

Consolidated Clause from Report No. 10 of the Administration Committee, as adopted by the Council of the City of Toronto at its meeting held on October 1, 2 and 3, 2002.

34a**City Hall Store
(Ward 27 - Toronto Centre Rosedale)**

(City Council on October 1, 2 and 3, 2002, amended this Clause by deleting Recommendation No. (1) embodied in the report dated June 13, 2002, from the Commissioner of Corporate Services, as embodied in the Clause, and inserting in lieu thereof the following:

- “(1) (a) the Commissioner of Economic Development, Culture and Tourism be authorized to seek a private sector, tourism-related user for the lease of the space, currently occupied by the City Hall Security Office, as a City Hall tourist store, and be directed to submit a report thereon to the Administration Committee, in consultation with the Commissioner of Corporate Services, within three months; and*
- (b) the City Hall Security Office be relocated, once an agreement has been reached for the tourist-related store;”.)*

(City Council at its Special Meeting held on July 30, 31 and August 1, 2002, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on October 1, 2002.)

The Administration Committee recommends the adoption of the following report (June 13, 2002) from the Commissioner of Corporate Services:

Purpose:

To report further on the proposed leasing of the City Hall store including the option of offering for lease the space currently occupied by the Security Office and on the surplus inventory from the existing store which is scheduled to close by June 30, 2002.

Financial Implications and Impact Statement:

There are no immediate financial implications arising from this report. However, in the event that the Security Office is offered for lease, there may be future leasehold improvement and relocation costs. Leasing of either location will generate revenue.

Recommendations:

It is recommended that:

- (1) the Commissioner of Corporate Services be authorized to list for lease the existing City Hall store location with a commercial real estate broker and report back on the results;
- (2) surplus inventory of the City Hall store be donated to the City of Toronto's United Way campaign; and
- (3) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

At its meeting held on April 30, 2002, the Administration Committee recommended the adoption of the Commissioner of Corporate Service's report dated April 23, 2002, on the City Hall store and requested a status report with such report containing recommendations as to whether the surplus inventory may be donated to the Salvation Army for the June 25, 2002, Administration Committee meeting. City Council, at its meeting held on May 21, 22 and 23, 2002, struck out Clause No. 9 of Report No. 6 of The Administration Committee concerning the City Hall Store, referred the report back to the Administration Committee for further consideration and requested that a further report provide the Committee with a detailed option which would see the listing for lease of the location by the Square, immediately west of the main doors of City Hall, presently occupied by the Security Office.

Comments:

Surplus Inventory:

In response to Council's direction, Corporate Communications staff contacted the Salvation Army to determine that organization's interest in any surplus inventory that may be available once the City Hall store closes at the end of June. The Salvation Army requested staff to relay their appreciation to Council for having considered it as a possible recipient of surplus inventory. However, the Salvation Army indicated that many of the City of Toronto souvenir-type items may, in fact, be more appropriate for the City of Toronto's United Way campaign. The Salvation Army requested that Council be informed that all donors to the United Way may designate their donations to the Salvation Army.

Corporate Communications staff will, nonetheless, contact the Salvation Army once the store has closed to determine if there are any items remaining that might be suitable for the Army's use. All other items will be donated to the City of Toronto's United Way campaign.

Option to Lease the Security Office:

From a real estate perspective, there are advantages and disadvantages to leasing either the existing store location or the Security Office. The City Hall store is irregular in shape which

reduces its usable area. The Security Office's usable area is also reduced by windows and perimeter heating. The City Hall store occupies about 62.05 square metres (668 square feet) of space and has a larger rentable area than the Security Office which consists of about 47.94 square metres (516 square feet) of space. However, the total net rent anticipated from the larger rentable area of the City Hall store will be partly offset by its interior location which provides inferior public exposure compared to the Security Office. While both locations could be offered for lease on an "as is" basis, the value of the Security Office's exposure onto Nathan Phillips Square could be enhanced by providing direct access onto the square. However, direct access would entail significant leasehold improvement costs.

