



STAFF REPORT **Re: BU17.6** ACTION REQUIRED

Deer Park Library – Potential Turnover Agreement

Date:	June 22, 2020
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library (TPL) Board endorsement to enter into negotiations regarding a potential redevelopment of the site of the Deer Park library at 40 St. Clair Avenue East, which could include a relocation, provided that any Turnover Agreement would protect the financial and operational interests of the Library and include the provision for a suitable replacement facility capable of delivering modern and improved library service in the area. This report also describes the history around development reviews related to 40 St. Clair Ave. East and provides information on the City's centralized accountability model for real estate stewardship.

TPL staff have been in discussion with CreateTO regarding a potential opportunity with a Developer to provide an expanded and improved library facility. CreateTO would like to begin negotiations with TPL regarding a Turnover Agreement for the library site at 40 St. Clair Avenue East based on the principles outlined in this report.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the City Librarian to enter into negotiations with CreateTO and the Developer regarding a Turnover Agreement for 40 St. Clair Avenue East, subject to the following:
 - a. a suitable replacement facility, in accordance with the Service Delivery Model and Branch Development Strategy, capable of delivering modern and improved library service as described in this report;
 - b. satisfactory resolution to the financial and operational issues that could arise from a redevelopment/relocation including:
 - i. the potential loss of annual tenant net rental revenue;
 - ii. the cost for relocating 17 staff to another TPL property; and

- iii. a satisfactory facility occupancy agreement for the new library;
 - c. on-going consultation and communication with the community, local Councillor, and other stakeholders regarding the potential redevelopment/relocation of the Deer Park library;
 - d. Board approval for any negotiated Turnover Agreement; and
- 2. forwards this report to CreateTO and the City of Toronto requesting that excess funds from the development be directed towards addressing TPL's state of good repair (SOGR) backlog subject to the cost of delivering other city building opportunities as may be identified through the public consultation process and discussions with the local Councillor;
- 3. *requests that the City recognize TPL's contribution to city building through maximizing the value of real estate holdings, when approving budget funding to address TPL's serious and growing SOGR backlog.*

FINANCIAL IMPACT

There is no approved capital project for the Deer Park library, so the cost of reconstruction/relocation for a new library would require additional new funding. The estimated cost for constructing a new 20,000 sq. ft. library is approximately \$18 million, excluding any land cost. The expectation is that a development agreement for 40 St. Clair Avenue East would include provisions for a fully funded suitable replacement library, and a new capital project and facility occupancy agreement would require Board and Council approvals.

While the capital cost related to expanding the size of the library may be eligible for some Development Charges (DC) funding, it should be noted that the current Development Charge By-law Study does not include a capital project for Deer Park, so no DC funding is being collected from developers for the site. Therefore, drawing DC to fund a Deer Park capital project would reduce the DC reserve balance and would negatively impact funding available for other capital projects.

The current library building also houses approximately 16,000 sq. ft. of rental and staff office space that will likely be foregone in a redevelopment/relocation. Though the City would financially benefit from additional development at the site through increased property tax revenue, there would be a pressure of \$0.432 million in the TPL budget from loss of tenant lease revenue that should be addressed by the City. In addition, the estimated \$0.500 million cost for relocating 17 staff to another TPL property needs to be addressed.

As a redevelopment/relocation would involve another partner on site, a suitable facility occupancy agreement would need to be negotiated.

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

DECISION HISTORY

At the March 23, 2009 meeting, the Library Board considered the [Build Toronto and City Real Estate Strategy](#), which explained Build Toronto's mandate to unlock the value in under-utilized lands owned by the City and its Agencies, Boards, and Commissions, and described a Real Estate Strategy being developed by the City. As noted in the report, the City's Chief Corporate Officer had begun an audit of corporate real estate to identify properties with potential for private development. As TPL had no surplus lands, the focus was primarily on redevelopment opportunities, whereby there would be a continuing interest for an improved library on site. Where title is not transferred to Build Toronto, then a negotiated Turnover Agreement would give Build Toronto the opportunity to work with TPL to determine the appropriate development and intensification of a property, and may eventually lead to a sale or transfer (Transfer Agreement) to Build Toronto or other third parties of specific site interests, such as air rights or a stratified portion of a property. In a preliminary discussion, two TPL-owned potential redevelopment sites were identified, mainly due to their desirable locations and the fact that TPL holds title: 40 St. Clair Avenue East (Deer Park library); and 1303 Queen St. West (Parkdale library). It was noted that each location had challenges for redevelopment, and that further discussion and Library Board approval would be required before any plans for redevelopment could proceed.

