



STAFF REPORT ACTION REQUIRED

12.

Maryvale Branch Expansion – Capital Project and New Lease Agreement

Date:	April 29, 2019
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to obtain Toronto Public Library (TPL) Board endorsement for a capital project for an expanded Maryvale branch and a new twenty-year lease, at Parkway Mall, 85 Ellesmere Road, Toronto. The branch currently occupies 4,998 sq. ft., and the proposed expansion will add 6,748 sq. ft. of new space for a total of 11,746 sq. ft. in a different and improved location within the mall. The proposed lease, expected to start on May 1, 2020, has favourable terms since the space is being increased by 135%, but the gross annual cost of the lease is expected to increase by only 64%. The new lease also has a significant landlord contribution that will fund 30% of the capital costs.

A new capital project to renovate the larger space, expected to start in the Fall of 2019, is estimated at \$2.714 million that will be funded by development charges of 1.582 million, Landlord contribution of \$0.822 million and debt of \$0.310 million to be reallocated from within TPL's capital budget.

The move to a larger space is an opportunity that arises very infrequently as the mall is undergoing a major renovation and will result in significantly improved library service for the community. The recommendation to invest in Maryvale has been validated by the Facilities Master Plan.

The proposed Maryvale branch lease and capital project both require Library Board and City of Toronto approval.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. endorses a new lease agreement for Maryvale branch between the Library and FCHT Holdings (Ontario) Corporation for units 22 and 21 at the Parkway Mall, 85 Ellesmere Road, Toronto, for a 20-year term expected to start on May 1, 2020, substantially on terms and conditions set out in Appendix A;

2. requests City Council to approve a Municipal Capital Facility Agreement for the leased space;
3. approves a capital project to renovate the new space with a value of approximately \$2,714,000 to be funded by development charges of \$1.582 million, Landlord contribution of \$0.822 million and debt of \$0.310 million, with estimated cash flows of \$0.145 million (\$0 debt) in 2019, \$2.148 million (\$0.310 million debt) in 2020 and \$421,000 (\$0 debt) in 2021; and
4. authorizes the City Librarian to act on its behalf to seek City approvals and execute the lease and related documentation.

FINANCIAL IMPACT

Operating Impact

Under the current lease for Unit 16, 4,998 sq. ft., the base rent for the final two years is \$21.00 per sq. ft. from September 2018 to August 2020. The Landlord has offered a lease with very favourable terms.

Under the proposed lease for 11,746 sq. ft., which represents a 135% increase in branch size, the base rent is \$15.00 per sq. ft., representing a 29% decrease from the current lease, for Years 1 through 5, \$16.50 per sq. ft. for Years 6 through 10, and \$18.00 per sq. ft. for Years 11 through 15 and \$19.50 per square ft. for Years 16 through 20. The rates over the 20 years represent an effective annual increase of 1.44%. The base rent in the first year will be \$0.176 million, which represents a \$0.071 million or a 38% increase over the current lease for the smaller space.

Additional rent for the first five years of the new lease, inclusive of all charges, is estimated at \$11.20 per sq. ft. compared to the current lease rate of \$16.46 per sq. ft., a 32% reduction. The additional rent in the first year will be \$0.132 million, which represents a \$0.049 million or 60% increase over the current lease.

Overall, despite a 135% increase in the leased space, the total lease cost will increase only 64% or \$0.120 million in the first year.

Due to the larger size of the branch, the incremental non-lease operating costs will be \$0.175 million, which includes an additional 1.5 full-time equivalent staff.

The total increase in operating costs for the first full year of operations will be \$0.295 million, and this will be included as part of the 2020 operating budget submission.

The lease provides for a 120-day fixturing period, expected to start on January 1, 2020, where no base rent or additional rent is paid on the 11,746 sq. ft. of space.

Capital Impact

A capital project is required to renovate the new space with a value of approximately \$2,714,000 to be funded by development charges of \$1.582 million, Landlord contribution of \$0.822 million and debt of \$0.310 million, with estimated cash flows of \$0.145 million (\$0 debt) in 2019, \$2.148 million (\$0.310 million debt) in 2020 and \$421,000 (\$0 debt) in 2021. The debt required in 2020 will be reallocated from the Multi-branch Minor Renovation program.

All amounts are exclusive of Harmonized Sales Tax.

The Director, Finance & Treasurer has reviewed this financial impact statement and agrees with it.

BACKGROUND

Maryvale branch is a well-used neighbourhood library in the Wexford/Maryvale neighbourhood. In 2018, the branch had 137,412 visits and a circulation of 162,654. The branch has a total size of 4,998 square feet and is located in Unit 16 at the Parkway Mall, at 85 Ellesmere Road on the southeast corner of Victoria Park and Ellesmere Road.

Maryvale branch is located in Ward 21 and serves a population of 27,917. The population has increased 3.3% since the 2011 Census Data and largely consists of adults (58%), followed by seniors (28 %), children ages 0-15 yrs. (15%) and youth ages 16-24 yrs. (13%).

