



**City of Kingston
Report to Council
Report Number 16-251**

To:	Mayor and Members of Council
From:	Desiree Kennedy, Chief Financial Officer and City Treasurer
Resource Staff:	Same
Date of Meeting:	July 12, 2016
Subject:	Central Library Renovations Project – Relocation Requirements and Budget Amendments

Executive Summary:

The purpose of this report is to outline the relocation requirements that have been identified as part of the Central Library Renovations Project and to seek Council approval for entering into related Lease and Municipal Capital Facility Agreements and associated funding.

Project planning with respect to the Central Library Renovations Project is well underway. Due to the scope and nature of the work being undertaken, it has been determined that closure of the building would be the safest and most cost-effective way to complete the project. Library staff has identified three temporary space requirements: a public service point in downtown Kingston that would provide service continuity and reservation pick-up services; warehouse space for the library collection and other equipment and office space for technical services, administration and other staff functions. It is anticipated that the Central Branch building will close at the end of November 2016 and that staff and operations will be relocated for a period of eighteen to twenty-one months.

Under Section 19 of the *Public Libraries Act*, the Library Board must have the consent of the majority of Councils for which the Library Board was established to enter into a lease agreement. The Library Board requests that City of Kingston Council consent to the acquisition of land by lease of temporary facilities by the Library Board and that capital funding be approved to fund the lease and leasehold improvements and associated relocation costs.

The Library Board also requests that the City enter into Municipal Capital Facility Agreements under Section 110 of the *Municipal Act, 2001* with the respective landlords and adopt by-laws as necessary to exempt the leased premises from property taxes for municipal and education purposes.

July 12, 2016

Page 2 of 7

Recommendations:

That Council consent to the acquisition of land by lease of temporary facilities by the Kingston Frontenac Public Library Board in order to provide continued library service in the downtown area, office space for staff and collection storage during the renovations of the Central Branch as required by Section 19.1 (a) of the *Public Libraries Act* and that the lease be in a form that is satisfactory to the Director of Legal Services for the following properties:

- a) 209 Wellington Street East – 1,727 square feet of space leased from KCC Inc. for a period of 18 months at \$19.28 per square foot for a total lease cost of \$49,950 plus HST with an option to extend for an additional 3 months if necessary for an additional cost of \$8,325 plus HST;
- b) 18 St. Remy Place - 14,002 square feet of space leased from Hi-Tone Express Inc. for a period of 18 months at \$8.50 per square foot for office space and \$6.50 per square foot for warehouse space for a total lease cost of \$155,486 plus HST with an option to extend for an additional 3 months if necessary for an additional cost of \$25,914 plus HST; and

That Council approve a budget amendment in the amount of up to \$612,400 for lease of space, fit up and moving costs funded from the Library Capital Reserve Fund; and

That Council authorize the Mayor and the Clerk to execute municipal capital facility agreements with (a) KCC Inc., the current owner of 209 Wellington Street, in respect of approximately 1,727 square feet of space and (b) Hi-Tone Express Inc., the current owner of 18 St. Remy Place, in respect of approximately 14,002 square feet, to be leased by the Kingston Frontenac Public Library Board to exempt the space from taxation for municipal and education purposes for which tax exemption is to be effective the latest of the following days: the day the municipal capital facility agreement is signed; the day the lease is signed; and the day the tax exemption by-law is enacted; and

That in accordance with Section 110 (6) of the *Municipal Act, 2001*, the By-Laws, attached as Exhibit A and Exhibit B to Report Number 16-251, be presented and given all three readings, to provide an exemption to the properties to which the municipal capital facility agreements applies, from taxation for municipal and school purposes; and

That the Clerk be directed to give written notice of the By-Law to Minister of Education, the local school boards having jurisdiction in the area in which the property is located and the Municipal Property Assessment Corporation (MPAC) as required by section 110(5) and (8); and

That Council direct the Mayor and Clerk to enter into any other agreements as required to provide for this project, in a form satisfactory to the Director of Legal Services.