At the meeting on May 25 2009, Council considered [EX32.5 Principles of a Real Estate Strategy and Declaration of Surplus for Sale/Transfer or Turnover to Build Toronto](#) and adopted a recommendation for 22 properties to be declared surplus, subject to retention of any interests for operational requirements, for the purpose of transfer or turnover to Build Toronto, including library properties at 40 St. Clair Avenue East and 1303 Queen St. West. Another recommendation of the report requested the Library Board to concur with declaring the properties surplus. The report also presented proposed [Principles of a City Real Estate Strategy](#) that will be used as a framework for a centralized model for managing corporate real estate.

At the meeting on June 15, 2009, the Library Board considered [Build Toronto – Potential Redevelopment Sites](#), which reported the results of an audit by City corporate real estate to identify properties with potential for private development. In response to recommendations endorsed by City Council, the two properties at 40 St. Clair Avenue East and 1303 Queen St. West were declared surplus, subject to retention of any interests for operational requirements, for the purpose of negotiating a Turnover Agreement with Build Toronto, which will include the requirement for appropriate replacement buildings capable of delivering modern library services as described in the report. No Transfer Agreements have been negotiated.

At the meeting on May 25, 2015, the Library Board considered a presentation on the capital budget that included strategies to address its growing SOGR backlog for buildings, and adopted a motion requesting staff to report back on the feasibility of redeveloping TPL

properties through strategic partnerships in order to generate excess capital funding, which could be specifically directed to rebuild and improve libraries in neighbourhood improvement areas and help address the SOGR backlog.

At the meeting on September 21, 2015, the Library Board adopted recommendations in the [Property Redevelopment Feasibility](#) report directing TPL staff, in consultation with Build Toronto staff, to develop a business case for a pilot project to redevelop a TPL property with the objective of rebuilding a library on site and generating funding that could be used to address the SOGR backlog for libraries in neighbourhood improvement areas. The report also included a potential model for redevelopment and noted parameters for a successful redevelopment including:

- 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, in accordance with original ownership of the land and building, 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, 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.

At the meeting on September 16, 2016, the Library Board considered [City Wide Real Estate Review](#) and endorsed TPL participation in the City's Centralized Service Delivery for real estate, with the objective of ensuring that the City is effectively positioned to strategically leverage its real estate portfolio and maximize operating efficiencies. Strategies to maximize the value of the City's land and find savings include opportunities for co-location and joint ventures while reducing the City's SOGR backlog, and creating more mixed-use developments that bring important services closer to residents.

At the meeting on October 24, 2016 the Library Board considered the [Property Redevelopment Feasibility Report](#) and adopted recommendations to: not proceed with a pilot redevelopment project at this time based on Build Toronto's financial analysis that shows no excess funds would be generated to address other SOGR needs; and continue to explore development and planning opportunities for TPL real estate in conjunction with the City-Wide Real Estate Review and the centralized real estate entity. As part of their review,

Build Toronto noted that Deer Park library at 40 St. Clair Avenue East. be considered for a land assembly site.

At the meeting on May 24, 2017, City council considered [EX25.9 City-Wide Real Estate Transformation](#), which described a new City-Wide Real Estate Service Delivery Model with centralized accountability for real estate stewardship, and a broader mandate to implement a strategic approach to real estate planning. A new realty agency (subsequently named CreateTO) would be created to manage the City's real estate portfolio, develop City buildings and lands for municipal purposes and deliver client-focused real estate solutions to City Divisions, Agencies and Corporations. Responsibility for real estate development was transferred from Build Toronto to CreateTO.

At the meeting on April 30, 2018, the Library Board considered [City-Wide Real Estate Program – Revised Authorities](#) that provided information on Council's decision to rescind or amend the delegation of authority for real estate matters to align with the new city-wide real estate model, thereby significantly reducing TPL's authority to enter into lease agreements and other real estate transactions.

COMMENTS

The current Deer Park library is located on Library Board-owned property in a 33,000 sq. ft. standalone building with significant street front presence on the north side of St. Clair Avenue East just east of Yonge St. The library branch itself is 16,558 sq. ft. with the remaining space leased to commercial tenants and community agencies or used as office space for 17 TPL staff. The library is located in Ward 12 Toronto-St. Paul's (Councillor Josh Matlow).

