



REPORT FOR ACTION

85 Ellesmere Road –New Lease Agreement for Maryvale Branch and Designation of a Portion of the Property used by the Toronto Public Library as a Municipal Capital Facility

Date: February 4, 2020

To: General Government and Licensing Committee

From: City Librarian

Wards: Ward 21 Scarborough Centre

SUMMARY

This report requests City Council's authority to approve a twenty-year lease agreement for a new, larger location for the Toronto Public Library (TPL) Maryvale branch. The associated capital project has been approved as part of TPL's 2020-2029 Capital Budget and Plan.

A supplementary report will be submitted to the General Government and Licensing Committee from the Controller, to facilitate City Council approval of a Municipal Capital Facility Agreement between the Toronto Public Library and FCHT Holdings (Ontario) Corporation.

The Maryvale branch currently occupies 4,998 sq. ft., and the proposed expansion will add 6,762 sq. ft. of new space for a total of 11,760 sq. ft. in a different and improved location within Parkway Mall located at 85 Ellesmere Road. The proposed lease, expected to start on December 1, 2020, has favourable terms as the size of the branch is being increased by 135%, but the gross annual cost of the lease is expected to increase by less than 70%. The lease proposal also includes a significant landlord contribution that will fund 30% of the capital costs.

A new capital project to renovate the larger space is estimated at \$2.714 million that will be funded by development charges of \$1.345 million, landlord contribution of \$0.823 million and debt of \$0.547 million and was approved as part of TPL's 2020-2029 Capital Budget and Plan.

The move to a larger space is an opportunity that arises very infrequently as the mall is undergoing a major renovation and will result in significantly improved library service for

the community. The recommendation to invest in Maryvale has been validated by the Library's Facilities Master Plan.

The proposed Maryvale branch lease and capital project have both received Library Board endorsement and the branch lease requires Council approval.

RECOMMENDATIONS

The City Librarian recommends that:

1. City Council approve a new lease agreement for the Toronto Public Library Board, as tenant, and FCHT Holdings (Ontario) Corporation, as landlord, for the Maryvale library branch located at 85 Ellesmere Road for a period of twenty (20) years on the terms and conditions set out in Appendix "A".

FINANCIAL IMPACT

Operating Impact:

Under the current lease for Unit 16, 4,998 sq. ft., the base rent for the final two years is \$21.00 per sq. ft. from September 2018 to August 2020. The Landlord has agreed to a new lease with very favourable terms.

Under the proposed new lease for 11,760 sq. ft., which represents a 135% increase in branch size, the initial base rent is \$15.00 per sq. ft., representing a 29% decrease from the current lease. In addition, TPL will pay for its proportionate share of certain common costs of \$11.20 per sq. ft. as additional rent.

The following table details the estimated annual costs for base and additional rent for the proposed twenty-year lease:

Table 1: Estimated costs of the new lease agreement

	Base Rent / Sq. Ft.	Additional Rent / Sq. Ft.	Annual Base Rent	Annual Additional Rent	Total Proposed Rent
Year 1	\$ 15.00	\$ 11.20	\$ 176,400	\$ 131,747	\$ 308,147
Year 2	15.00	11.43	176,400	134,382	310,782
Year 3	15.00	11.66	176,400	137,069	313,469
Year 4	15.00	11.89	176,400	139,811	316,211
Year 5	15.00	12.13	176,400	142,607	319,007
Year 6	16.50	12.37	194,040	145,459	339,499
Year 7	16.50	12.62	194,040	148,368	342,408
Year 8	16.50	12.87	194,040	151,335	345,375
Year 9	16.50	13.13	194,040	154,362	348,402
Year 10	16.50	13.39	194,040	157,449	351,489
Year 11	18.00	15.95	211,680	187,529	399,209
Year 12	18.00	16.22	211,680	190,741	402,421
Year 13	18.00	16.50	211,680	194,017	405,697
Year 14	18.00	16.78	211,680	197,359	409,039
Year 15	18.00	17.07	211,680	200,767	412,447
Year 16	19.50	17.37	229,320	204,244	433,564
Year 17	19.50	17.67	229,320	207,790	437,110
Year 18	19.50	17.98	229,320	211,407	440,727
Year 19	19.50	18.29	229,320	215,097	444,417
Year 20	19.50	18.61	229,320	218,860	448,180
Subtotal					\$ 7,527,600
Total Net of HST Recoveries					\$ 7,660,085

The base rent in the first year will be \$0.176 million, which represents a \$0.071 million or a 38% increase over the current lease for the smaller space. The additional rent in the first year will be \$0.132 million, which represents a \$0.049 million or 60% increase over the current lease.