July 12, 2016

Page 3 of 7

Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER AND CITY TREASURER

**Desirée Kennedy, Chief Financial Officer and
City Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Lanie Hurdle, Commissioner, Community Services

Jim Keech, President and CEO, Utilities Kingston

Not required

Denis Leger, Commissioner, Corporate & Emergency Services

July 12, 2016

Page 4 of 7

Options/Discussion:

City Council previously approved capital budget monies to renovate the Central Branch of the Kingston Frontenac Public Library (“KFPL”). A consolidated budget of \$13.8M was approved within the following capital budgets:

2016 capital budget	\$11,300,000
2015 capital budget	1,700,000
2014 capital budget	<u>809,842</u>
	<u>\$13,809,842</u>

Relocation requirements have recently been identified as part of the project along with associated funding. While the project was initially contemplated to be carried out using a phased approach within a partially occupied building, it has now been determined based on planning and design efforts, that closure of the building would be the safest and most cost-effective way to complete the renovations. The decision to proceed with renovating a vacant building was based on a cost comparison with a much shorter construction time frame and significantly reduced project risk. It is recommended that the Central Branch close at the end of November 2016 and the operations and collections be relocated for eighteen to a maximum of twenty-one months. The Library Board also identified the need for a downtown service location in order to provide continuity of service at a reduced level.

Library and city staff worked with Rogers & Trainor, a local real estate firm, to review a list of more than twenty properties available to lease for office space, collection storage and possible downtown store front occupancy. The team toured eleven sites that met the criteria developed by KFPL in terms of location, space, accessibility and cost, including both occupancy costs and leasehold improvements.

Two sites, a temporary downtown service location and an office and collection storage space have been recommended and approved by the Kingston Frontenac Library Board (“Library Board”) at their May 25, 2016 meeting with the following motions:

That the Kingston Frontenac Public Library Board request City of Kingston Council to provide consent for the Library Board to enter into a lease agreement for the recommended properties as per Section 19 of the *Public Libraries Act*, R.S.O. 1990, c. P.44 conditional on Council’s funding approval.

That the Kingston Frontenac Public Library Board request the City of Kingston Council to enter into a Municipal Capital Facility Agreement under Section 110 of the *Municipal Act, 2001* with the respective landlords and adopt by-laws as necessary to exempt the leased premises from property taxes for municipal and education purposes.

That the Kingston Frontenac Public Library Board authorize the Chair to sign an offer to lease conditional on the City of Kingston Council’s consent and funding approval and subsequent lease documents as may be required.

July 12, 2016

Page 5 of 7

KFPL has subsequently negotiated and executed Offers to Lease for the following properties for an 18-month period conditional on Council approval of the consent to lease and related capital funding as well as approval of municipal capital facility agreements for the leased premises in order to exempt KFPL from property taxes for the duration of the lease. The executed Offers to Lease also include an option to extend for up to 3 additional months should this be necessary.

- a) Downtown Service Location: A community service point will be maintained in the downtown during the renovation period. Of the locations available for lease, the vacant space on the corner at 209 Wellington and Queen Street offered the best location and value with minimal leasehold improvements. A total of 1,727 square feet of space will accommodate computers and wireless internet access, a small popular collection and reservation pick up services. A budget requirement exclusive of HST for leasing costs for the 18 month period based on \$19.28 per square foot is \$49,950 including utilities and common area costs. If option to extend for up to 3 months is required, an additional \$8,325 would be needed. Minor fit up costs of \$16,785 plus HST will be required prior to move-in. Total budget requirement is \$75,060 plus HST.
- b) Office and Collection Storage: It was not necessary to maintain a downtown location for staff and collection storage; therefore more affordable accommodations outside of the downtown core were considered. A vacant space at 18 St. Remy Place has been recommended. The facility offers 6,322 square feet of readily available finished office space along with 7,680 square feet of climate controlled warehouse space at the rear of the building. A total budget requirement exclusive of HST for leasing costs for the 18 month period based on \$8.50 per square foot for office space and \$6.50 per square foot for warehouse space is \$155,486 including utilities and common area costs. If option to extend for up to 3 months is required, an additional \$25,914 would be needed. Minor fit up costs of \$20,080 plus HST will be required prior to move-in. Total budget requirement is \$201,480 plus HST.

KFPL has retained external legal counsel to review the Offer to Lease agreements.

Under Section 19 of the *Public Libraries Act*, the Library Board must have the consent of Council to enter into a lease:

19. (1) A board may, with the consent of the appointing council or, where it is a union board, the consent of a majority of the councils of the municipalities for which it was established,
 - (a) acquire land required for its purposes by purchase, lease, expropriation or otherwise;
 - (b) erect, add to or alter buildings;
 - (c) acquire or erect a building larger than is required for library purposes, and lease any surplus part of the building; and
 - (d) sell, lease or otherwise dispose of any land or building that is no longer required for the board's purposes. R.S.O. 1990, c. P.44, s. 19 (1).

