TORONTO

REPORT FOR ACTION

Toronto Public Library - Lease Agreement at 2900 Warden Avenue

Date: May 12, 2021
To: General Government and Licensing Committee
From: Executive Director, Corporate Real Estate Management, and City Librarian
Wards: 22 - Scarborough Agincourt

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a sublease agreement with Bridlewood Mall Management Inc., as sublandlord, for approximately 20,000 square feet of space in the Bridlewood Mall (the "Mall") located at Unit 230, 2900 Warden Avenue, Toronto (the "Leased Premises") for a term of twenty (20) years**.** The agreement enables the relocation of the Toronto Public Library Bridlewood branch to a new and improved location within the Mall, adjacent to the newly constructed Toronto Employment and Social Services space, and expands the current branch by approximately 12,000 square feet, while reducing costs per square foot by approximately $0.50.

The rent and other terms and conditions of this sublease agreement reflect current market value according to market research and valuation conducted by Corporate Real Estate Management staff. Staff will also seek to designate the Leased Premises as a Municipal Capital Facility in order to exempt the Leased Premises from realty taxation for municipal and school purposes and report back to City Council at a later date.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management, and the City Librarian recommend that:

1. City Council authorize the Executive Director, Corporate Real Estate Management, to enter into a Letter of Intent (the "LOI") and a sublease agreement to be executed pursuant to the LOI (collectively the "Sublease"), with Bridlewood Mall Management Inc. (the "Sublandlord"), for use by the Toronto Public Library of the space municipally known as Unit 230, 2900 Warden Avenue, Toronto (the "Leased Premises") for a twenty (20) year term, substantially on terms and conditions set out in Appendix A and on such other terms and conditions as may be agreed to by the Executive Director, Corporate Real Estate Management in consultation with the City Librarian.

FINANCIAL IMPACT

Operating Impact

Based on the estimated area of the Leased Premises (20,000 square feet), the total operating expenditure by the Toronto Public Library Board for the twenty (20) year term, beginning approximately September 1, 2022, is estimated to be $9.350 million as detailed in Appendix B. The incremental increase in the annual cost of the Leased Premises (relative to the current branch lease) will be approximately $0.317 million in the first year of the proposed sublease agreement, resulting in a cumulative total of approximately $2.750 million until the current lease expires on October 31, 2030. Funding is available in the 2021 Council Approved Operating Budget for Toronto Public Library under cost center LB1000. Future year expenditures will be referred to the City's annual budget process and will be included as part of future year budget submissions for Council consideration.

The proposed sublease provides for a generous 14-month fixturing period, expected to start on July 1, 2021, where no rent is paid for the Leased Premises.

Capital Impact

Estimated renovation costs for the new branch space is $7.299 million. Funding is available in the 2021 - 2030 Council Approved Capital Budget and Plan for Toronto Public Library under capital account CLB222-01 funded by Development Charges ($2.360 million), a Landlord leasehold contribution ($1.000 million), and debt ($3.939 million).

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

At its meeting on February 22, 2021, the Toronto Public Library Board considered "Bridlewood Branch Relocation - New Lease Agreement" and endorsed a 20-year lease and capital project for an expanded Bridlewood branch of approximately 20,000 square feet.
http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2021/feb22/14-bridlewood-branch-relocation-new-lease-agreement-combined.pdf

At its meeting on September 30, 2020, City Council approved Item GL15.19," City of Toronto Lease at 2900 Warden Avenue", authorizing the City of Toronto to enter into a sublease agreement with Bridlewood Mall Management Incorporated, for approximately 33,000 square feet of space at Bridlewood Mall for use by Toronto Employment and Social Services.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.GL15.19

At the meeting on September 20, 2010, the Toronto Public Library Board considered "Bridlewood Branch – Capital Project and Lease" and endorsed a 20-year lease and capital project for an expanded Bridlewood branch of approximately 8,000 square feet.
https://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2010/sep20/12.pdf

