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FAMILY DAY CARE CENTRES IN THE RICHMOND HILL COMMUNITY CENTRE AND THE GARNET A. WILLIAMS COMMUNITY CENTRE

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, December 15, 2005, from the Commissioner of Corporate Services:

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize an assignment of the Sublease Agreement, dated September 1, 1996, between the Region and the Family Day Care Services, for the daycare space located in the Richmond Hill Community Centre, 160 Avenue Road, Richmond Hill (the “Richmond Hill Daycare”), to the Town of Richmond Hill.
2. Regional Council authorize an assignment of the Sublease Agreement, dated September 1, 1996, between the Region and the Family Day Care Services, for the daycare space located at Garnet A. Williams Community Centre, 501 Clarke Avenue West, Vaughan (the “Vaughan Daycare”), to the City of Vaughan.
3. Regional Council authorize the termination of the Head Lease, dated June 27, 1975, between the Region and the Town of Richmond Hill, for the lease of daycare space located in the Richmond Hill Daycare, in the Town of Richmond Hill. Such termination to be effective on the date of the expiry of the Sublease Agreement referred to in Recommendation 1 above.
4. Regional Council authorize the termination of the Head Lease, dated June 15, 1982, between the Region and the City of Vaughan, for the lease of daycare space located in the Vaughan Daycare, in the City of Vaughan. Such termination to be effective on the date of the expiry of the Sublease Agreement referred to in Recommendation 2 above.
5. Regional Council authorize the release of funds from the Children’s Centres Reserve Fund to the Town of Richmond Hill (the “Town”), that has been collected from Family Day Care Services, for the subletting of the Richmond Hill Daycare, calculated up to January 31, 2006 or such later date as the assignment referred to in Recommendation 1 above shall be effective. Such funds have been kept by the Region for the cost of repairs and maintenance.
6. Regional Council authorize the release of funds from the Children’s Centres Reserve Fund to the City of Vaughan (the “City”), that has been collected from Family Day Care Services, for the subletting of the Vaughan Daycare, calculated up to January

- 31, 2006 or such later date as the assignment referred to in Recommendation 2 shall be effective. Such funds have been kept by the Region, in this reserve fund, as shown in Table 1, for the cost of repair and maintenance.
7. The Children's Centres Reserve Fund be closed and that its balance be transferred to the Facilities Management Capital Reserve.
 8. The Regional Chair and the Regional Clerk be authorized to sign the necessary agreements with Family Day Care Services, the Town, and the City, for the renewal and assignment of the sublease agreements, for the Richmond Hill Daycare and the Vaughan Daycare as well as the agreements terminating the head leases, subject to review by Legal Services.

2. PURPOSE

The purpose of this report is to obtain authorization from Regional Council to assign the sublease agreements (the "Assignments"), between the Region and Family Daycare Services, to the Town and to the City, to terminate each Head Lease, and to release surplus funds, kept in the Children's Centres Reserve Fund to the respective municipalities.

3. BACKGROUND

The Town and the City own the building and property at 160 Avenue Road, Richmond Hill, and 501 Clarke Avenue West, Vaughan, respectively.

Prior to 1996, the Region directly operated day care centres at these sites (Richmond Hill Daycare since 1975, and at the Vaughan Daycare since 1982). In 1996, the Region divested the operations of the two centres and sublet these leased facilities to Family Day Care Services, with the approval of the Town and the City.

The Region paid for the leasehold improvements to establish child care centres at both sites. The Head Lease, which expires on September 29, 2024, reflects this initial investment through its nominal rental rate. Family Day Care Services, the sub-tenant, pays a reduced rental rate of \$5.00 per square foot.

It was agreed between the Region, the Town, and the City, that the rent collected by the Region from Family Day Care Services, would be applied to the facilities' repair and maintenance costs, and that any surplus would be shared 50/50 between the Region, the Town, and City.

The Region has maintained the reserve and as at November 30, 2005, the reserve balance for the Richmond Hill Daycare was \$91,852.51, and the reserve balance for Vaughan Daycare was \$211,525.74.

In February of 2005, the Town and Region staff reached an agreement, to assign the Sublease Agreement, between the Region and Family Day Care Services, to the Town, so that the Town would assume a direct landlord relationship with Family Day Care Services. The Region would then have no further commitment or responsibility to the Town or to Family Day Care Services.

Subsequently, Region staff approached the City, offering a similar arrangement, which was endorsed by the City.

A letter has been sent to Family Day Care Services advising them of these proposed assignments of the Sublease Agreements.

The Town and the City are committed to maintain these facilities as child care centres, at the existing rental rate of \$5.00 per square foot, for a period of one year, after which time, lease extensions will be negotiated.

