

# Setting the Framework for Library Lease Renewals

Presentation to Elgin County Council

March 8, 2022



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# Overview

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2. Branch overviews and recent improvements
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# Library Lease Renewals – The Opportunity

Elgin County Library leases its ten branches from local municipal partners and the Port Stanley Festival Theatre. These leases all expire at the end of 2022. After 16 years, County Council now has an opportunity to review these leases, establish a sustainable framework for the future and engage local municipal partners and the Port Stanley Festival Theatre in the process. Direction is now being sought from County Council on a path forward for lease renewals for 2023 and beyond, considering matters such as:

- ▶ Having the same standard agreement apply to all ten locations;
- ▶ Determining whether to use a new base rate for square footage payments for all ten locations or whether to consider local market factors which will likely result in variable payments;
- ▶ Partnership opportunities;
- ▶ The appropriate term for the initial lease and any subsequent renewals.

# Straffordville Library



- 4,000 square feet leased from Municipality of Bayham
- Recent improvements: Accessible washrooms and extensive interior renovations in 2012; elevator installed in 2021



# Fred Bodsworth Public Library of Port Burwell



- 800 square feet leased from Municipality of Bayham
- Recent improvements: Accessible ramp in 2018; Interior renovations, accessibility improvements and exterior signage in 2019



# Springfield Library



- 1,850 square feet leased from Township of Malahide as part of Malahide Community Place
- Opened as part of Malahide Community Place in 2010

# Belmont Library



- 3,199 square feet leased from the Municipality of Central Elgin
- Expansion and interior renovations in 2015-16 to include an accessible entrance, elevator, expanded children's area and exterior signage



# Aylmer Library



- 3,081 square feet leased from the Town of Aylmer
- Front entrance door assist hardware installed in 2018; new circulation desk and furnishings installed in 2018; flooring replacement throughout in stages between 2018 and 2020



# Port Stanley Library



- 4,640 square feet leased from the Port Stanley Festival Theatre
- Extensive renovations in 2014, including flooring, windows, staff areas and a loading dock. Interior painting in 2019

# Southwold Township Library, Shedden



- 3,657 square feet leased from the Township of Shedden as part of the Keystone Complex
- Opened in 2017



# John Kenneth Galbraith Library, Dutton



- 5,000 square feet leased from the Municipality of Dutton Dunwich
- Barrier-free washroom installed in 2018; exterior digital signage installed in 2021

# West Lorne Library



- 1,793 square feet leased from the Municipality of West Elgin as part of the West Lorne Community Complex
- Entire space refurbished in 2007. Ceiling and roof repairs in 2021



# Rodney Library



- 1,428 square feet leased from the Municipality of West Elgin
- Extensive interior renovations in 2011

# Current Leases - Background

- Current leases established in 2007 and apply to all branches except Aylmer which was under a separate 40-year lease
- All leases, including Aylmer, will expire at the end of 2022, having been renewed twice over the term
- All leases are with local municipal partners with the exception of Port Stanley which is owned by the Port Stanley Festival Theatre but has the same lease
- Leases establish a “tenant / landlord relationship” between the County of Elgin (the tenant) and local municipal partners (the landlord)
  - In exchange for regular lease payments from the County, local municipal partners and the Port Stanley Festival Theatre (the building owners) are responsible for construction, repairs and capital maintenance of facilities (such as cleaning and snow removal)
- All branches have benefitted from improvements and timely maintenance under the current leasing framework. In particular, major improvements have been made to make branches **more accessible** using lease revenue and the federal government’s Enabling Accessibility Fund through the support of the County’s Accessibility Coordinator



# Current Leases - Background

- Current lease established a base rate of \$12 per square foot based on an assessment of contemporary market rates, particularly as they applied to Port Stanley at the time (which was the highest rate), with provision for annual inflationary increases based on the October consumer price index (CPI) for the previous year
- Not all local municipal partners adopted the standard lease at the same time. This has resulted in inconsistent payments to local municipal partners over the course of the lease's term.

