



## STAFF REPORT ACTION REQUIRED

10.

### Build Toronto – Potential Redevelopment Sites

<b>Date:</b>	June 15, 2009
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

### SUMMARY

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At the March 23, 2009 Library Board meeting, a *Build Toronto and City Real Estate Strategy* report explained Build Toronto's mandate, which is to unlock the value in under-utilized lands owned by the City and its Agencies, Boards and Commissions (ABCs), and described a Real Estate Strategy being developed by the City. As noted in the report, the City's Chief Corporate Officer has begun an audit of corporate real estate to identify properties with potential for private development. In response to this, two Library properties located at 40 St. Clair Ave. East (Deer Park Branch) and 1303 Queen St. West (Parkdale Branch) were identified for discussion.

In a joint report from the Deputy City Manager and Chief Financial Officer and Chief Corporate Officer to Executive Committee, *Principles of a Real Estate Strategy and Declaration of Surplus for Sale/Transfer or Turnover to Build Toronto*, 22 properties were recommended to be declared surplus, subject to retention of any interests for operational requirements, for the purpose of transfer or turnover to Build Toronto, including Library properties at 40 St. Clair Ave. East and 1303 Queen St. West. Another recommendation of the report requested the Library Board to concur with declaring the properties surplus. The report also presented proposed Principles of a City Real Estate Strategy which will be used as a framework for managing corporate real estate. The report was approved at Council on May 25, 2009, with some amendments.

This report describes the Board's role in dealing with Build Toronto if the Library properties are declared surplus for the purpose of negotiating a Turnover Agreement.

### RECOMMENDATIONS

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#### **The City Librarian recommends that the Toronto Public Library Board:**

1. declares the properties located at 40 St. Clair Ave. East and 1303 Queen St. West surplus, subject to the continuing need for a library at both locations, for the purpose of negotiating a Turnover Agreement with Build Toronto which will include the requirement for appropriate replacement buildings capable of delivering modern library services as described in Attachments 2 and 3.

## **FINANCIAL IMPACT**

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If a redevelopment does proceed on any of the properties being declared surplus, Build Toronto would use some of the proceeds to fund a new library which would be constructed on the site. However, every redevelopment project would be unique and subject to negotiations around the size, scope and required funding for a new library with Build Toronto under Turnover or Transfer agreements which need Board approval. If Build Toronto does not agree to fund a portion of the new library, e.g., an expansion component where a library is being enlarged, then the Library would need to provide funding which would displace other priority projects.

Using recent project costing, it is estimated that it would cost \$6.6 million to rebuild and equip Deer Park Branch at the existing 16,558 sq. ft. and \$9.6 million to rebuild and equip Parkdale Branch at the existing 24,083 sq. ft.

Under a Build Toronto redevelopment of Deer Park Branch, there could be a \$350,000 loss in rental revenue currently being collected from tenants. While efforts will be made by the City to make appropriate budget adjustments, it is possible that a budget pressure resulting from a Build Toronto development may need to be absorbed and managed by the Library. Based on the premise that Build Toronto activities will result in increased revenues for the City, then TPL's participation in the Build Toronto process should not result in a financial hardship and consideration should be given to include this as a condition in the Transfer Agreement.

Principle No. 4 of the City Real Estate Strategy states that Agencies, Boards, Commissions and Divisions of the City (ABCDs) will be required to budget the cost of acquiring corporate real estate at fair market value, which previously was at no cost. This policy change could impact the Library's future capital budget as other projects may need to be displaced if City-owned land is to be acquired. The Library has two capital projects which involve building on City-owned lands, the West Waterfront and Scarborough Centre projects, but these are exempt from the new policy.

The Director, Finance & Treasurer has reviewed this Financial Impact Statement and is in agreement with it.