In order to provide direct access to the Security Office from the square, a window or windows and a section of the perimeter heating must be removed and framing and doors installed. Given the relatively small area of the Security Office, direct access during the winter months would require construction of a small vestibule similar in nature to the vestibule in the Café. This would result in a further reduction to its usable space. City Hall is designated under the Ontario Heritage Act as an architecturally significant building. This limits structural changes to the façade of the building and the removal of perimeter heating. Any proposed renovations must be reviewed by Preservation Services and would be subject to approval by Council and the Toronto Preservation Board. A detailed set of plans and specifications would be required for such approvals and for accurate pricing, but our preliminary estimate of the design and construction costs to provide direct access onto the square is approximately \$45,000.00. While in general direct access to the Square may enhance the attractiveness of the space, the types of uses that may be suitable and the prospective tenants that may be interested in leasing space at City Hall may not require direct access onto the square.

The option of leasing the Security Office would entail relocating security staff. Again, there are advantages and disadvantages from a security point-of-view. The current Security Office location beside the main doors and fronting onto the square allows staff to monitor demonstrations, events and activities on the square and intervene quickly in dangerous situations and detained persons can be brought directly to the Security Office.

The City Hall store location is closer to the Security Desk which allows staff to provide additional supervision and/or immediate assistance to the desk for multiple queries or during emergencies. The City Hall store space can accommodate more detained persons until Police respond and they would not be in public view through the exterior windows. However, there is the cost of moving the security staff to the City Hall store. As well as moving furniture and equipment, this would require the materials and labour of certified technicians (to keep the service warranties) to move the hardwired Ccures 800 Monitoring station and UPS and the maglock/maglock release button. Installation of two south-facing security cameras on the podium roof and a monitor at the Security Desk would also be required. Staff have estimated moving costs at about \$15,000.00.

The total estimated costs to relocate the Security Office to the City Hall store and provide direct access from the Security Office to Nathan Phillips Square is about \$60,000.00. Potential net rent for the renovated Security Office is anticipated to be about \$7,500.00 per annum. On a straight-line basis, it would take eight years to repay. Moreover, the time required to prepare plans and specifications and seek approvals to renovate and to complete the renovations to the

Security Office has to be weighed against the revenues that could be generated by offering the existing store location for lease on an “as is” basis at this time. My staff expect that the City Hall store may generate about \$6,700.00 per annum in net revenue. Accordingly if the rental revenue differential of \$800.00 per annum is taken in context with the total cost to move security and install external access the payback period would be approximately 75 years. Alternatively, if we assume that the lessee pays for the external access costs of \$45,000.00 then the payback period for the costs of moving security staff is 18.75 years. However, in this situation it is likely that the achievable rent for the current security location would be decreased if the lessee is expected to pay for the capital costs of external access or if it is assumed that the external access would not be secured.

Conclusions:

Considering the overall security advantages of the current Security Office location and the costs involved in relocating the Security Office in relation to the relatively small gain in total net rent that might be expected from leasing the Security Office rather than the City Hall store, it is recommended that the existing City Hall store be offered for lease through a real estate broker and that I report back on the results of the offering.

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The Administration Committee submits the following communication (May 30, 2002) from the City Clerk:

City Council at its meeting held on May 21, 22 and 23, 2002, had before it Clause No. 9 of Report No. 6 of The Administration Committee, headed “City Hall Store (Ward 27 - Toronto Centre-Rosedale)”.

Council directed that the aforementioned Clause be struck out and referred back to the Administration Committee for further consideration, and the Commissioner of Corporate Services was requested to provide the Committee with a detailed option which would see the listing for lease of the location by the Square, immediately west of the main doors of City Hall, presently occupied by the Security Office.

(Clause No. 9 of Report No. 6 of The Administration Committee,
entitled “City Store (Ward 27 - Toronto Centre-Rosedale)”)

(City Council on May 21, 22 and 23, 2002, struck out and referred this Clause back to the Administration Committee for further consideration, and the Commissioner of Corporate Services was requested to provide the Committee with a detailed option which would see the listing for lease of the location by the Square, immediately west of the main doors of City Hall, presently occupied by the Security Office.)

The Administration Committee recommends the adoption of the following report (April 23, 2002) from the Commissioner of Corporate Services; and further that the Commissioner of Corporate Services be requested to submit a status report thereon to the meeting of the Administration Committee scheduled to be held on June 25, 2002, such report to contain recommendations as to whether the surplus inventory may be donated to the Salvation Army.

