



OAKVILLE

REPORT

SPECIAL COUNCIL MEETING

MEETING DATE: MAY 2, 2017

FROM: Financial Planning Department

DATE: April 25, 2017

SUBJECT: Financial Overview - Former Oakville-Trafalgar Memorial Hospital (OTMH) Lands

LOCATION: Area bounded by Reynolds Street, Macdonald Road and Allan Street
WARD: Page 1

RECOMMENDATION:

That the report dated April 25, 2017 from the Financial Planning department entitled, *Financial Overview - Former Oakville-Trafalgar Memorial Hospital (OTMH) Lands*, be received for information.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The May 2, 2017 Council agenda includes three additional reports
 - The Parks, Recreation and Library Facilities Master Plan
 - The South East Community Centre report from the Recreation and Culture department
 - Former Oakville-Trafalgar Memorial Hospital (OTMH) Lands Master Plan report from the Planning Services department
- This report serves as a companion report, providing the financial information related to the OTMH lands
- The 2017 capital budget and 10 year forecast includes \$12.3 million for the demolition of the former hospital and \$29.2 million for the construction of the South East Community Centre, retrofit of the parking garage and former Oakville Trafalgar High School
- The cost estimate for the community centre and parking garage retrofit has been revised to \$30 million. This reflects the removal of the high school retrofit and the increased cost for the parking garage. This is a mid-range estimate and final costs could be +/- 15% depending on market conditions and final design.
- The community centre budget is based on a 40,000 square foot one storey building with an indoor pool (to replace Centennial Pool), a gymnasium, multi-purpose rooms and space for intergenerational programming. If the

community centre is attached to the former high school it would increase the cost by approximately \$1.2 million.

- The whole life cost of the facility (excluding expenses and revenue associated with programming the facility), including the parking garage is estimated at \$61.4 million. This includes all required maintenance and repairs necessary to keep the infrastructure in a state of good repair over the 30 year period as well as the original construction of the facility. At the end of 30 years the building would be refreshed and expected to last an additional 30 years.
- During the public consultation process for the new community centre the public identified a number of optional amenities they would like to see included in the facility. In total the options would increase the facility by 13,000 square feet and add an additional \$8 million to the construction cost. To accommodate the extra square footage, the facility could potentially require a second floor which would increase the cost by an additional \$600,000 to \$750,000. The whole life cost of the additional amenities total \$12.1 million over the 30 year period.
- Based on the 2017 tax levy the annual operating, maintenance and capital replacement costs of the facility (excluding programming costs) would result in a 0.58% tax levy impact. The optional amenities would increase the tax levy impact to 0.68%.
- Information related to potential development on the site is included in the report from the Planning Department on the Council agenda of May 2, 2017.
- Net revenue associated with the options included in the Planning report range from \$20.4 million to \$33.6 million. Further refinement of the revenue estimates will be presented in June as part of the draft amendments to the plan following public input.

BACKGROUND:

The town took possession of the OTMH lands in 2016. Prior to that time staff presented options for the land use and undertook public consultation on both site development and the proposed community centre. More recently, there have been several public meetings regarding the amenities to be included in the community centre.

The demolition plan for the existing hospital facility was presented to Council on March 27, 2017. The demolition including site security, fencing and environmental testing is budgeted at \$12.3 million. The final cost will be determined based on the tender which is expected to be awarded in June.

Several studies have been undertaken towards potential development options for the site. The potential development options can be found in the report from the Planning Services department on Council's agenda of May 2, 2017.

The 2017 Parks, Recreation and Library Facilities Master Plan also included on the May 2, 2017 Council agenda reaffirms the need for a 40,000 – 45,000 sq. ft. community centre in South East Oakville as per the original recommendations in the 2012 Master Plan. The facility includes an indoor pool (to replace Centennial Pool), gymnasium, multi-purpose rooms, and space for intergenerational programming. Optional amenities have been identified through the master plan technical review and community consultation including a fitness centre, additional gymnasium, a therapy/leisure pool and a running track.

COMMENT/OPTIONS:

Site Preparation and Demolition:

Planning for the hospital demolition began in 2016 after staff was able to review the interior of the building. In total, the demolition is expected to cost \$12.3 million. Costs will be further refined once the tender for the actual demolition has been awarded. Costs and commitments to date against this budget total \$2 million and have been spent on fencing, site security, utilities, preparation of the demolition plan and environmental assessments. In addition to the demolition costs, an additional \$150,000 has been spent on legal fees and studies related to the site. The budget does not include the cost to remediate the site for the community centre or the park. The extent of remediation cannot be determined without detailed design which will help determine, among other things, which hard surfaces can be kept in place during the demolition to help mitigate dust.

