SUMMARY

The purpose of this report is to seek Council approval for the creation of a new 2015 Capital Project for the expansion of the Eglinton Square Branch and approval for an associated twenty-year lease agreement within the Eglinton Square Shopping Centre. 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.

RECOMMENDATIONS

The Toronto Public Library Board recommends that City Council:

1. approve the addition of a new 2015 capital project to Toronto Public Library's 2015 - 2024 Capital Budget and Plan for the expansion of the Eglinton Square Branch with total project cost of $1,242,325 gross, fully funded by a $600,000 one-time Landlord Contribution and a $642,325 draw from the Library’s Development Charge Reserve Fund (XR2115), with cash flows of $300,000 in 2015 and $942,325 in 2016; and

2. approves a new lease between the Toronto Public Library Board, as tenant, and Bentall Kennedy (Canada) LP, as Landlord, for premises having an area of approximately 10,000 sq. ft. at 1 Eglinton Square (Eglinton Square Shopping Centre), based substantially on the terms and conditions set out in Attachment 1.
FINANCIAL IMPACT

TPL’s Approved 2015-2014 Capital Budget and Plan will be amended to add a new capital project in 2015 to renovate the existing and new space is estimated at $1,242,325 gross ($0 debt), funded by a one-time Landlord Contribution of $600,000 and a draw from the Library’s Development Charge Reserve Fund of $642,325, with estimated cash flows of $300,000 ($0 debt) in 2015 and $942,325 ($0 debt) in 2016.

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. Proposed base rent in years 2 and 3 will be lower than under the current lease. The lease rates over the 20-year period 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. The budget pressure is expected to be $167,262 in 2016 based on occupancy of the additional 5,284 sq.ft space for 9 months at base lease rate of $21 per sq ft and common area maintenance of $20.59 per sq. ft., which will be included in the Library’s 2016 Operating Budget submission, reflecting the expected fixturing period to the end of the first quarter of 2016 when no base rent is paid.

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

ISSUE BACKGROUND

Eglinton Square Branch is located in Ward 35 in the Eglinton Square Shopping Centre at 1 Eglinton Square. Since January 1965, the Eglinton Square Branch has occupied rental space on Eglinton Avenue in Scarborough. The existing lease for 4,716 square feet will expire on December 31, 2018.

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 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 and 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.

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.

COMMENTS

At its meeting of April 28, 2014, the Library 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 Branch, were identified.

Bentall Kennedy (Canada) LP, the real estate management company for the Eglinton Square Shopping Centre, has approached the Library with an opportunity to expand the branch into two adjacent units. This opportunity arose because one of the businesses vacated and the Landlord is willing to relocate the other business. 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.

Key interior features 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 self-service 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
• additional seating;
• wireless access; and
• new shelving and furniture.

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

The proposal is to replace the existing lease for 4,716 sq. ft., which expires on December 31, 2018, with a new 20-year lease for the larger 10,000 sq. ft. space, with an estimated effective date of October 1, 2015. With regards to the proposed lease, City Facilities and Real Estate staff has advised that the proposed rent represents fair market value.

At its meeting on June 22, 2015, the Library Board approved: 1) a new lease agreement for 10,000 sq. ft. at 1 Eglinton Square with Bentall Kennedy (Canada) LP for a twenty-year term with a commencement date to be determined in accordance with the terms and conditions set out in Attachment 1; and 2) a new capital project to renovate the existing and new space with a value of approximately $1,242,325 gross ($0 debt), funded by a one-time Landlord Contribution of $600,000 and development charges funding of $642,325.

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

The Library will continue to monitor expected development in the area resulting from the Eglinton Crosstown transit project.

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

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SIGNATURE

Vickery Bowles
City Librarian

Attachment 1: Major Terms and Conditions – Lease at 1 Eglinton Square (Eglinton Square Shopping Centre)
Leased Premises:
1 Eglinton Square, Unit 126 – 10,000 square feet

Landlord:
Bentall Kennedy (Canada) LP

Term:
Twenty (20) years with a commencement date to be determined, after Council approval.

Gross Rental Rate:
For years 1 - 5: $21.00 per square foot plus Harmonized Sales Tax (HST)
For years 6 - 10: $24.00 per square foot plus HST
For years 11 - 15: $28.00 per square foot plus HST
For years 16 - 20: $30.00 per square foot plus HST

Common Area Maintenance:
Estimated at $20.59 per square foot, plus HST, for the first year with a maximum increase of 5% for each of the remaining years of the term.

Fixturing Period:
The Tenant shall be given a 180 day (6 month) fixturing period when only common area maintenance is paid, with a commencement date to be determined.

Landlord Contribution:
Landlord shall provide a one-time Tenant Improvement Allowance in the amount of $600,000 ($60.00 per square foot) towards the Tenant’s Work.