# 2022 Lease Payments

Branch	Lease Payment Per Square Foot (2022 rate)
Straffordville	\$16.03 to Bayham
Port Burwell	\$16.03 to Bayham
Springfield	\$15.28 to Malahide
Aylmer	\$7 to Aylmer (40-yr lease expires 2022)
Belmont	\$15.80 to Central Elgin
Port Stanley	\$17.04 to Port Stanley Festival Theatre
Shedden	\$13.94 to Southwold
Dutton	\$16.03 to Dutton Dunwich
West Lorne	\$16.03 to West Elgin
Rodney	\$16.03 to West Elgin



# Peer Comparisons – What do other county libraries pay?

Payments by a county to local municipal partners is common practice in two-tier counties as the local municipality is in the strongest position to determine where the library is best located based on local planning considerations, opportunities for co-location with other services and size of facility that can be sustained to meet the community's needs.

An informal survey of other county library systems indicates that the rates paid by Elgin County to local municipal partners are the highest among county systems in Ontario. Here is a sampling of rates paid by other county systems:

- ▶ Middlesex County Library - \$7.18 to \$11.35 per square foot with tiered rates depending on level of service provided;
- ▶ Oxford County Library – Variable rates based on local market factors, ranging from \$2.92 per square foot to \$13.50 per square foot;
- ▶ Stormont, Dundas and Glengarry Library - \$8.34 per square foot + cleaning costs;
- ▶ Huron County Library - \$10,000 to \$15,000 annually per location through a maintenance grant to local municipal partners depending on size and level of service provided;
- ▶ Bruce County Public Library - \$8.09 per square foot with 2% annual inflationary increase;
- ▶ Kingston-Frontenac Public Library – no payments to local municipal partners who also provide cleaning and maintenance services.

# Local Market Conditions

- Square footage rates for commercial properties across Elgin County do vary depending on location.
- A market analysis was completed for leased space in the Elgin County Administration Building (ECAB) in 2018. This study revealed that market rates at that time for the ECAB were \$13 to \$15 per square foot, inclusive of utilities, parking, cleaning and capital maintenance.
- Current tenant lease rates in ECAB do vary but are in the vicinity of \$18.20 per square foot, inclusive of utilities, parking, cleaning and capital maintenance. Effectively, this is the current market rate in ECAB.
- The 2018 ECAB market analysis cost \$3,000 to complete. A market analysis for library branches will cost considerably more given that ten locations will be involved, each with unique market rate considerations.



# The case for standardized leases

- While facilities do vary in terms of size, age and general building conditions, the current leasing framework has worked well over recent years, helping to inspire new facilities, expansions and improvements **throughout the system** while at the same time making roles and responsibilities clear between both parties.
  - Some county systems expressed challenges with issues like the frequency of cleaning, snow removal and responsibility for repairs and are contemplating terms similar to what Elgin County already has in place. While Elgin County does pay the highest rates, these issues largely do not exist here given that there is a clear understanding that lease payments are intended to cover **all** costs associated with maintenance and capital upgrades through clear terms which are articulated in lease agreements.
- A standard lease with a new base rate that applies to all locations is also in keeping with recommendations of the Service Delivery Review to eliminate inefficient processes. Variable rates will require a costly market review, will result in regular reconciliations by finance staff and could create expectations of tiered service based on the amount that is being paid or how well the facility is being maintained.

# The case for standardized leases

- ▶ Port Stanley Festival Theatre previously adopted the standard lease that applies to other municipally owned buildings and there is no indication that they will not participate in a renewal with standardized terms similar to LMPs going forward. However, Council can consider Port Stanley as a separate entity and negotiate outside of this framework.
- ▶ In the case of Aylmer, this lease is unique in the system in that it does establish a tenant / landlord relationship in exchange for square footage payments to the town (\$7 per square foot), but it also contains provisions for shared capital costs on the building. It is recommended that all municipal partners, including Aylmer, be offered similar terms for lease renewals in 2023 which means that the County will no longer be responsible for major capital costs in exchange for enhanced payments to the Town of Aylmer.
  - ▶ The County has precedence in revising active leases to encompass new or larger facilities. For instance, revisions were made to leases for both Springfield and Belmont branches when a new facility and expansion were achieved at these locations. Agreeing to a five-year lease for the current location of Aylmer Library will not prevent Aylmer Town Council from proceeding with re-location or expansion to the library whenever the opportunity arises.



