



## STAFF REPORT ACTION REQUIRED

### Eglinton Square Branch Expansion – New Lease Agreement

<b>Date:</b>	June 22, 2015
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

#### **SUMMARY**

The purpose of this report is to obtain Toronto Public Library Board approval for a twenty-year lease agreement for an expanded branch with a commencement date to be determined, for the premises occupied by the Eglinton Square Branch at 1 Eglinton Square, Toronto. The branch currently occupies 4,716 sq. ft., and the proposed new lease agreement is for 10,000 sq. ft., which adds 5,284 sq. ft. of new space.

The capital project to renovate the space and proposed lease require City Council approval.

#### **RECOMMENDATIONS**

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

1. approves a new Eglinton Square branch lease agreement for 10,000 sq. ft. at 1 Eglinton Square with Bentall Kennedy (Canada) LP for a 20-year term with a commencement date to be determined:
  - a. annual base rent as follows:
    - i. for years 1 - 5: \$21.00 per square ft., excluding Harmonized Sales Tax (HST);
    - ii. for years 6 - 10: \$24.00 per square ft.;
    - iii. for years 11 - 15: \$28.00 per square ft.;
    - iv. for years 16 - 20: \$30.00 per square ft.;
  - b. common area maintenance based on actual costs and capped at \$20.59 per sq. ft., excluding HST, for the first year with a maximum increase of 5% for each of the remaining years of the term;
  - c. a six-month fixturing period when only common area maintenance is paid, with a commencement date to be determined;
  - d. Landlord providing a Tenant Improvement Allowance in the amount of \$600,000 towards the Library's renovation work;

2. approves a capital project to renovate the existing and new space with a value of approximately \$1,242,325, funded by \$600,000 of Tenant Improvement Allowance and development charges funding of \$642,325, with estimated cash flows of \$300,000 (\$0 debt) in 2015 and \$942,325 (\$0 debt) in 2016;
3. approves submitting a report to Council to seek approval for the proposed new lease and capital project with no debt funding; and
4. authorizes and directs staff to take the necessary action to give effect thereto.

## **FINANCIAL IMPACT**

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Under the current lease for 4,716 sq. ft., the base rent is \$21.00 per sq. ft. from January 2015 to December 2016, \$21.50 per sq. ft. for 2017 and 22.50 per sq. ft. for 2018.

Under the proposed lease for 10,000 sq. ft., the base rent is \$21.00 per sq. ft. for years 1-5, \$24.00 per sq. ft. for years 6-10, and \$28.00 per sq. ft. for years 11-15 and \$30.00 per square ft. for years 16-20. The rates over the 20 years represent an effective annual increase of 1.8%.

Common area maintenance is estimated at \$20.59 per sq. ft. for the first year with annual increases capped at 5%.

Under the new lease, the first full year cost will be \$415,900, comprised of base rent of \$210,000 and common area maintenance of \$205,900, which represents an annual increase of \$219,762 from the current lease. In 2016, the budget increase is expected to be \$167,262 which reflects the expected fixturing period to the end of the first quarter of 2016 when no base rent is paid.

The capital cost to renovate the existing and new space is estimated at \$1,242,325, funded by \$600,000 of Tenant Improvement Allowance from the landlord and development charges funding of \$642,325, with estimated cash flows of \$300,000 (\$0 debt) in 2015 and \$942,325 (\$0 debt) in 2016.

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

## **BACKGROUND**

Eglinton Square Branch is located in the Eglinton Square Shopping Centre in Ward 35 at 1 Eglinton Square. Since January 1965, the Eglinton Square Branch has occupied rental space on Eglinton Avenue in Scarborough. The existing lease of 4,716 sq. ft. cost of \$196,138 per annum comprised of a base rent of \$21.00 per square ft. and common area maintenance and utilities of \$20.59 per square ft., will expire on December 31, 2018.

## COMMENTS

Eglinton Square Branch is a busy neighbourhood branch, serving a current population of approximately 13,391 (2011 census data). The community served by the branch includes part of the Victoria Village Neighbourhood Improvement Area. The catchment area will also be impacted by the Eglinton Crosstown transit development. The Eglinton Square Branch is in the Segment 11 – Golden Mile portion of this development. The City has identified potential growth in the area of more than 12,600 residential units with an increase in population of 22,000 - 23,000 residents, and the need for improved library service capacity at this location has been identified.