## **ISSUE BACKGROUND**

At the March 23, 2009 Board meeting, a *Build Toronto and City Real Estate Strategy* report (<http://www.torontopubliclibrary.ca/pdfs/board/09mar23/14.pdf>) explained Build Toronto's mandate which is to unlock the value in under-utilized lands owned by the City and its Agencies Boards and Commissions (ABCs), and described a Real Estate Strategy being developed by the City. As noted in the report, the City's Chief Corporate Officer (CCO) has begun an audit of corporate real estate to identify properties with potential for private development. As TPL has no surplus lands, the focus would be primarily redevelopment opportunities, whereby there would be a continuing interest for an improved library on site. Where title is not transferred to Build Toronto, then a negotiated Turnover agreement would give Build Toronto the opportunity to work with TPL to determine the appropriate development and intensification of a property, and may eventually lead to a sale or transfer (Transfer Agreement)

to Build Toronto or other third parties of specific site interests, such as air rights or a stratified portion of a property.

In a preliminary discussion, two TPL-owned potential redevelopment sites were identified, mainly due to their desirable locations and the fact that TPL holds title: 40 St. Clair Ave. East (Deer Park Branch); and 1303 Queen St. West (Parkdale Branch). It was noted that each location had challenges for redevelopment, and that further discussion and Library Board approval would be required before any plans for redevelopment could proceed.

## **COMMENTS**

### **Executive Committee Report**

The CCO has assessed that the two Library locations may have potential for private development. In a joint report from the Deputy City Manager and Chief Financial Officer and Chief Corporate Officer to Executive Committee, *Principles of a Real Estate Strategy and Declaration of Surplus for Sale/Transfer or Turnover to Build Toronto*, 22 properties were recommended to be declared surplus, subject to retention of any interests for operational requirements, for the purpose of transfer or turnover to Build Toronto, including Library properties at 40 St. Clair Ave. East and 1303 Queen St. West. The report also requested the Library Board to concur with declaring the properties surplus (<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-20629.pdf>)

### **Council Approval**

After the report was approved at Executive Council, meetings were held to better understand the Build Toronto process as well as the Library Board's role and authorities.

To clarify and reinforce the Board's approval role in the process, some of the recommendations of the Executive Committee report were amended at the Council meeting on May 25, 2009, as described below.

Recommendation 3 of the Executive Committee report (see Attachment 1), which proposes budget adjustments as appropriate when properties are transferred to Build Toronto, was amended to provide further budget protection by adding “....with the intent to make the ABCD whole.”

Recommendation 13 of the report (Attachment 1), which recommends that the Library Board concur with declaring the two Library properties surplus, was amended to clearly state the Board's approval role by adding “.....subject to the approval and execution by TPLB of a Sale or Turnover Agreement acceptable to the TPLB.”

Recommendation 20 was added at the Council meeting, which requires consultation with local Councillors prior to declaring properties surplus.

Recommendation 23 was also added at the Council meeting, which allows ABCDs input into operational designs for the purpose of transferring properties to Build Toronto.

The relevant recommendations from the Executive Committee report, as amended at Council at its meeting on May 25, 2005 (underlined on the attachment), are shown on Attachment 1.

### **Build Toronto Process**

If the Board declares the two Library properties surplus, it would be for the purpose of engaging Build Toronto to assess the development potential. Because TPL has a continuing program interest in lands, i.e., a new branch, then instead of Build Toronto owning these lands through a Transfer Agreement, Build Toronto will take management and control of the land through a negotiated Turnover Agreement. The Turnover Agreement would specify the Library's operational needs for a new branch on site. Once a Turnover Agreement has been negotiated, Build Toronto can then go out to seek development proposals. Turnover Agreements require Library Board, Build Toronto and City Manager approval.

At a later date, Build Toronto would take developments proposals back to TPL for discussion. If a proposal meets the needs of TPL, and Build Toronto feels the redevelopment is worthy of proceeding, then a transfer or sale (Transfer Agreement) of specific site interests, such as air rights or a stratified portion of the property to Build Toronto would need to be negotiated. Transfer Agreements require Library Board, Build Toronto and Council approval.

If it is determined that a property is not appropriate for development by Build Toronto, then the Board and CCO may rescind the declaration of surplus for those properties.

### **Turnover Agreement**

Both Parkdale and Deer Park branches are large, busy, vital and well used neighbourhood branches with strong and varied programs and services. The library facility at Deer Park is 33,022 square feet of which 16,558 square feet are used for library branch services with the remainder of the space leased to tenants. Parkdale Branch is 24,083 square feet and includes space for a long-standing community partner, Neighbourhood Information Post. Public use of community meeting space in both locations is strong.

