

Library Branch Leases Review

Date:	April 16, 2007
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

This report outlines a potential review of the negotiation process for branch leases in malls with a view to reducing leasing costs. The proposed review is in response to a request from Councillor Heaps, who is a member of Budget Committee assigned to review TPL's budgets. Library staff are seeking Board approval for the review.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. Authorize staff to review the negotiation process for branch leases in malls with a view to reducing leasing costs.

Implementation Points

If the Board approves a review of branch leases, then the City of Toronto's Real Estate Services Division and Legal Services Division will be requested to assist with the review. In addition, external expertise will be required in the areas of commercial leasing and corporate income taxes.

FINANCIAL IMPACT

Expenditures may be incurred to secure assistance from the City or external expertise in the areas of commercial leasing and corporate income taxes to do the review. At this time, the costs cannot be estimated, but they will be accommodated within the 2007 operating budget.

ISSUE BACKGROUND

The Eglinton Square Branch is located within a mall in Ward 35, which is Councillor Heaps' ward. At the Councillor's request, information on the lease for Eglinton Square Branch, as well as all other branch leases in malls, was provided to him. On February 27, 2007, TPL staff met with Councillor Heaps and Councillor Ainslie, who were appointed as the Budget Committee representatives, to review TPL's budgets. At the meeting, Councillor Heaps requested that TPL undertake a review of branch leases in malls with a view to reducing costs through lower negotiated lease rates or philanthropic donations, or a combination of below-market lease rates and an accompanying tax receipt.

TPL has thirteen branches in leased mall locations as listed below:

Enclosed Malls:

Bayview
Maryvale
Eglinton Square
Jane-Sheppard
Bridlewood
Kennedy-Eglinton
Black Creek
Woodside Square

Strip Malls:

Northern Elms
Steeles
Cliffcrest
Guildwood
Woodview Park

City Council has directed that where feasible, Library branches should be located on City-owned property. As each lease comes up for renewal, TPL works closely with the City's Real Estate Services Division to assess whether there is suitable City-owned land onto which the branch can be relocated. As an example of this process, in 2005, the Morningside Branch was relocated from a mall onto City-owned land at Heron Park. Also in 2007, work will begin on construction of a new Jane/Sheppard branch on City-owned land at 1900 Sheppard Ave. West, to replace the existing branch located in a mall. In both instances, there was available City-owned property which met TPL's location criteria for branches.

COMMENTS

Lease Negotiations

Leasing costs are comprised of a base rent and a share of common area maintenance. Lease rates vary by mall according to a variety of factors, including the type of mall (e.g., indoor mall vs. strip mall), quality/tenant mix of the mall, size of mall and location within the mall. Library branches in malls are exempt from property taxes and accordingly, these savings are passed on from the landlords to TPL in the form of a reduced rent. TPL pays approximately \$1.5 million in leasing costs annually for branch leases. Since 2002, TPL has employed the services of the City's Real Estate Services Division to negotiate branch leases to ensure that the most favourable lease rates are obtained. The Real Estate Service Division has stated that their mandate is to negotiate the most favourable market lease rates for City Departments, Agencies, Boards and Commissions.

In order to perform a review of the negotiation process for branch leases to determine if there is potential to reduce lease costs, TPL will require the assistance of the City's Real Estate Services Division and Legal Services Division, and external expertise in the areas of commercial leasing and corporate income taxes. It is estimated that the review would take a few months to complete, at which time a report would be presented to the Board.

Donations

The Toronto Public Library Foundation is the primary fundraising body for TPL and can issue tax receipts for donations received from individuals and businesses. A landlord may make a donation in return for a tax receipt, but no benefit or value can be returned for the donation. Funds raised by the Foundation are used to enhance TPL's services and collections, and are not intended to replace the operating budget funding from the City. The Real Estate Services Division has indicated that it does not get involved in negotiations for philanthropic donations from landlords.

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SIGNATURE

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