The branch is undersized for a neighbourhood library. In 2014, Eglinton Square was in Quartile 1, being the eighth busiest neighbourhood library in Toronto, in terms of visits. The program/meeting room at Eglinton Square is 400 sq. ft. and can accommodate only 25 people (lecture style) or 15 people (classroom style). The branch has seating for 32 people and eight public workstations. The size of the present facility is 4,716 square feet or 439 square meters, which falls well short of the current standard of 10,000 to 15,000 sq. ft. for neighbourhood branches.

The branch offers many well-used services, including public access to computers, wireless service, information services, and services designed to meet the needs of specific groups such as children, youth and seniors. In 2014, the branch had 273 programs attracting 3,819 people. Programs include book clubs; user education; general interest programming on topics such as health, tenant issues, writing; Ready for Reading programs and after school maker programs.

The branch offers collections that reflect community needs, including popular, recreational and children's collections, and a small French collection for children and multilingual collections, including Chinese, Tagalog and Tamil. Popular collections are actively marketed through shelving and flexible display options. The branch also provides access to the Library's wide range of electronic resources.

At its meeting of April 28, 2014, the Board reviewed a report on the *Eglinton Connects Planning Study*, which noted that there is a need for an overall strategy to enhance access to library services, and facilities for area transit users and future opportunities related to the optimal locations for undersized branches in the Eglinton transportation corridor, including Eglinton Square, were identified.

Bentall Kennedy, the real estate management company for the Eglinton Square mall, approached the Library in February 2015 to determine the Library's interest in expanding the branch into two adjacent mall units. One of the retail businesses (Toys R Us) has closed and the Bentall Kennedy is offering to move the other business to accommodate a library expansion. The proposed location provides excellent access and exposure at this busy location. Total space available would allow the branch to expand from 4,716 sq. ft. to 10,000 sq. ft. and would enable the branch to respond to the strong demand for programs and services at this busy location.

The proposal is to replace the existing lease for 4,716 sq. ft. with a new lease for the larger 10,000 sq. ft. space, with lower base rent in years two and three. The current lease has a base of \$21.00 for years one and two, \$21.50 in year three, and \$22.50 in year four.

The larger space will have a rent of \$21.00 per square ft. in the first five years for an annual base rent of \$210,000 and common area maintenance of \$205,900, which in total is an increase of \$219,762 from the current lease payments. Assuming the six-month fixturing period begins on October 1, 2015, during which no base rent is paid, then the cost increase in 2016 will be \$197,262 and this will be included in the 2016 operating budget.

The cost to renovate the existing and new space is estimated at \$1,242,325, and which will be funded by the landlord's Tenant Improvement Allowance of \$600,000 and a draw of development charges of \$624,325, to be expended in 2015. The capital project, funded from non-debt sources, including a draw from the development charges reserve, requires Council approval.

Key interior features such as that the library would be seeking to expand on or create include:

- barrier free access;
- good sightlines and traffic flow throughout;
- clear customer service area with access to staff assistance;
- express check-out;
- open floor plan with zoned areas for adults, teens and children, including a space for children and families, teen zone and urban living room;
- efficient layout of staff operations;
- flexible collaborative spaces, providing additional seating;
- wireless access;
- new shelving and furniture.

The renovation would also provide infrastructure for future increases in computer equipment; the addition of a program room and possible increase to collections.

The Library will continue to monitor development that is expected in the area, as a result of the implementation of the Eglinton Crosstown transit project.

With regards to the proposed lease renewal, City staff has advised that the proposed annual base rent represents fair market rent.

Library Branch leases require Library Board approval.

Council has authorized the Library Board to enter into leases, where the Library is a tenant, with a term, including renewal options, not to exceed 10 years and base rent for the term not to exceed \$1 million. Because the proposed lease is for a 20-year term and the base rent is in excess of \$1 million, then Council approval is required for the lease.

The local councillor has been advised of the proposed expansion to the Eglinton Square Branch.

## **CONTACT**

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## **SIGNATURE**

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City Librarian