



April 27, 2020

Transmittal No. 2020 – 95 (Public)

Lease: Former DB Hood PS, 2327 Dufferin Street

To: Robin Pilkey, Chair

This communication is to inform of a recent decision made by the TLC Board at its meeting of April 27, 2020 with respect to the report **Lease: Former DB Hood PS, 2327 Dufferin Street**, as attached herein.

The TLC Board decided that:

- 1) In accordance with subsection 194(3) of the Education Act, TDSB pass a resolution that the former DB Hood Middle School located at 2327 Dufferin Street is not required for the purposes of the Board; and
- 2) TLC be authorized to circulate a proposal under Regulation 444/98 for a lease having a term of 10 years with an option to extend for an additional 5 years (subject to TDSB giving notice that the property is required for its own use) on terms that require the tenant to undertake repairs described in the proposal within 18 months after commencement of the term having a cost of not less than \$3 million; and
- 3) If no lease with a public body is entered into resulting from the circulation, authority be given to TLC to enter into a lease with Lycee Francais de Toronto on the terms described in the proposal without requiring a 12 month termination clause that would allow TDSB to reclaim the facility during the ten year term and otherwise on terms and conditions satisfactory to TLC in its reasonable discretion in form and content satisfactory to TLC’s legal counsel; and
- 4) This TLC Report “Lease: Former DB Hood PS, 2327 Dufferin Street” be forwarded to TDSB for approval.

On behalf of the Board of Directors of the Toronto Lands Corporation, TDSB Board approval of the report **Lease: Former DB Hood PS, 2327 Dufferin Street**, is requested.

Sincerely,

Brenda Patterson
 Chair, TLC

- cc. D. Sage, Executive Officer, TLC
- cc. J. Malloy, Director of Education, TDSB
- cc. C. Jackson, Associate Director, Business Operations and Service Excellence, TDSB
- cc. C. Snider, Executive Officer, Finance, TDSB

TORONTO LANDS CORPORATION**Lease: Former DB Hood PS, 2327 Dufferin Street**

To: Chair and Members of the Toronto Lands Corporation

Date: 27 April 2020

Recommendation:

It is recommended that:

- 5) In accordance with subsection 194(3) of the Education Act, TDSB pass a resolution that the former DB Hood Middle School located at 2327 Dufferin Street is not required for the purposes of the Board; and
- 6) TLC be authorized to circulate a proposal under Regulation 444/98 for a lease having a term of 10 years with an option to extend for an additional 5 years (subject to TDSB giving notice that the property is required for its own use) on terms that require the tenant to undertake repairs described in the proposal within 18 months after commencement of the term having a cost of not less than \$3 million; and
- 7) If no lease with a public body is entered into resulting from the circulation, authority be given to TLC to enter into a lease with Lycee Francais de Toronto on the terms described in the proposal without requiring a 12 month termination clause that would allow TDSB to reclaim the facility during the ten year term and otherwise on terms and conditions satisfactory to TLC in its reasonable discretion in form and content satisfactory to TLC's legal counsel; and
- 8) This TLC Report "Lease: Former DB Hood PS, 2327 Dufferin Street" be forwarded to TDSB for approval.

Rationale

The TDSB property municipally known as 2327 Dufferin Street, formerly operated as DB Hood Middle School, is under a lease agreement with Lycee Francais de Toronto. A recent facility condition engineering report has confirmed the magnitude of necessary repairs, which include the structural integrity of the building, in the amount of at least \$3Million dollars. The tenant is prepared to undertake this work at its expense and in accordance with TDSB protocols but requires a long term lease commitment in return.

Context

TLC has leased properties to third parties that have been identified by TDSB as core holdings for potential future use. At 2327 Dufferin Street, the former DB Hood school, has been leased to the Lycee Francais de Toronto which operates as a school on behalf of the French Government since June 2008. The current lease expires on July 15, 2021.

TDSB Planning undertakes reviews of all TLC's leasing portfolio to determine if a school building should be retained for potential future use. TDSB facilities that are not used as operating schools for TDSB students are not eligible for provincial funding to support capital

repairs or maintenance. As such, TLC has been allocating \$1M per year from its annual projected lease revenues to fund urgent capital repairs. Over the years, building conditions have been deteriorating across these non-instructional facilities at a faster rate than the \$1M TLC capital investment budget allows. In order to continue to retain these properties on behalf of TDSB and with no provincial funding source, TLC has been working towards negotiating the required capital investment to be made by the tenant. Understandably, tenants who are able to secure capital for facility investment require a long term lease commitment that allows for the amortization of the expenditure. In addition, the TDSB required 12 month termination notice places the tenant's capital investment at risk, thus the request that this particular condition be removed from any long term agreement.