Overall, despite a 135% increase in the leased space, the total lease cost will increase only 65% or \$0.120 million in the first year. The rates over the 20 years represent an effective annual increase of 1.44%.

Due to the larger size of the branch, there are incremental non-lease operating costs of \$0.148 million for the first year, which includes an additional 1.5 full-time equivalent staff. The total annualized increase in operating costs will be \$0.295 million.

The cost is included in the 2020 Council Approved Operating Budget for TPL.

The lease provides for a 240-day fixturing period, expected to start on April 1, 2020, where no base rent or additional rent is paid on the 11,760 sq. ft. of space.

Capital Impact

A new capital project is required to renovate the new space with a value of approximately \$2.714 million to be funded by development charges of \$1.345 million, landlord contribution of \$0.823 million and debt of \$0.547 million, with estimated cash flows of \$1.648 million (\$0 million debt) in 2020 and \$1.066 million (\$0.547 debt) in 2021. This capital project was approved by Council on February 19, 2020 as part of TPL's 2020-2029 Capital Budget and Plan.

All amounts are exclusive of Harmonized Sales Tax.

The Chief Financial Officer & Treasurer (City) and the Director, Finance and Treasurer (TPL) have reviewed this report and agree with the financial impact information.

DECISION HISTORY

At its meeting on April 29, 2019, the TPL Board endorsed the new lease agreement and capital budget adjustment related to the new and larger location for the Maryvale branch located within Parkway Mall as detailed in the [minutes](#) of that meeting. The timing and funding source breakdown of the cash flows have been changed in the approved 2020 capital budget and plan but the total amount of the project is identical.

Maryvale Branch Expansion – Capital Project and New Lease Agreement

Moved by Councillor Ainslie, **seconded** by J. Liu:

That the Toronto Public Library Board:

1. *endorses a new lease agreement for Maryvale branch between the Library and FCHT Holdings (Ontario) Corporation for units 22 and 21 at the Parkway Mall, 85 Ellesmere Road, Toronto, for a 20-year term expected to start on May 1, 2020, substantially on terms and conditions set out in Appendix A;*
2. *requests City Council to approve a Municipal Capital Facility Agreement for the leased space;*
3. *approves a capital project to renovate the new space with a value of approximately \$2,714,000 to be funded by development charges of \$1.582 million, Landlord contribution of \$0.822 million and debt of \$0.310 million, with estimated cash flows of \$0.145 million (\$0 debt) in 2019, \$2.148 million (\$0.310 million debt) in 2020 and \$421,000 (\$0 debt) in 2021; and*
4. *authorizes the City Librarian to act on its behalf to seek City approvals and execute the lease and related documentation.*

Carried

The capital budget to renovate the new space and the additional operating costs related to the lease and the additional space were approved by Council on February 19, 2020 as part of TPL's 2020-2029 Capital Budget and Plan and 2020 Operating Budget, respectively.

COMMENTS

Background

Maryvale branch is a well-used neighbourhood library in the Wexford/Maryvale neighbourhood. In 2018, the branch had 137,412 visits and a circulation of 162,654. The branch has a total size of 4,998 sq. ft. and is located in Unit 16 at the Parkway Mall, at 85 Ellesmere Road on the southeast corner of Victoria Park and Ellesmere Road.

Maryvale branch is located in Ward 21 and serves a population of 27,917. The population has increased 3.3% since the 2011 Census Data and largely consists of adults (58%), followed by seniors (28%), children ages 0-15 yrs. (15%) and youth ages 16-24 yrs. (13%).

Toronto Public Library's Service Delivery Model is a framework to envision the possibilities that result from an investment in library infrastructure and service delivery. Neighbourhood branches provide collections and services that meet many of the needs of the immediate community. The Service Delivery Model identifies 10,000–20,000 sq. ft. as the optimum size for a neighbourhood branch. At its current size, Maryvale does not meet the minimum standard size. Maryvale offers a limited range of children's, youth and adult, and seniors' programming due to the relatively small branch size. Regular Outreach programs to serve newcomer and refugee families housed at the Radisson Hotel are delivered by staff monthly. Maryvale serves seven elementary schools and one high school. The current branch has a small program room and delivers an average of 20 programs per month. The size of the branch limits the breadth and scope of library service.

The current lease for Unit 16 expires in August 2020.