Toronto Public Library's Service Delivery Model is a framework to envision the possibilities that result from an investment in library infrastructure and service delivery. Neighbourhood branches provide collections and services that meet many of the needs of the immediate community. The Service Delivery Model identifies 10,000–20,000 square feet as the optimum size for a neighbourhood branch. At its current size, Maryvale does not meet the minimum standard size. Maryvale offers a limited range of children's, youth and adult, and seniors' programming due to the relatively small branch size. Regular Outreach programs to serve newcomer and refugee families housed at the Radisson Hotel are delivered by staff monthly. Maryvale serves seven elementary schools and one high school. The current branch has a small program room and delivers an average of 20 programs per month. The size of the branch limits the breadth and scope of library service.

The current lease for Unit 16 expires on August 2020.

COMMENTS

First Capital Asset Management LP (FCR), the real estate management company for Parkway Mall, approached the Library earlier in 2019 to discuss a major renovation for the mall and the opportunity for the Library to move into a larger space, Units 21 and 22, with 11,746 sq. ft. which brings the branch to the 10,000 – 20,000 sq. ft. Service Delivery Model standard for neighbourhood libraries. The proposed new location provides excellent access

and exposure at this location and would allow the branch to respond to the strong demand for programs and services at this busy location.

The larger Maryvale Branch will include:

- a) Design of interior spaces in alignment with the new Toronto Public Library brand, including flexible and multifunctional layout of collections, equipment, programming spaces and staff work areas;
- b) Merchandizing and display opportunities throughout the branch;
- c) A dedicated teen space, introduction of a mini-tech hub to provide additional access to technology, and Play and Learn STEM kits for children;
- d) Acoustically-managed spaces for collaboration, programming, and community meetings that can be used as an alternate quiet study or reading space when not otherwise in service;
- e) New flooring, shelving and furniture, with ample electronic outlets and updated equipment.

Key interior features include:

- a) Attractive merchandizing area and millwork;
- b) Excellent sightlines and traffic flow throughout;
- c) Flexible space with movable shelving and seating that can easily be reconfigured to take advantage of natural light;
- d) WIFI connectivity throughout;
- e) Interior signage in accordance with TPL branch signage standard;
- f) Digital signage for promoting library programs and services;
- g) Designated spaces for study and collaboration;
- h) Increased, accessible power outlets throughout the branch with USB connectors;
- i) Public computer area with pay-for-print and self-check kiosks.

The proposed new space in the mall will allow the current branch to maintain operations while the new space is being prepared, which will minimize service disruption for customers.

According to the Facilities Master Plan (FMP), Maryvale branch has been identified for major renovation and expansion. While not in the current capital budget, the FMP recommends that when investment opportunities arise, the Library should accelerate projects when warranted. Given that Maryvale received a high score relative to many other branches due to utilization, service provision, and state of good repair, the FMP supports the recommendation to move and expand the branch.

With regards to the proposed lease, City staff has advised that the proposed annual base rent represents fair market rent. The proposed Maryvale branch lease and capital project both require Library Board and City of Toronto approval.

The local councillor has been advised of the proposed expansion to the Maryvale branch.

CONTACT

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SIGNATURE

Vickery Bowles
City Librarian

ATTACHMENT

Appendix A: Major Terms and Conditions

MAJOR TERMS AND CONDITIONS OF MARYVALE BRANCH LEASE

Premises:

Approximately 11,746 square feet of rentable space, Units 21 and 22, at Parkway Mall, 85 Ellesmere Rd., Toronto.

Landlord:

FCHT Holdings (Ontario) Corporation

Term:

Fixturing period of 120 days estimated to commence January 1, 2020. Lease term of twenty years estimated to commence May 1, 2020 following the fixturing period.

Use:

Neighbourhood library branch operated by the Toronto Public Library.

Base Rent:

Years 1 to 5:	\$15.00 per sq. ft. or \$176,190 per year, plus HST
Years 6 to 10:	\$16.50 per sq. ft. or \$193,809 per year, plus HST
Years 11 to 15:	\$18.00 per sq. ft. or \$211,428 per year, plus HST
Years 16 to 20:	\$19.50 per sq. ft. or \$229,047 per year, plus HST

During the fixturing period there is no base rent payable.

Additional Rent:

Tenant pays for its proportionate share of certain common costs, a charge for the pylon sign, and water recovery charges, estimated at \$11.20 per sq. ft. in Year 1, plus HST. The charge for HVAC, which is estimated at \$2.29 for 2019, is waived in Years 1 to 10 and will commence in Year 11 at the Landlord's prevailing rate.

During the fixturing period there is no additional rent payable.

Utilities:

Tenant pays for its proportionate share of utilities for the building, estimated at \$2.00 per sq. ft., or \$23,492 per year, plus HST. During the fixturing period the Library must pay for utilities consumed.

Tenant Leasehold Improvement Allowance:

The Landlord is offering \$70.00 per sq. ft. as an inducement to enter into the lease, for a total of \$822,220.

Capital Costs:

The cost to prepare the space for library use is estimated at \$2,714,000 which will be funded by development charges of \$1.582 million, Landlord contribution of \$0.822 million and debt of \$0.310 million.