July 12, 2016

Page 6 of 7

The Library Board is requesting the consent of Council in order to enter into lease agreements for the properties identified above. The Library Board is also requesting that the City enter into Municipal Capital Facility Agreements under Section 110 of the *Municipal Act, 2001* with the respective landlords and adopt by-laws as necessary in order to exempt the leased premises from property taxes for municipal and education purposes. Draft Municipal Capital Facility By-Laws are attached as Exhibit A and B to Report Number 16-251. Public libraries are of a class of municipal facilities which qualify for tax exemption (Ontario Regulation 603/06 Section 2.11). This includes the provision of services in leased premises. Staff is recommending three readings of these by-laws in order to finalize the leases and confirm tenancy of the temporary facilities.

KFPL will execute the necessary leases with the respective building owners. The City will execute the Municipal Capital Facility Agreements with the building owners. These agreements will take effect upon commencement of the respective lease and automatically terminate at the end of the respective lease.

The Library will be responsible for the physical moves associated with the library relocation from, and return to, the 130 Johnson St. facility. Library and city staff toured the Central Branch of the Library with a representative from a local moving company and solicited advice from two cost consulting firms. We have confirmed that there are a number of moving companies who would be interested in submitting a proposal under a competitive process. Based on this information, a capital budget of up to \$325,000 plus HST is being recommended with funding from the Library Capital Reserve Fund.

Existing Policy/By-Law:

Not applicable

Notice Provisions:

Not applicable

Accessibility Considerations:

The exhibits to this report are available in an alternate format upon request.

July 12, 2016

Page 7 of 7

Financial Considerations:

Funds for the Central Library Renovations Project have previously been approved by Council and the Library Board in the amount of \$13.8M. A capital budget amendment of \$612,400.00, funded from the Library Capital Reserve Fund, is recommended based on the following leasehold and moving cost estimates inclusive of HST:

Downtown Service Location (up to 21 months)	\$ 76,380
Office and Collection Storage (up to 21 months)	205,020
Moving costs	<u>331,000</u>
	<u>\$612,400</u>

Contacts:

Patricia Enright, Chief Librarian/CEO, Kingston Frontenac Public Library, 613-549-8888, extension 1230

Desiree Kennedy, Chief Financial Officer and City Treasurer, extension 2220

Other City of Kingston Staff Consulted:

Speros Kanellos, Director, Facilities Management & Construction Services, extension 3133

Peter Huigenbos, Director, Real Estate & Environmental Initiatives, extension 3148

Alan McLeod, Senior Legal Counsel, Office of the City Solicitor, extension 1237

Exhibits Attached:

Exhibit A: Municipal Capital Facility By-law for 209 Wellington Street East

Exhibit B: Municipal Capital Facility By-law for 18 St. Remy Place

By-Law Number 2016-

A By-Law to Authorize an Agreement for the Provision of a Municipal Capital Facility at 209 Wellington Street East, Kingston, Ontario for Use as a Public Library

Passed: July 12, 2016

Whereas Section 110(1) of the *Municipal Act, 2001* proves that the council of a municipality may enter into agreements for the provision of a municipal facility for public libraries and may pass by-laws exempting from property taxation for municipal and school purposes, land, or a portion of it, on which municipal capital facilities are located; and

Whereas paragraph 11 of section 2 of Ontario Regulation 603/06 prescribe municipal facilities related to public libraries as eligible municipal capital facilities; and

Whereas the Council has approved that the Kingston Frontenac Public Library Board (the "KFPL") be permitted to enter into a lease (the "Lease") with KCC Inc. (the "Landlord") for the use of 1,727 square feet at the premises particularly described in Schedule "A" hereto (the "Premises") for the purposes of a public library; and

Whereas Council is desirous of entering into an agreement with the Landlord for the provision of municipal capital facilities at the Premises;

Therefore be it resolved that the Council of the City of Kingston hereby enacts as follows:

1. The City of Kingston is authorized to enter into agreement under section 110 of the *Municipal Act, 2001* with KKC Inc. for the provision of a municipal facility used for a public library to operate for public use at the Premises, in accordance with Ontario Regulation 603/06 (the "Agreement").
2. The Premises occupied by the Kingston Frontenac Public Library Board are exempt from taxation for municipal and school purposes.
3. This by-law shall be deemed repealed:
 - a. If the Landlord ceases to own the Premises without having assigned the Agreement to the new owner of the Premises;
 - b. If the KFPL or its successor in law ceases to use the Premises for public library purposes;

- c. When the Lease, or any renewal or extension of the Lease, expires;
 - d. If the Lease, or any renewal or extension of the Lease, is terminated, for any reason whatsoever; or
 - e. If the Agreement is terminated for any reason whatsoever.
4. Sections 1 and 3 of this by-law shall come into force on the day that the by-law is enacted.
5. Section 2 of this by-law shall come into force on the day that is the later of:
- a. The day the Agreement is entered into by the City and the Landlord;
 - b. The day the Lease is entered into by the KFPL and the Landlord; and
 - c. The day the tax exemption by-law is enacted.
6. This By-Law shall come into force and take effect on the date of its passing.

Given all Three Readings and Passed: July 12, 2016

John Bolognone
City Clerk

Bryan Paterson
Mayor

Schedule "A"

The portion of the property known municipally as 209 Wellington Street East, Unit 110, Kingston, Ontario legally described as Part Lot 112 Original Survey Kingston City; Part Lot 117 Original Survey Kingston City and having an area of 1,727 square feet.

Assessment Roll Number: 1011030090033000000.

By-Law Number. 2016-XX

A By-law to Authorize an Agreement for the Provision of a Municipal Capital Facility at 18 St. Remy Place, Kingston, Ontario for Use as a Public Library

Passed: July 12, 2016

Whereas Section 110(1) of the *Municipal Act, 2001* provides that the council of a municipality may enter into agreements for the provision of a municipal facility for public libraries and may pass by-laws exempting from property taxation for municipal and school purposes, land, or a portion of it, on which municipal capital facilities are located; and

Whereas paragraph 11 of section 2 of Ontario Regulation 603/06 prescribes municipal facilities related to public libraries as eligible municipal capital facilities; and

Whereas the Council has approved that the Kingston Frontenac Public Library Board ("KFPL") be permitted to enter into a lease (the "Lease") with Hi-Tone Express Inc. ("Landlord") for the use of 14,002 square feet at the premises particularly described in Schedule "A" hereto (the "Premises") for the purposes of a public library; and

Whereas Council is desirous of entering into an agreement with the Landlord for the provision of municipal capital facilities at the Premises;

Therefore be it resolved that the Council of the Corporation of the City of Kingston hereby enacts as follows:

1. The City of Kingston is authorized to enter into agreement under section 110 of the *Municipal Act, 2001* with Hi-Tone Express Inc. for the provision of a municipal facility used for a public library to operate for public use at the Premises, in accordance with Ontario Regulation 603/06 (the "Agreement").
2. The Premises occupied by the KFPL are exempt from taxation for municipal and school purposes.
3. This by-law shall be deemed repealed:
 - a. If the Landlord ceases to own the Premises without having assigned the Agreement to the new owner of the Premises;
 - b. If the Landlord or its successor in law ceases to use the Premises for public library purposes;

- c. When the Lease, or any renewal or extension of the Lease, expires;
 - d. If the Lease, or any renewal or extension of the Lease, is terminated, for any reason whatsoever; or
 - e. If the Agreement is terminated for any reason whatsoever.
4. Sections 1 and 3 of this by-law shall come into force on the day that the by-law is enacted.
5. Section 2 of this by-law shall come into force on the day that is the later of:
- a. The day the Agreement is entered into by the City and the Landlord;
 - b. The day the Lease is entered into by the KFPL and the Landlord; and
 - c. The day the tax exemption by-law is enacted.
6. This By-Law shall come into force and take effect on the date of its passing.

Given all Three Readings and Passed: July 12, 2016

John Bolognone
City Clerk

Bryan Paterson
Mayor

Schedule "A"

The portion of the property known municipally as 18 St. Remy Place, Kingston, Ontario and legally described as Part Lot 22 Concession 3 Kingston now further described as Parts 1 to 5 of Reference Plan 13R-957 and having an area of 14,002 square feet.

Assessment Roll No. 1011050140203010000.