Details of Proposed Expansion

First Capital Asset Management LP (FCR), the real estate management company for Parkway Mall, approached the Library earlier in 2019 to discuss a major redevelopment for the mall and the opportunity for the Library to move into a larger space, Units 21 and 22, with 11,760 sq. ft. which brings the branch within the 10,000 – 20,000 sq. ft. Service Delivery Model standard for neighbourhood libraries. The proposed new location provides excellent access and exposure at this location and would allow the branch to respond to the strong demand for programs and services at this busy location.

The larger Maryvale branch will include:

- Design of interior spaces in alignment with the new Toronto Public Library brand, including flexible and multifunctional layout of collections, equipment, programming spaces and staff work areas;
- Merchandizing and display opportunities throughout the branch;
- A dedicated teen space, introduction of a mini-tech hub to provide additional access to technology, and Play and Learn STEM kits for children;

- Acoustically-managed spaces for collaboration, programming, and community meetings that can be used as an alternate quiet study or reading space when not otherwise in service;
- New flooring, shelving and furniture, with ample electronic outlets and updated equipment.

Key interior features include:

- Attractive merchandizing area and millwork;
- Excellent sightlines and traffic flow throughout;
- Flexible space with movable shelving and seating that can easily be reconfigured to take advantage of natural light;
- WIFI connectivity throughout;
- Interior signage in accordance with TPL branch signage standard;
- Digital signage for promoting library programs and services;
- Designated spaces for study and collaboration;
- Increased, accessible power outlets throughout the branch with USB connectors;
- Public computer area with pay-for-print and self-check kiosks.

The proposed new space in the mall will allow the current branch to maintain operations while the new space is being prepared, which will minimize service disruption for customers.

According to TPL's Facilities Master Plan (FMP), Maryvale branch has been identified for major renovation and expansion. Given that Maryvale received a high score relative to many other branches due to utilization, service provision, and state of good repair, the FMP supports the recommendation to move and expand the branch.

With regards to the proposed lease, City staff has advised that the proposed annual base rent represents fair market rent. The proposed Maryvale branch lease and capital project have both received Library Board endorsement and the capital project has been approved by Council as part of TPL's 2020-2029 Capital Budget and Plan while the proposed branch lease requires City of Toronto approval. A supplementary report will be submitted to the General Government and Licensing Committee from the Controller, to facilitate City Council approval of a Municipal Capital Facility Agreement between the Toronto Public Library and FCHT Holdings (Ontario) Corporation.

The local Councillor has been advised of the proposed expansion to the Maryvale branch.

CONTACT

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SIGNATURE

Vickery Bowles
City Librarian

ATTACHMENTS

Appendix A: Major Terms and Conditions of Maryvale Branch Lease

APPENDIX A

Major Terms and Conditions
Maryvale Library Branch Lease at 85 Ellesmere Road

Premises:

Approximately 11,760 square feet of rentable space, units 21 and 22, at Parkway Mall, 85 Ellesmere Rd., Toronto.

Landlord:

FCHT Holdings (Ontario) Corporation

Term:

Fixturing rent free period of 240 days estimated to commence April 1, 2020. Lease term of twenty years estimated to commence December 1, 2020 following the fixturing period.

Use:

Neighbourhood library branch operated by the Toronto Public Library.

Base Rent:

Years 1 to 5:	\$15.00 per sq. ft. or \$176,400 per year, plus HST
Years 6 to 10:	\$16.50 per sq. ft. or \$194,040 per year, plus HST
Years 11 to 15:	\$18.00 per sq. ft. or \$211,680 per year, plus HST
Years 16 to 20:	\$19.50 per sq. ft. or \$229,320 per year, plus HST

During the fixturing period there is no base rent payable.

Additional Rent:

Tenant pays for its proportionate share of certain common costs, a charge for the pylon sign, and water recovery charges, estimated at \$11.20 per sq. ft. in Year 1, plus HST. The charge for HVAC is waived in Years 1 to 10 and will commence in Year 11 at the \$2.29 per sq. ft. and is fixed for years 11-20.

During the fixturing period there is no additional rent payable.

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Utilities:

Tenant pays for its proportionate share of utilities for the building, estimated at \$2.00 per sq. ft., or \$23,520 per year, plus HST. During the fixturing period the Library must pay for utilities consumed.

Tenant Leasehold Improvement Allowance:

The Landlord is offering \$70.00 per sq. ft. as an inducement to enter into the lease, for a total of \$823,200.

Capital Costs:

The cost to prepare the space for Library use is estimated at \$2,714,000 which will be funded by development charges of \$1.345 million, Landlord contribution of \$0.823 million and debt of \$0.547 million.