At the meeting of August 25 and 26, 2010, City Council considered MM52.15 Bridlewood Library Capital Project and Lease - by Councillor Del Grande, seconded by Councillor Ainslie and approved a capital budget and 20-year lease for the expanded Bridlewood library, approximately 8,000 square feet, subject to approval by the Toronto Public Library Board.
https://www.toronto.ca/legdocs/mmis/2010/cc/bgrd/MM52.15.pdf

At its meeting on August 25, 26 and 27, 2010, City Council considered Scarborough Community Council Item SC37.31, "2900 Warden Avenue - Official Plan and Rezoning Applications - Final Report". This item amended the official plan for the lands at 2900 Warden Avenue and outlines the terms of the Section 37 agreement for the improvement or expansion of community services and facilities on site or in the area. The Section 37 agreement specified a cash contribution of $1,600,000 to fund the expansion of the Bridlewood branch, subject to the development happening on the site. The development has not proceeded and collection of any Section 37 funding is uncertain so it is not included in the project capital budget.
https://www.toronto.ca/legdocs/mmis/2010/sc/bgrd/backgroundfile-32437.pdf

COMMENTS

Background

The Bridlewood library is an 8,000 square feet neighbourhood branch currently located in Unit 157A at the Bridlewood Mall, 2900 Warden Ave, which is owned by 2366829 Ontario Limited and leased to Bridlewood Mall Management Inc.

Although having been relocated several times for expansion, the branch has stayed within the Mall since it opened in 1976. Bridlewood library is located in Ward 22, which has a population of 105,540. The Ward’s population has increased between the 2011 and 2016 Census, and largely consists of adults (52 percent), followed by seniors (21 percent), children aged 0-14 years (14 percent) and youth aged 15-24 years (12 percent).

Currently, the Bridlewood library's catchment area has a population of 38,899. Approved development projects in the area will add at least 5,000 more residents over the next ten years. In addition, the branch serves a large multi-cultural community and many newcomers who settle in the branch’s catchment area.

The current lease at Unit 157A expires on October 31, 2030, but will be terminated without penalty effective on the date the Toronto Public Library opens for business to the public in its new location at Unit 230.

Rationale for Relocating to the Leased Premises

At 8,000 square feet, the branch is undersized relative to its catchment area and the Toronto Pubic Library's Service Delivery Model, which means that much needed library services cannot be delivered in the area.

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 15,000–20,000 square feet as the optimal size for a neighbourhood branch. The current Bridlewood library is well below the minimum branch size, despite being the Toronto Public Library’s third busiest neighbourhood branch. In 2019, the branch had over 434,000 visits and circulated over 419,000 items.

To address the needs of the community, the Toronto Public Library proposes to relocate the branch within the mall to a more desirable location on the upper level at the north end of the Mall. The move to larger premises is supported by the Facilities Master Plan, which is approved by the Toronto Public Library Board.

Details of Proposed Re-location and Expansion

In late 2019, the Bridlewood Mall Management Inc. approached the Toronto Public Library to discuss relocating and expanding the Bridlewood branch.

In early 2020, Corporate Real Estate Management contacted the Toronto Public Library to inquire about plans for the Bridlewood branch, and seek opportunities for space optimization, including service co-location, in relation to a proposed lease agreement for Toronto Employment and Social Services at the Mall.

In September 2020, City Council approved a lease of approximately 33,000 square feet for Toronto Employment and Social Services (item GL12.19). As this space is immediately adjacent to the Leased Premises, it will provide opportunities for complementary programming, service co-location and optimization. City and Toronto Public Library staff will continue to explore opportunities to create shared spaces at the Mall.

The proposed larger Bridlewood branch will include:

- Great exposure from the mall exterior and natural day light in the branch;
- Redesigned open flexible, floor plan and barrier free access for the public, options for study and seating, and enclosed, sound-proof, functional programming spaces for branch and community use;

- Improved zoned areas for teens in particular, as well as areas for children, adults and seniors will be created, including an interactive early literacy centre for children aged 0-5 and their caregivers;
- A Youth Hub space, which provides a drop-in space for teens with access to homework help, activities and workshops, snacks and a broad range of current technology;
- Access to Wi-Fi connectivity and device charging in furniture throughout the branch; and
- Redesigned service delivery space and staff work areas.

