

Maryvale Branch Lease – Amendment for Additional Space and Extension

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| Date: | March 24, 2014 |
| To: | Toronto Public Library Board |
| From: | City Librarian |

SUMMARY

The purpose of this report is to obtain approval to amend the current Maryvale Branch lease to increase the square footage by approximately 577 square feet effective May 1, 2014 until August 31, 2017, and extend the term of the amended lease from September 1, 2017 to August 31, 2020.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves an amendment to the current lease agreement between FCHT Holdings (Ontario) Corporation, as Landlord, and Toronto Public Library Board, as Tenant, to increase the size of the library space by approximately 577 square feet (the "Additional Space") effective May 1, 2014 until August 31, 2017 with base rent the same as the current lease:
 - a. \$19.00 per square foot, excluding Harmonized Sales Tax (HST), from May 1, 2014 to August 31, 2014;
 - b. \$20.00 per square foot, excluding HST, from the remaining three years, September 1, 2014 to August 31 2017;
2. approves an extension of the term for the amended lease for the larger space with FCHT Holdings (Ontario) Corporation for an additional three years, September 1, 2017 to August 31, 2020, at an annual base rent of:
 - a. \$20.00 per square foot, excluding HST, for the first year, September 1, 2017 to August 31, 2018;
 - b. \$21.00 per square foot, excluding HST, from the remaining two years, September 1, 2018 to August 31, 2020;

3. requests City Council to increase the 2014 Multi-Branch capital project by \$60,000 gross for renovations to the new space, to be funded by a landlord contribution of \$20,000 and a draw from the Development Charges reserve of \$40,000;
4. requests City Council to approve a Municipal Capital Facility Agreement for the 577 square feet of Additional Space; and
5. authorizes and directs staff to take appropriate action to give effect thereto.

FINANCIAL IMPACT

Lease for Additional Space

The terms of the lease for the Additional Space of 577 sq. ft. will be the same as the current lease for the branch, with a rental rate of \$19.00 per sq. ft. from May 1, 2014 to August 31, 2014, and \$20.00 per sq. ft. from September 1, 2014 to August 31, 2017 as shown in the table below:

| Additional Space - 577 Square Feet | | | | | |
|------------------------------------|---|-----------|------------|-------------------------|----------------------------------|
| Period | | | No. Months | Base Rent / Sq. Ft.* | Total Base Rent for Period |
| 1-May-14 | - | 31-Aug-14 | 4 | 19 | 3,654.33 |
| 1-Sep-14 | - | 31-Aug-15 | 12 | 20 | 11,540.00 |
| 1-Sep-15 | - | 31-Aug-16 | 12 | 20 | 11,540.00 |
| 1-Sep-16 | - | 31-Aug-17 | 12 | 20 | 11,540.00 |

* Base rent same as under current lease

In 2014, the cost of the Additional Space from May 1 to December 31, will be \$13,405.63 (excluding HST) – comprised of base rent of \$7,501.00 and utilities and common area costs of \$5,904.63 – and this will be accommodated within the 2014 operating budget.

In 2015, the cost of the Additional Space will be \$20,396.25 – comprised of base rent of \$11,540.00 and utilities and common area costs of \$8,856.25 – and this would be incorporated into the 2015 operating budget submission.

The capital cost to renovate the new space is estimated at \$60,000, which will be funded by a \$20,000 contribution from the landlord and a \$40,000 draw from development charges. The landlord has also agreed to a one-month rent-free fixturing period, April 2014.

Amended Lease Extension

The proposed extension to the amended lease for 4,998 sq. feet, comprised of the current lease for 4,421 sq. ft. and 577 sq. ft. of Additional Space, is for an additional three years at the following favourable rates:

| Lease Extension - 4,998 Square Feet | | | | | |
|-------------------------------------|---|-----------|------------|-------------------------|----------------------------------|
| Period | | | No. Months | Base Rent / Sq. Ft.* | Total Base Rent for Period |
| 1-Sep-17 | - | 31-Aug-18 | 12 | 20 | 99,960.00 |
| 1-Sep-18 | - | 31-Aug-19 | 12 | 21 | 104,958.00 |
| 1-Sep-19 | - | 31-Aug-20 | 12 | 21 | 104,958.00 |

In the first year of the lease extension there will be no cost increase as the base rent will be \$20.00 per sq. ft. or \$99,960, the same as the rent for the preceding two years under the current lease. In the second and third years of the extension, the base rent will increase by \$1 per sq. ft. or \$4,998.00, for an annual base rent of \$21 per sq. ft. or \$104,958.00. Utilities and common area costs would be extra.

The Director, Finance and Treasurer has reviewed this financial impact statement and is in agreement with it.

BACKGROUND

Maryvale Branch is situated in the Parkway Mall at 85 Ellesmere Rd. on the south-east corner of Victoria Park Ave. and Ellesmere Rd. The branch has occupied space in this mall since 1982 and it serves a residential community bounded by the 401 to the North, Lawrence Ave. to the South, Birchmount Rd. to the East and Victoria Park Ave. to the West.

Maryvale is a small neighbourhood branch and the leased space is 4,421 square feet, well below the service standard minimum of 10,000 sq. ft. for a neighbourhood branch. The branch serves diverse populations from residential neighbourhoods comprised of both single family dwellings and apartment buildings. The branch has attracted new customers from the nearby vertical communities, many of whom are newcomers.

Maryvale Branch is always busy, with circulation of 258,596 and visits totaling 150,788 in 2013. The branch is in the first quartile of neighbourhood branches in terms of circulation and the second quartile in terms of visits. Children's programs are popular with 125 programs offered and 3,402 children and their caregivers participating. Programs for adults, including Financial Literacy, Budgeting and Income Tax Clinics, are popular with local residents. Electronic resources and services at the branch are well used, providing customers access to internet, e-books and online databases through computers and WiFi. As well, the branch has experienced customers using and staying in the branch for a longer period of time.

An expansion to the current space will reduce congestion in the branch and provide opportunities to accommodate more seating and quiet study spaces and increase the spaces and shelving collections for seniors, youth and children.

COMMENTS

This expansion area is contiguous to the branch and represents a unique and time-sensitive opportunity for the Library to enhance its service in a cost effective manner. The estimated capital renovation cost for the Additional Space is \$60,000, which would be fully non-debt funded from a landlord contribution of \$20,000 and a draw of \$40,000 from development charges. Furthermore, the rental rates for the three-year lease extension are considered very favourable.

The only other option to significantly improve service at the Maryvale Branch is to relocate the branch either within the mall or to another external location and expand the size, the cost of which would be significantly higher than assuming the Additional Space.

For the expanded branch, there will also be a future opportunity to further enhance services with Council-approved Section 37 funding from a proposed development at 1973 Victoria Park Ave., when the funds are received.

With regards to the proposed lease for the Additional Space and term extension, City staff assisted with the negotiations and has confirmed that the proposed lease rates are very favourable.

Council approval is also required to designate the Additional Space as a Municipal Capital Facility which exempts it from property taxes.

All leases for branches located on privately-owned property require Board approval.

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SIGNATURE

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