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To: Toronto Public Library Board – June 9, 2003
From: City Librarian
Subject: **Morningside Branch Library – Relocation and New Lease**

Purpose:

To obtain Toronto Public Library Board approval for a five year lease, for a 7,000 square foot unit in a re-developed Morningside Mall, commencing upon completion of the Mall re-development in 2004. Library Board approval is also required for the submission to City Council of a 2004 capital budget pre-approval request to finance leasehold improvements at the site.

Funding Implications and Impact Statement:

All annual operating costs include applicable taxes less the Municipal Goods and Services Tax rebate.

The annual cost of leasing the current 6,032 square feet occupied by the Morningside Branch is \$177,877. This includes the basic lease rate of \$14.50 per square foot and the common area maintenance cost of \$14.13 per square foot. The new lease is for 7,000 square feet at a basic lease rate of \$22.00 per square foot and \$3.50 per square foot for common area maintenance for a total annual cost of \$183,855. The new lease cost does create a budget pressure, but can be provided for in the 2003 operating budget. The lease includes a cost allowance of \$10 per square foot.

Once the Mall re-development is complete, the Library will need to make leasehold improvements at a cost of approximately \$750,000. Finance staff from the City estimate that there is available development charge funding of \$338,000 for this project, which brings the net capital requirement to \$412,000. This allocation of capital funds was not forecasted for 2004, and therefore puts significant pressure on the Library's \$10 million annual capital funding target established earlier this year. If Library Board approval is received for this lease, then a request will be made to City Council for pre-approval to fund the leasehold improvements in 2004.

Recommendation:

It is recommended that the Toronto Public Library Board:

- (1) approve a new five (5) year lease for 7,000 square feet at the Morningside Branch at a basic lease rate of \$22.00 per square foot and \$3.50 per square foot for common area

maintenance for a total annual cost of \$183,855, conditional upon completion of the Mall re-development in 2004 and City funding for the leasehold improvements; and

- (2) submit a 2004 capital project pre-approval request to City Council for \$750,000 gross and \$412,000 net after development charge funding for leasehold improvements at the relocated Morningside Branch.

Background:

The Morningside Branch has occupied rental space at the Morningside Mall at 255 Morningside Avenue since 1979. It has been in its current location within the Mall since 1995. The original landlord, Palmar Holdings Limited and Sun Life Assurance, continue to be the landlord. The Library Board approved a one-year extension to the existing lease at its December 9, 2002 meeting. At that time, the landlord was beginning to plan for the Mall re-development and was only willing to enter into a one-year lease extension. The plans for the Mall re-development are proceeding and the Library is impacted.

Comments:

The Mall is being re-developed from an enclosed, multi-level format to a strip mall with some 'big box' style outlets. The new location for the branch in the re-developed Mall is a great improvement over the current location. The new location is at the corner of Kingston Road and Morningside Avenue, providing highly visible street presence and good access for customers both in terms of public transit and parking. In order for the Library to establish a new location within the re-developed Mall, the landlord requires a commitment from the Library Board. A new lease and financing arrangements need to be confirmed.

The City's Facilities and Real Estate Division staff have negotiated a five-year lease for 7,000 square feet for a total annual cost of \$183,855. There is an option to renew the lease for an additional five years at a rate to be negotiated at that time. Also included is a one-time cost allowance of \$10 per square foot.

As the 2004 capital budget will not be approved until early in 2004, a request to City Council for pre-approval is required for the estimated \$750,000 gross and \$412,000 net to fund leasehold improvements. The lease includes a cash allowance from the landlord of \$10 per square foot.

It is estimated that demolition and construction will commence early in 2004. Demolition and construction will be phased so that the Morningside Branch does not have to re-locate until the new facility is complete.

Conclusion:

It is recommended that the Library Board approve a new lease for the Morningside Branch in a re-developed Mall and that a pre-approval request for 2004 capital funds be submitted to City Council to ensure funding for the leasehold improvements is secured.

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City Librarian

List of Attachments:

Not applicable.