 City. |

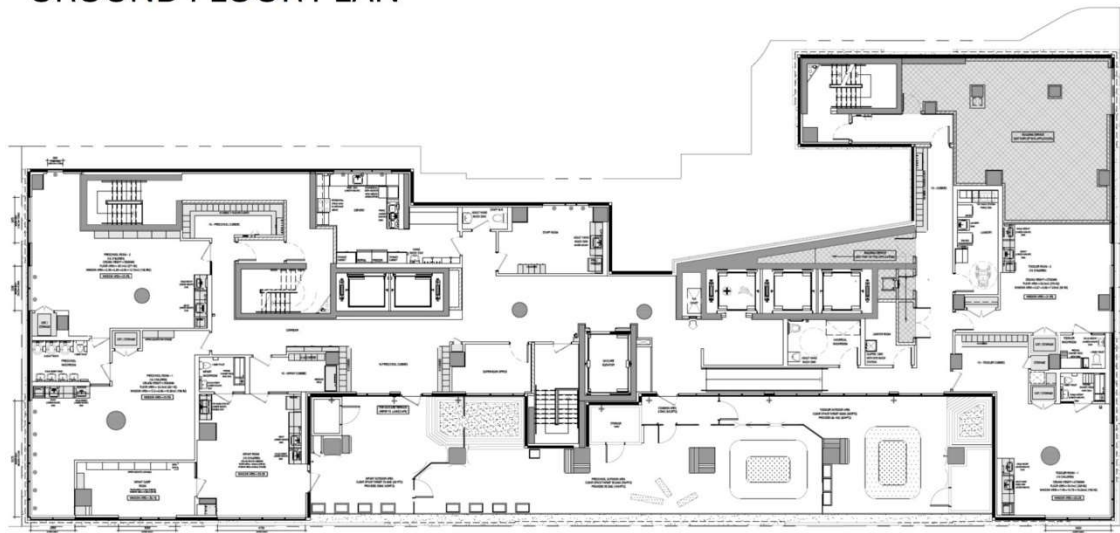
Appendix B - Location Map of Leased Premises



Appendix C – Floor Plan of Leased Premises



GROUND FLOOR PLAN



SECOND FLOOR PLAN