

REVISED

Report to / Rapport au:

Ottawa Public Library Board
Conseil d'administration de la Bibliothèque publique d'Ottawa

June 8, 2021 / 8 juin 2021

Submitted by / Soumis par:

Danielle McDonald, Chief Executive Officer / Directrice générale

Contact Person / Personne ressource:

*Anna Basile, Division Manager, Corporate Services / Directrice, Services
organisationnels*

(613) 580-2424 x32335, Anna.Basile@BiblioOttawaLibrary.ca

File Number: OPLB-2021-0606

SUBJECT: Elmvale Acres Branch Lease Renewal

OBJET: Renouvellement du bail de la succursale Elmvale Acres

REPORT RECOMMENDATIONS

That the Ottawa Public Library Board:

1. Approve the lease renewal for the Elmvale Acres Branch (1910 St. Laurent Blvd) effective February 1, **2022** for a five-year term expiring January 31, 2027. The total consideration for the term is estimated to be \$957,075.00 plus HST; and,
2. Delegate authority to the Chief Executive Officer to finalize and execute the lease extension agreement in accordance with the terms and conditions detailed in this report.

RECOMMANDATIONS DU RAPPORT

Que le Conseil d'administration de la Bibliothèque publique d'Ottawa :

1. **Approuve le renouvellement de bail de la succursale Elmvale Acres (1910, boul. St-Laurent) à partir du 1er février 2022 pour une période de cinq ans se terminant le 31 janvier 2027. Le montant total de la location pour cette période est estimé à 957,075.00\$, TVH en sus; et**
2. **Délègue à la directrice générale le pouvoir de conclure la prolongation du bail, conformément aux modalités décrites dans le présent rapport.**

BACKGROUND

As per the *Public Libraries Act* (PLA) Section 19 (1)(a), a Board may “...acquire land required for its purposes by purchase, lease ...” Furthermore, Ottawa Public Library (OPL) Board Policy #002-OPL (Delegation of Authority), delegates to the CEO single or multi-year leases with a total expenditure of less than \$500,000, with those greater than that amount requiring Board approval.

The Elmvale Acres branch opened in 1963 and has relocated twice within the shopping plaza in which it is located. It has been at its present location since 1989, and the branch was originally designed at less than 3,500 square feet. In 1999, OPL entered into a lease with the then owner of the space at 1910 St. Laurent Blvd. to lease approximately 7,570 square feet of space, nearly doubling the size of the branch. The original lease was for a term of 12 years from July 13, 1999 to January 31, 2012. Although the lease was executed in July 1999, OPL took possession in January 2000.

Pursuant to the Lease Amending and Extending Agreement dated September 19, 2011, OPL and the landlord agreed to extend the lease for a period of 10 years from February 1, 2012 to January 31, 2022. The second lease extension does not allow OPL any further or other right of extension or renewal beyond the expiration of the second extended term.

For all real estate matters, OPL works with the City of Ottawa’s (City) Corporate Real Estate Office (CREO) for support services, along with the City’s Legal Services department. In 2020, CREO contacted OPL to seek direction regarding the lease, and have worked together with the landlord to extend the lease.

The purpose of this report is to recommend the renewal of the lease agreement for the Elmvale Acres branch. As this is a five-year lease with a maximum annual rent to be \$704,000 plus HST, excluding common charges, OPL Board approval is required.

DISCUSSION

The Elmvale Acres branch serves the neighbourhoods of Elmvale Acres, Hawthorne Meadows, Riverview Park, Urbandale, and Sheffield Glen. In addition, residents from the southern edge of Eastway Gardens tend to use the location. These communities represent both single-family homes and high-rise apartments. This diverse population includes residents from a variety of demographic backgrounds.

In 2019, the approximately 7,570 sq. ft. branch had a 2019 circulation rate of 19 items per square foot, program attendance of 2,843, an annual total of 28,812 PC sessions, and registered 1,386 new card holders. Pre-COVID-19, the branch had 6,456 active cardholders. In support of this well-used branch, and as part of ongoing facility improvements and lifecycle management, OPL is replacing the carpet in the program room and the shelving in 2021.

Looking forward, Environics Analytics 10-year forecasts indicate that the neighbourhoods surrounding the Elmvale Acres branch show higher than average population growth and lower than average income growth. This underscores the ongoing need for library services in this area.

In October, 2020, an internal market rent analysis was conducted by the City's Valuation Unit for the space and after reviewing the comparable lease rates and in consideration of the subject unit area, location and building characteristics, a base rent range of \$17.00 to \$20.00 per square feet was estimated. However, given that the valuation was conducted during the Covid-19 pandemic and data was not yet available on how the pandemic would impact the leasing market, it was suggested that the valuation be reviewed closer to the renewal date. In April 2021, the valuation was reviewed, and new lease data was found that suggested that well-located space was beginning to turn-over and that the valuation provided in October 2020 was satisfactory. Based on this information, the recommendation was to commence negotiations at the lower end of the range.

