



STAFF REPORT INFORMATION ONLY

19.

Property Redevelopment Feasibility Update

Date:	June 27, 2016
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

At the meeting on September 21, 2015, the Toronto Public Library Board considered a *Property Redevelopment Feasibility* report and adopted a recommendation for staff to work with the City and Build Toronto to develop a business case for a pilot project to redevelop a library property with the objective of rebuilding a library on site and generating funding that could be used to address other state of good repair (SOGR) issues.

This report provides a summary of the work done to date, and notes there will be a report to the Board in the Fall on the outcome of the evaluation of the redevelopment potential for Toronto Public Library (TPL) properties.

Any property redevelopment would need to proceed with consideration of the recommendations arising from the City-Wide Real Estate Review.

FINANCIAL IMPACT

This report has no financial impact beyond what has been approved in the 2016 approved operating budget. Once a business case is developed, it will include an estimate of the cost and the financing sources to proceed with a pilot development proposal.

Redevelopment of TPL properties is intended to provide a non-city funding source to help address the SOGR backlog by rebuilding branches and generating excess funding that could be directed to branches in Neighbourhood Improvement Areas.

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

DECISION HISTORY

At the meeting on September 21, 2015, the Toronto Public Library Board considered the *Property Redevelopment Feasibility* report and adopted the following motion:

That the Toronto Public Library Board:

1. *approves Toronto Public Library staff, in consultation with the City Manager, Deputy City Manager and Chief Financial Officer, and other City and Build Toronto staff, to develop a business case for a pilot project to redevelop a Toronto Public Library property with the objective of rebuilding a library on site and generating funding which could be used to address the state of good repair backlog for branches in neighbourhood improvement areas;..*

ISSUE BACKGROUND

The Public Libraries Act requires Council approval before the Library Board can perform real estate transactions. Council has delegated limited authority to the Library Board to lease properties for use or for tenants.

At the March 23, 2009 Library Board meeting, the Build Toronto and City Real Estate Strategy report explained the role of Build Toronto and the City Real Estate Strategy. Build Toronto is a City agency whose mandate is to unlock the value in under-utilized lands.

Parameters for Redevelopment

At the meeting on September 21, 2015, the Library Board considered the *Property Redevelopment Feasibility* report that describes a potential model for redevelopment including the financial considerations. The report noted that for a successful redevelopment project, the following parameters must be met:

- site must be desirable to developers;
- a rebuilt library must be provided that meets TPL's Service Delivery Model and Branch Development Strategy, and responds to changing service needs;
- redevelopment will occur through the sale of development rights, with TPL or the City retaining title to the rebuilt library preferably as freehold;
- an operating agreement must be executed, which protects TPL's interests and minimizes costs;
- favourable financial terms must be negotiated for TPL;
- excess funds from the redevelopment must be directed to TPL's SOGR backlog, in consultation with the City Manager and Deputy City Manager and Chief Financial Officer;
- consultation with the public, local Councillor and City stakeholders must be taken into account;
- consideration of other municipal interests must be incorporated into the process; and
- for some sites, provision of tenant rental space for TPL's operating revenue will be required as a component of the redevelopment agreement, or an adjustment by the City to make TPL's operating budget whole.

City-Wide Real Estate Review

At the September 21, 2015 Board meeting, Josie Scioli, the City's Chief Corporate Officer, made a presentation on the *City-Wide Real Estate Review*. A consultant was being hired to assist with a review of how the City and its Agencies manage real estate operations and the project outcomes are:

1. Identify the most effective service delivery model to align to City strategic objectives;
2. Investigate barriers to optimize City real estate and recommend methods to overcome those barriers;
3. Develop the appropriate business processes and technology to support the business delivery model. i.e., centralized real estate inventory; and
4. Find and recommend operational efficiencies.

COMMENTS

Library staff provided information on all 102 properties and held a number of meetings with staff from City Real Estate Services and Build Toronto. A meeting has also been held with a potential developer. Build Toronto mapped all the properties and considered a number of factors such as location, size of property, proximity to higher order transit, official plan and zoning, age and condition of buildings, consideration of other city services on shared sites and local conditions or encumbrances. For potential redevelopments, TPL has been clear in describing the need for a rebuilt and improved library that meets the Service Delivery Model and is able to deliver 21st century library services efficiently and effectively. There would also need to be a process to deal with the situation if there are TPL tenants on a site and the possible disruption or displacement and resulting revenue loss.

Build Toronto is working on creating a short list of TPL properties based on site development potential. Over the summer, Build Toronto will be completing further work and preliminary financial analysis on the short-listed properties. Build Toronto will also meet with its Executive Management Team and Investment Committee to review the results of its evaluation; present the results to TPL and Real Estate Services; and report to TPL in the Fall. The report will likely identify properties with greater development potential in the short term, and other properties that may have long-term development potential due to local conditions, other parties on site, or could involve other City divisions or Agencies.

City-Wide Real Estate Review

The City has employed the services of Deloitte to perform the City-Wide Real Estate Review. In connection with the review, Library staff met with the consultants and City Real Estate staff. Detailed information was provided to the consultants on all TPL properties including:

- size and value of TPL's real estate portfolio;
- size and value of TPL's leasing activities;
- performance standards and metrics;
- operating budgets, including cost of third party services;
- capital budget funding and a list of capital projects.

On November 17, 2015, Library staff made a presentation to the Expert Advisory Panel on how TPL effectively and efficiently manages its real estate portfolio in support of delivering excellent library services. Opportunities and challenges from participating in a coordinated real estate model were noted as follows:

Opportunities

- Redevelopment of TPL properties;
- Joint use facilities;
- Potential cost savings;
- Improved service co-ordination, e.g. renewable energy installation;
- Already participating in coordinated services – Legal, Real Estate Leases/Valuations, Insurance and Utilities, Cooperative Procurement Group.

Challenges

- Need to establish and enforce Service Level Agreements;
- Negotiation of joint Operating Agreements;
- TPL Facilities and Real Estate operations currently are tightly integrated with service delivery objectives;
- Reducing costs while maintaining service levels;
- Increased complexity of management;
- Economies of scale vs. diseconomies.

The Chief Corporate Officer will be making a presentation to the Library Board at the June 27, 2016 meeting on the findings and recommendations from the City-Wide Real Estate Review.

CONCLUSION

Given TPL's growing SOGR backlog and the City's limited ability to address the backlog due to funding restrictions, property redevelopment is seen as one approach for dealing with the SOGR issue. Working with staff from the City and Build Toronto, the business case will further refine the redevelopment opportunities, quantify the potential costs for the project, and identify the necessary approvals needed to proceed with the redevelopment and to direct the excess proceeds for TPL SOGR needs.

Property redevelopment would need to proceed with consideration of any recommendations arising from the City-Wide Real Estate Review.

CONTACT

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Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946;
E-mail: lhughsam@torontopubliclibrary.ca

SIGNATURE

Vickery Bowles
City Librarian