4. ANALYSIS AND OPTIONS

Regional staff support the Assignments.

1. Regional resources will no longer be required for the repair and maintenance of these two facilities.
2. Current rent is below market value and the Assignments will remove the Region from this rental subsidy agreement. Both municipalities will continue subsidizing the rental rate for one year.
3. Child care services will continue at these locations.

The Town and the City will enter into new agreements with Family Day Care Services, that will honour the intent of the current renewal period, expiring in August 2006, with an option to renew for a further one-year period, at the current rental rate of \$5.00 per square foot, plus operating costs per facility.

The Head Lease dated June 27, 1975, between the Region and the Town of Richmond Hill, for the lease of daycare space located in the Richmond Hill Daycare, in the Town of Richmond Hill, and the Head Lease dated June 15, 1982, between the Region and the City of Vaughan, for the lease of daycare space located in the Vaughan Daycare, in the City of Vaughan, will be terminated when the Subleases are assigned, and therefore releasing the Region from any liability for the respective daycare spaces.

5. FINANCIAL IMPLICATIONS

5.1 Richmond Hill Daycare

Negotiations have taken place between Region staff and staff of the Town regarding the distribution of funds from the Children's Centres Reserve Fund. An agreement was reached, whereby the Region will forward to the Town fifty percent of the reserve fund balance plus an amount for the costs incurred by the Town, for renovations performed to the Richmond Hill Daycare, and which the Region is obligated to pay in accordance with the Head Lease. As at November 30, 2005, these amounts are as set out in Table 1. The final payment will be calculated when the actual assignment date (contemplated for February 1, 2006) is confirmed.

5.2 Vaughan Daycare

Negotiations have also taken place between Region staff and staff of the City regarding the distribution of funds from the Children's Centres Reserve Fund. An agreement was reached, whereby the Region will forward to the City fifty percent of the reserve fund balance plus an amount for the costs incurred by the City, for renovations performed to the Vaughan Daycare, and which the Region is obligated to pay in accordance with the Head Lease. As at November 30, 2005, these amounts are as set out in Table 1. The final payment will be calculated when the actual assignment date (contemplated for February 1, 2006) is confirmed.

5.3 Children's Centres Reserve Fund

In 1996, the Region divested the operations of four (4) day care centres to Family Day Care Services. Two of these facilities are owned by the Town and the City. The two remaining facilities are owned by the Region – 7755 Bayview Avenue in Thornhill, and 55 Eagle Street in Newmarket.

The Children's Centres Reserve Fund was established at that time to retain child care facility rent revenue and disburse funds to reimburse the Region for repair, renovation, and maintenance costs. Funds surplus to these costs were to be shared 50/50 with the Town and the City, for their respective facilities.

The 55 Eagle Street facility currently is operated directly by the Region staff to deliver Early Intervention Services for special needs children, to administer child care fee subsidy and to manage the Social Housing Access Centre.

The Thornhill facility remains a child care centre leased to Family Day Care Service. Rent from this facility is contributed to the Children's Centres Reserve Fund, and repair and maintenance costs for this facility are drawn from this reserve fund.

Given that this reserve fund will now only have rent contributions from one facility, and that the facility is owned by the Region, it is more administratively efficient to close the Children's Centres Reserve Fund. It is recommended that the funds should be reallocated to the Facilities Management Capital Reserve. and the Thornhill facility be

maintained through the Region's operating budget, similar to the way the Region manages the maintenance of its other facilities

5.4 Operating Costs

The majority of operating costs are the responsibility of the Family Day Care Services (e.g. janitorial and utilities). The repair and maintenance component of the Region's annual operating costs at the respective facilities were expensed to the Children's Centres Reserve Fund and as such had no tax levy impact. However, there will be an approximate savings in Regional staff time of 160 man hours which will be reallocated to other Region facilities.

Table 1
Reserve Fund Allocation as of November 30, 2005

Day Care Facility	Total Surplus Funds	Municipalities Portion (including Renovation Costs)	Remaining Balance (Region's Portion)
Town of Richmond Hill	\$ 91,852.51	\$ 73,512.25	\$ 18,340.26
City of Vaughan	\$211,525.74	\$134,436.87	\$ 77,088.87
Thornhill	\$ 42,929.33	n/a	\$ 42,929.33
TOTALS	\$346,307.58	\$207,949.12	\$ 138,358.46

6. LOCAL MUNICIPAL IMPACT

Daycare services will still be provided at these locations. The Town and the City will have full control over these daycare facilities.

7. CONCLUSION

The Assignments and termination of each Head Lease will release the Region from the responsibility of maintaining these daycare facilities and free up resources for other facilities within the Region's portfolio. The Senior Management Group has reviewed this report.