In the Turnover Agreement, TPL specifies its operational requirements for a replacement library at the site, which will be constructed of appropriate size and layout, and which enables delivery of modern library services. TPL has developed a list of requirements to consider when constructing or renovating a branch, and these are shown on Attachment 2. TPL has also established criteria and conditions for successful partnerships with joint facilities and joint-use facilities and these are shown on Attachment 3.

Using recent project costing, it is estimated that it would cost \$6.6 million to rebuild and equip Deer Park Branch at the existing 16,558 sq. ft. and \$9.6 million to rebuild and equip Parkdale Branch at 24,083 sq. ft.

If a redevelopment does proceed on any of the properties being declared surplus, Build Toronto would use some of the proceeds to fund a new library which would be constructed on the site. However, every redevelopment project would be unique and subject to negotiations around the size, scope and required funding for a new library with Build Toronto under Turnover or Transfer agreements. If Build Toronto does not agree to fund a portion of the new library, e.g.,

an expansion component where a library is being enlarged, then the Library would need to provide funding which would displace other priority projects.

The Deer Park Branch currently has a number of tenants who generate \$350,000 of rental revenue which provides budget relief. Presumably, under a Build Toronto redevelopment, the rental space would be eliminated and the associated revenue loss would become a budget pressure. One of the recommendations approved by Council addresses this situation and states that appropriate budget adjustments will be made as part of the annual budget process with the intention of making the Library whole. While efforts will be made by the City to make appropriate budget adjustments, it is possible that a budget pressure resulting from a Build Toronto development may have to be absorbed and managed by the Library.

Based on the premise that Build Toronto developments will result in increased revenues for the City, then TPL's participation in the Build Toronto process should not result in a financial hardship and consideration should be given to include this as a condition in any Turnover or Transfer Agreement. Other conditions to be included in a Turnover Agreement are shown on Attachments 2 and 3.

As noted before, Turnover Agreements require Library Board, City Manager and Build Toronto approval.

### **City Real Estate Strategy**

In order for the City to proceed expeditiously with the sale and turnover of properties to Build Toronto in advance of the completion of a full policy review that is required to develop the details of a comprehensive real estate strategy, certain basic principles have been formulated. The Executive Committee report presented proposed Principles of a City Real Estate Strategy which will be used as a framework for managing corporate real estate. The basic principles, appended as Attachment 4, provide for the integration of Build Toronto's role into the City's real estate management framework.

The principles effectively define all real estate owned by the City and its ABCs as "corporate" assets and the Property Management Committee, chaired by the CCO, has the authority to review all real estate assets to ensure they are being utilized in a manner consistent with approved long-term City objectives.

Principle No. 4 of the City Real Estate Strategy states that ABCDs will be required to budget the cost of acquiring corporate real estate at fair market value, which previously was at no cost. This policy change could impact the Library's future capital budget as other projects may need to be displaced if City-owned land is to be acquired. The Library has two capital projects which involve building on City-owned lands, the West Waterfront and Scarborough Centre projects, but these are exempt from the new policy.

If a future project does involve moving onto City-owned land, then using fair market value may influence the impact on the capital budget and the decision to move.

Principle No. 8 addresses the situation when a property transfer to Build Toronto results in an operating budget impact, and states that appropriate budget adjustments will be made. The

possible impact of this principle was discussed previously in relation to Deer Park and the related potential loss of tenant revenue.

## **CONCLUSION**

The terms of Transfer and Turnover agreements will be subject to negotiation with Build Toronto and Library Board approval. Build Toronto is currently addressing staffing resources and will be defining its objectives and development criteria.

## **CONTACT**

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## **SIGNATURE**

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Jane Pyper  
City Librarian

## **ATTACHMENTS**

Attachment 1: Relevant Recommendations from *Principles of a Real Estate Strategy and Declaration of Surplus for Sale/Transfer or Turnover to Build Toronto* report, as approved by Council on May 25, 2009

Attachment 2: Neighbourhood Branch Requirements

Attachment 3: Joint Facilities and Joint-Use Facilities Policy

Attachment 4: Principles of a City Real Estate Strategy