The 2012-2022 Minimum Rent is \$16 per sq. ft. The five-year renewal has progressively increasing rates for years 1 – 4, with the rate holding steady for year 5. The rates are Year 1 - \$17.00; Year 2 - \$18.00; Year 3 - \$19.00; Years 4 and 5 - \$19.50. The Net Effective Rent (NER) is \$18.60 per square foot over the five years. These rates are

considered fair and reasonable by CREO, given an appraisal of comparable rates as noted above.

In addition to the base rent of \$17.00 per square foot in the first year, the Library will pay its proportionate share of additional rent roughly in the amount of \$6.30 per square foot in Year 1. This rate is consistent with the current rate. For years 2 through 5, a three per cent (3%) annual increase to the operating rent has been estimated for the term. The lease extension allows for a further one (1) five (5) year option to renew upon written notice from the City to the landlord.

The property has been managed by RioCan and there is a good working relationship between OPL and the Landlord. The site of the current branch, which is adjacent to a transit hub, is undergoing a multi-phased redevelopment with multi-storey, mixed-use rental residential development with retail at street level. Further phases (over 10-years) include the eventual demolition of the existing space that features the library branch.

As with all branches, the Elmvale Acres branch will be evaluated in the upcoming Facilities Master Plan (FMP), which will include a gap analysis and growth study of all OPL branches. Should the FMP recommend any changes impacting the size or location of the Elmvale Acres branch, the five-year lease will provide OPL with time to address the recommendations, work with the Landlord to understand further the development plans and timelines, and to plan accordingly.

Staff recommend the OPL Board approve the renegotiation and extension of the lease for a five-year period for the Elmvale Acres branch in order to continue to provide library services in this well-established location.

CONSULTATION

Staff consulted the City's Corporate Real Estate Office and Legal Services in completing the Lease Extension Agreement. The local Councillor was advised of OPL's intent to renew the lease for a further five-year term.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report. The existing branch has been designed to meet the City of Ottawa Accessibility Design Standards.

BOARD PRIORITIES

There are no direct impacts on the Board Strategic Plan with this report.

BUSINESS ANALYSIS IMPLICATIONS

All business analysis implications have been included throughout the report.

FINANCIAL IMPLICATIONS

The current term of the lease expires on January 31, 2022. If the lease is renewed as proposed, the financial implications of this report will be included in the 2022 draft budget to the Board for consideration in December 2021. The Lease Extension represents a cost to the OPL in the amount of \$704,000 plus HST for base rent for the five-year term. The OPL is also responsible for operating costs estimated roughly to be \$47,700 in the first year with an estimated increase of 3% every year after that. The total cost of rent and operating costs over the five-year period is \$957,075 plus HST.

LEGAL IMPLICATIONS

There are no legal implications associated with this report outside of the standard contractual obligations as identified in the lease agreement.

RISK MANAGEMENT IMPLICATIONS

Based on the current market conditions for new construction, and OPL's financial situation, no other options were explored at this time, but will be considered based on the findings of the FMP.

The lease agreement under negotiation is for one five-year term (to 2027), with the option to renew for a further five-year term (through to 2032). The Lease Renewal Agreement contains an Arbitration Clause wherein if OPL and the Landlord cannot agree on the rental rate for the next five-year renewal option (2027-2032), then an arbitrator would determine what the rental rate would be. This poses a risk to the OPL as the Library may be bound to pay a minimum rent beyond the Library's financial means based on an Arbitrator's decision. In confirming with Legal, OPL requested this clause be removed, however, the Landlord sited that this is a standard clause in their renewal agreements. Given the fact that OPL would not be able to relocate within 90 days, staff have agreed to the Arbitration Clause.

In addition, there is no short-term lease option contemplated under the current term of the lease. From a risk mitigation perspective, the FMP is set to be completed within the five-year timeframe, providing sufficient information should OPL wish to pursue negotiations with the Landlord for additional terms in the new space once redeveloped, or seek a new location for the branch.

TECHNOLOGY IMPLICATIONS

There are no technological implications associated with this report.

DISPOSITION

Upon approval by Ottawa Public Library Board, the Chief Executive Officer of OPL, Danielle McDonald will execute the agreement as per the terms provided. The City's CREO department will be provided with the executed agreement for tracking on behalf of OPL. In addition, the local Councillor will be advised of the outcome.