Resulting from Lycee identifying a number of facility deficiencies and failures, TLC undertook a comprehensive building condition audit. The investigation revealed a number of necessary capital repairs including major structural deficiencies requiring at least a \$3 Million Dollar investment.

TDSB Comments:

The 2327 Dufferin Street property is immediately adjacent to an existing operating TDSB school, Fairbank Public School. The two buildings are located on one site of approximately six acres divided by an interior driveway. Fairbank PS uses the interior driveway and a lane that runs along the rear of the 2327 Dufferin Street property as the route for drop-off and pick-up of students. Fairbank PS is close to capacity. Some growth is anticipated at Fairbank PS over the next ten years; one or two portables may be required.

The Fairbank PS / 2327 Dufferin Street site is located in close proximity to the Eglinton Avenue West corridor and the Fairbank Crosstown LRT station. Over the long term (beyond ten years) the area may experience intensification. The 2327 Dufferin Street property should be retained by the TDSB to ensure that the TDSB has an adequately-sized site to support Fairbank PS and provide options for future expansion, such as building an addition, constructing a replacement school, or redeveloping the site with a partner.

Since the potential pressures are off in the future beyond ten years, TDSB staff support a long-term lease for the 2327 Dufferin Street property, subject to the tenant completing the necessary capital expenditures at no cost to the TDSB.

Given that the current lease expires July 2021, before a new lease can be entered into a formal declaration must be made by TDSB that the property remains surplus to the needs of the Board and that the Board determines that the property is to be leased not sold. Should TDSB declare DB Hood surplus for lease, TLC will undertake the requirements of Ontario Regulation 444/98. In doing so, TLC will include key business terms such as the tenant committing to a \$3 capital investment satisfactory to TDSB. After satisfactory completion of Ont Reg 444/98, TLC would finalize negotiations with Lycee.

At this time, TLC has met with the President of Lycee, Francais de Toronto who indicated their acceptance of the following key business terms:

1. Enter into a new Lease agreement for a ten (10) year term commencing July 15, 2021 with an option to extend for (5) five years subject to TDSB's right to provide notice that the property is required for its own use;
2. Lycee to complete the repairs in the estimated amount of \$3 Million dollars and a detailed list to be attached to and form part of the lease agreement;
3. There will be no early 12 month termination provision during the 10 year term;

4. The Tenant will have the right during the term and any extension to terminate at any time upon providing 12 months' advance written notice to the Landlord, and the Tenant will not receive any refund or amortized refund with regards to any capital expenditures.
5. The Tenant will adhere to the TDSB Union Collective agreement provisions with regards to the engagement of a contractor to complete the work and the tenant may determine its own construction schedule; and
6. All other reasonable terms and conditions to be negotiated by the parties to complete the transaction.

TDSB Planning has confirmed that the former DB Hood School is to be retained for the potential long term pupil accommodation needs of the Board. TDSB also understands the school is in need of major capital investment of \$3Million to maintain the building but is not in a position to complete this work on a non-instructional property. The Tenant (Lycee) has committed to invest the required capital funds to complete the necessary repairs in exchange for long term lease. This arrangement would provide a unique opportunity for TDSB to protect an asset while still receiving a rental income from the property.

It is noted that the current tenant (Lycee) was prepared to undertake capital repairs during this summer (2020). Due to the government imposed restrictions stemming from COVID-19 and overall uncertainty as to when and what business operations may resume, capital construction at DB Hood will not likely begin until later into 2021. Lycee has advised that it needs at least one full school year's notice in order to relocate its operations in case a new lease of DB Hood is not available to it. Therefore, TLC proposes to amend the existing lease with Lycee to extend the term until the earlier of (a) the commencement date of a new lease with Lycee; and (b) 15 days after the end of the first full school year following the date a lease, if any, is entered into with a public body pursuant to Regulation 444/98. TLC intends to include this information in the circulation of the proposal described above.

Routing

TLC Board: April 27, 2020

From

Daryl Sage, Executive Officer, Toronto Lands Corporation, at dsage.tlc@tdsb.on.ca or at 416-393-0575.

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