# A new base rate of \$17 per square foot?

- In lieu of a comprehensive market analysis, Council may wish to consider making the current rate paid to Port Stanley as the new base rate for all locations. This was the approach taken in 2007 and has worked well. This would mean that a base rate of \$17 would serve as the new base for all locations beginning in 2023, with annual CPI adjustments applied thereafter.
- 29,448 square feet is currently leased by the library across the system from municipal partners and Port Stanley Festival Theatre. Using the 2022 rates above, the impact in 2023 of moving to a base rate of \$17.00 per square feet will result in an annual budget increase of approximately \$27,000 after projected CPI increases are applied to 2023. Approximately \$18,000 of this increase can be attributed to a rise in payments to the Town of Aylmer in exchange for adopting the standard lease. Should Council opt to go in the direction of establishing \$17 per square foot as the new base rate, a placeholder will be put into the draft 2023 budget with recommendations on how to fund this increase for consideration as part of the 2023 budget process.
- Such an increase is sustainable and will make payments truly equitable across the system for the first time. These payments have proven successful in maintaining branches to a high standard.

# Other issues to consider as part of renewals

- ▶ Terms to allow for usage of library facilities by community partners and organizations beyond library operating hours. There is capacity to consider usage by community groups and partner agencies beyond formal operating hours. This may also be a revenue opportunity for both the library and local municipal partners.
- ▶ More explicit terms for facility improvements such as painting and flooring improvements based on a multi-year schedule.
- ▶ Terms that allow leases to be adapted should a new or larger facility emerge.
- ▶ Provision for staff parking wherever necessary, particularly at Port Stanley and Aylmer.



# Council options for lease renewals

- Option 1: Standardized for all locations with a common base rate per square foot. \$17 per square foot is recommended;
- Option 2: Standardized terms that maintain the tenant / landlord relationship between the County and local municipal partners / Port Stanley Festival Theatre but with variable rates paid based on an assessment of local market factors;
- Option 3: Standardized terms and a common base rate based on a market evaluation for the nine branches owned by local municipal partners **and** a non-standard lease with Port Stanley Festival Theatre with rates that would apply to Port Stanley Library only.

For each option, it is recommended that leases apply for an initial five-year term and at least one renewal of five years and possibly a second renewal. Leases do need to be long-term to give the library and municipal partners stability to provide the service and to plan capital improvements.

# Timeline for achieving lease renewals

- Immediately – Consider Council feedback. What further information does Council need?
- Provide initial notice to local municipal partners and the Port Stanley Festival Theatre regarding the need to renew leases for 2023 and beyond with anticipated timelines for execution. A presentation to local CAOs seeking their initial feedback has already been made.
- End of May 2022 - Based on Council's direction, engage in the necessary background research for the purposes of presenting a draft framework for County Council approval.
- End of July 2022 – In partnership with the County Solicitor, present draft lease agreements to local municipal partners and Port Stanley Festival Theatre with a deadline of October 1<sup>st</sup>, 2022 to authorize. This will give local municipal partners two months to consider and approve agreements. These renewals will not be impacted should lame duck status apply;
- November 1, 2002 – Provide a summary update to County Council regarding renewals to take effect in 2023.



# Recommendations

THAT the March 8, 2022 presentation titled “Setting the Framework for Library Lease Renewals”, submitted by the Director of Community and Cultural Services, be received and filed for information, and;

THAT Elgin County Council provide direction on the matter of establishing common terms and a common base rate for all ten library facilities; and,

THAT notice be provided to local municipal partners and the Port Stanley Festival Theatre regarding the need to execute new lease agreements for Elgin County Library branches by the end of 2022.

# Thank you!

Brian Masschaele, Director of Community and Cultural Services



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