TPL's 2020-2029 capital budget and plan does not include a Deer Park capital project as the library is in a relatively good SOGR condition according to the [Facilities Master Plan](#). If a new capital project is introduced for Deer Park without full funding, then this would require deferral of other capital project(s).

In accordance with the City's centralized accountability for stewardship of real estate, TPL staff has been contacted by CreateTO regarding a potential opportunity with a Developer and after some initial discussions, CreateTO would like to begin negotiations regarding a Turnover Agreement for the Deer Park library site at 40 St. Clair Avenue East. Any Turnover Agreement would require Library Board approval. A new capital project and facility occupancy agreement would require Board and Council approvals. The final step in a redevelopment/relocation agreement would require a Transfer Agreement where the Library Board would transfer legal title for the property.

New Deer Park Library Guiding Principles

TPL's Service Delivery Model and Branch Development Strategy guides library planning and development. The Deer Park library is classified as a Tier 1 Neighbourhood library defined as

serving a minimum population of 25,000 people within a 1.6 km radius. The library currently has approximately 377,000 annual visits.

The following are the operational and financial considerations for a new library that need to be addressed during the negotiations for the Turnover Agreement with CreateTO and the Developer in order to protect the interest of the TPL Board and ensure improved library service in the area.

Location of library

- High visibility from street or public square;
- Located either at street level or with a direct entrance from street level;
- Connectivity to street and close proximity to transit;
- Visible and separate single entrance; and
- Prominent TPL exterior signage.

Community Consultations

- TPL Community Consultation Plan would be conducted to receive community input and feedback;
- Results from Community Consultation Plan would be considered in final scope and design; and
- The local councillor would be included in the consultations.

Facility

- Minimum 20,000 sq. ft. located on a single floor;
- Consideration for an additional 3,000 sq. ft. located elsewhere in the development for administrative offices, or alternatively, funding provided to relocate 17 staff;
- Green and energy efficient;
- Barrier free operation;
- Use of natural lighting;
- Independent operation and metering of HVAC, utilities, security systems with automatic systems;
- Large windows facing street to showcase library activities;
- Technology infrastructure to support networked services and connectivity to Wi-Fi; and
- Acoustically managed space for collaboration and creation.

Financial Considerations

- Construction of facility and internal fit out, fully funded;
- A facility occupancy agreement with no rent for the library space and satisfactory operating costs, with minimal or no allocation for common area maintenance costs;
- In lieu of administrative space, funding of approximately \$0.500 million to allow relocation of 17 staff to another TPL location; and

- The loss of \$0.432 million of annual net tenant lease revenue would become a TPL budget pressure and this needs to be addressed by the City as it would financially benefit from additional development at the site.

Shared Spaces

- Access/adjacent to central lobby/atrium;
- Washroom facilities for public in a common area with same operating hours as the library;
- Loading/service entrances ensuring that deliveries by cube vans can be made at all times without conflicting with other partner's activities and vice versa; and
- Some shared programming on internal street desirable.

Exterior Space

- Exterior library materials drop box;
- Access to outdoor spaces for reading, workspaces, program spaces or events clearly visible from the interior of the library;
- Good connectivity to Wi-Fi; and
- Lockable bike racks easily viewed from within library.

Interior Space

TPL must approve the final interior design which would include:

- Flexible space for mobile shelving, merchandizing and furniture;
- Exhibit space for art;
- Small group and individual study space (6-8 people);
- Computer, technology and innovation spaces;
- Lounge space/comfortable reading areas;
- Meeting and program rooms;
- Flexible programming areas; and
- Staff offices and kitchen.

Design

- Building envelope above the library space to be designed and constructed with a complete leak proof "Pan" system to ensure no accidental leakage can occur from plumbing fixtures such as washroom, kitchens, laundry areas, etc. associated with adjacent amenities e.g. fitness centre, outdoor terrace, party room, etc.;
- TPL participation on the exterior design; and
- The architect for library branch interior must be chosen solely by TPL.

CONCLUSION

A Turnover Agreement would need to protect the financial and operational interests of the Library and include the provision for a suitable replacement facility capable of delivering

modern and improved library service in the area. Given TPL's growing SOGR backlog, excess funds from the redevelopment should be directed to address TPL SOGR needs.

CONTACT

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SIGNATURE

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