Purpose:

To report on a process for offering the City Hall store location for lease on the open market.

Financial Implications and Impact Statement:

There are no financial implications arising from this report. However, leasing of the store location will generate revenue.

Recommendations:

It is recommended that:

- (1) the Commissioner of Corporate Services be authorized to list for lease the existing City Hall store location with a commercial real estate broker and report back on the results; and
- (2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The City Hall store, also known as the “Resource and Publication Centre” or “The City Store”, occupies about 62.05 square metres (668 square feet) of space located opposite the City Hall café on the ground floor of the East Tower of City Hall.

City Council authorized the issuance of a Request for Expressions of Interest (REOI) to secure a third party operator for the store either at its existing location or two alternative locations. The first alternative location is the area immediately west of the main doors of City Hall comprising 47.94 square metres (516 square feet) currently occupied by the security office and the second alternative location is the vacant building on Nathan Phillips Square formerly used as a snack bar.

As reported to Council, at its meeting held on February 13, 14 and 15, 2002, a REOI for the operation of the store was issued but no submissions were received in response. Factors that deterred private sector and non-profit interest in operating a store at City Hall included the relatively low occupancy rate of City Hall, the seasonal nature of the tourist market, the number of visitors to City Hall compared to other tourist attractions, the sales record of the store and the cost to improve the space for retail uses.

City Council, at its meeting held on February 13, 14 and 15, 2002, considered Clause No. 3 of Report No. 2 of The Administration Committee and approved the closure of the City Hall store effective June 30, 2002. When Council considered this clause, it amended the clause by adding the recommendation that I be requested to submit a report to the Administration Committee, as soon as possible, on a process for offering the City Hall store location for lease on the open market or a store location fronting on Nathan Phillips Square, if feasible.

Comments:

In reviewing this request it was necessary to consider whether or not it is worthwhile to pursue any leasing of space in City Hall for commercial purposes, to determine from a practical perspective which of the two locations should be offered for lease and to set out an appropriate method for offering the location for lease.

To ascertain whether or not there may be interest in the store location, conversations were had with several brokers and they have suggested that there would be marginal interest from smaller scale users such as newspaper and magazine vendors, gift shops and specialty stores. However, potential tenants may be concerned about hours of operation, restrictions on inventory such as tobacco products and the size and type of signage that would be permitted. While interest may be marginal in leasing space in City Hall, there is no immediate pressing requirement for the existing store space and accordingly the leasing of the space is worth pursuing. Any use that Council approves should be complementary to the building and provide a level of service to the occupants of the building. In addition, food service uses should not be considered as they will compete with our existing café tenant and impact the revenue sharing the City currently receives.

We have concluded that it is more practical to simply offer the existing store location for lease for the following reasons:

- (1) while the existing security office provides exposure to the Square, City Hall is designated under the Ontario Heritage Act as an architecturally significant building which limits structural changes to the façade of the building. In addition there is existing perimeter heating along the windows. Accordingly it may be difficult to secure approvals and would be costly to access directly onto the Square;
- (2) it may be that the types of uses which are attracted to City Hall and which we would like to encourage may not require the exterior exposure;
- (3) the windows and perimeter heating in the security office limit space available for shelving and display structures and will reduce the usable area to about 39.48 square metres (425 square feet);

- (4) there would be costs associated with relocating the current security office to the existing store location; and
- (5) security staff currently have the benefit of direct visibility onto the Square. Given the heightened security concerns relocating the security staff to an internal office is not advisable at this time.

With respect to offering the City Hall store location for lease on the open market, there are three methods including a Request for Proposals (RFP), direct marketing by City staff, or through a listing with a real estate brokerage firm. City staff could offer this location for lease through signage, newspaper advertising and on the City's web site or other appropriate internet sites. However, this would be much the same process as exercised for the REOI and may or may not generate interest.

The City has a list of pre-approved real estate brokerage firms from which one could be selected to market the store location. This would provide access to the broker's network of prospective tenants and the broker's marketing of the space through the MLS system. It is felt this will result in the greatest exposure of this space.

Conclusion:

While marginal interest may be expressed it is considered appropriate to offer the existing store location for lease through a real estate broker and to report back on the results on the offering.

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