An enlarged library space within the Mall, inclusive of the above-noted features, will better serve its catchment population. The rent and other terms and conditions of this Sublease reflect current market value according to market research and valuation conducted by Corporate Real Estate Management staff. CreateTO has also reviewed this report and agrees with the Sublease as the most optimal route for program delivery at this time.

Next Steps

Pending City Council approval of the recommendations in this report, Toronto Public Library will continue to operationalize the relocation to the new branch, consisting of: 1) finalizing the design phase by an estimated timeline of November 2021, 2) commencing construction in 2022 with an estimated completion date of January 2023, and, 3) relocating to the Leased Premises between February to March 2023.

Municipal Capital Facility Designation

The City will seek authority to designate the Leased Premises as a Municipal Capital Facility, and to provide an exemption from taxation for municipal and education purposes, pursuant to the provisions of section 252 of the City of Toronto Act, 2006, through a report back to Council at a later date.

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

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ATTACHMENTS

Appendix A: Major Terms and Conditions
Appendix B: Lease Payments By Year

APPENDIX A: Major Terms and Conditions

Lease Agreement at 2900 Warden Avenue

Premises:
Approximately 20,000 square feet of rentable space, Unit 230, at Bridlewood Mall, 2900 Warden Avenue, Toronto.

Sublandord:
Bridlewood Mall Management Inc.

Term:
Lease term of twenty years estimated to commence September 1, 2022 following the fixturing period.

Fixturing Period:
Fixturing period of 14 months estimated to commence July 1, 2021. During the Fixturing Period, the Library will be responsible for complying with all other terms of the Offer, including payment of utilities and maintaining insurance but will not pay Rent.

Use:
Neighbourhood library operated by the Toronto Public Library.

Rent:
Rent will include a proportionate share of common area charges.

Years 1 to 10:	$22.25 per sq. ft. or $445,000 per year, plus Harmonized Sales Tax
Years 11 to 15:	$24.00 per sq. ft. or $480,000 per year, plus Harmonized Sales Tax
Years 16 to 20:	$25.00 per sq. ft. or $500,000 per year, plus Harmonized Sales Tax

In addition to Rent, the Tenant will pay all utilities for the Leased Premises and will be required to maintain insurance on the Leased Premises and Toronto Public Library's assets within it.

Tenant Leasehold Improvement Allowance:
The Landlord is offering $50.00 per square foot as an inducement to enter into the lease, for a total of $1,000,000.

Capital Costs:
The cost to prepare the space for library use is estimated at $7.299 million which will be funded by development charges of $2.360 million, Landlord contribution of $1.000 million and debt of $3.939 million.

Non-Disturbance and Attornment Agreement:
The Sublandlord and the City of Toronto (the "City") shall enter into a Non-Disturbance and Attornment Agreement with the head landlord, wherein the head landlord agrees that during the term of the head lease, the City shall not be required to comply with the terms of the head lease and in the event that the head lease expires and is not

extended or renewed, is terminated or surrendered for any reason, the City's Offer/Sublease will be deemed to be a direct lease with the head landlord.

APPENDIX B: Lease Payments By Year

Commencement Date	Rental payments
September 1, 2022	445,000
September 1, 2023	445,000
September 1, 2024	445,000
September 1, 2025	445,000
September 1, 2026	445,000
September 1, 2027	445,000
September 1, 2028	445,000
September 1, 2029	445,000
September 1, 2030	445,000
September 1, 2031	445,000
September 1, 2032	480,000
September 1, 2033	480,000
September 1, 2034	480,000
September 1, 2035	480,000
September 1, 2036	480,000
September 1, 2037	500,000
September 1, 2038	500,000
September 1, 2039	500,000
September 1, 2040	500,000
September 1, 2041	500,000
Subtotal	9,350,000
Harmonized Sales Tax	1,215,500
Total (inclusive of Harmonized Sales Tax)	10,565,500