South East Community Centre:

The 2016 capital budget identified \$29.2 million for the construction of the community centre on the former hospital lands. The budget represented the cost estimates at the time for the construction of a 40,000 square foot building containing an indoor pool, gymnasium, multi-purpose rooms and space for inter-generational programming and to retrofit elements of the parking garage and former high school. The budget estimate has been revised to \$30 million, reflecting the elimination of the high school retrofit and the increased cost of retrofitting the parking garage. If the high school is incorporated into the building the cost would increase by approximately \$1.2 million. It is important to note that this is a mid-range estimate. Costs will be further refined as we move through the detailed design phase and could range +/- 15% depending on market conditions and final design.

The report from the Recreation and Culture department details the feedback received through public consultation on the proposed community centre. Based on that feedback four optional amenities have been identified. These amenities are not included in the project budget identified above. If Council wishes to add any or all of the amenities the size and cost of the facility will increase.

The chart below summarizes the cost to prepare the site for all potential uses and construct the community centre without the optional amenities.

	Total Current Estimate	Sq. Ft
Expenditures to Date	\$150,000	n/a
Demolition Costs	\$12,300,000	n/a
Community Centre		
2017 Estimate (Recommended) incl. Retrofit Garage, Soils Remediation and Land Costs	\$29,984,000	40,000
Total	\$42,434,000	40,000

Optional Amenities

During public consultation for the South East Community Centre four options were identified for consideration. They are listed in the order of priority based on feedback obtained at the public information sessions.

	Total Current Estimate	Sq. Ft
Community Centre Options		
Fitness Centre	\$2,460,000	5,000
Double Gym	\$450,000	1,000
Therapy Pool	\$2,340,000	4,500
Walking Track	\$1,800,000	2,500
Parking Garage Aesthetic Enhancements	\$970,000	n/a
Subtotal Community Centre Options	\$8,020,000	13,000

The revised cost of the facility including the options identified above is shown in the chart below.

	Total Current Estimate	Sq. Ft
Expenditures to Date	\$150,000	n/a
Demolition Costs	\$12,300,000	n/a
Community Centre		
2017 Estimate (Recommended) incl. Retrofit Garage, Soils Remediation and Land Costs	\$29,984,000	40,000
Community Centre Options		
Fitness Centre	\$2,460,000	5,000
Double Gym	\$450,000	1,000
Therapy Pool	\$2,340,000	4,500
Walking Track	\$1,800,000	2,500
Parking Garage Aesthetic Enhancements	\$970,000	n/a
Subtotal Community Centre Options	\$8,020,000	13,000
Total Community Centre with Options	\$38,004,000	53,000
Total	\$50,454,000	53,000

The identified options would add 13,000 square feet to the facility. The cost estimate on the previous page assumes the facility would be one level. If all options were approved by Council, the facility could potentially need to be constructed as a two storey building. This would add \$600,000 to \$750,000 to the cost of construction.

Whole Life Costs (excluding facility programming):

The capital cost of the demolition of the hospital buildings and the construction of the community centre and retrofit of the parking garage are identified above. The funding of these projects is identified in the capital budget with 1/3 of the community centre funded from Development Charges and the remainder funded from reserves as an interim measure. The reserve funding is planned to be replaced, as far as possible, upon the sale of lots on the site to ensure adequate reserves to meet future capital needs town wide. Current estimates on the net revenue associated with the options included in the Planning department report range from a low of \$20.4 million to a high of \$33.6 million. The estimates will be further refined based on draft amendments presented to Council in June 2017.

When considering the cost of the facility it is important to look at the whole life cost of the infrastructure and the impact on future tax levies. As identified below the whole life cost is estimated at \$61.4 million. Operating and maintenance costs account for \$31.4 million of this amount and result in an annual tax levy impact of 0.58% based on the 2017 tax levy. Facility programming costs are in addition to this amount.

The whole life cost of the parking garage as shown below is \$17 million over the 30 year period. This represents the cost of regular and ongoing repairs and maintenance to the parking surfaces to ensure the 170,000 sq. ft. garage is kept in a state of good repair and safe condition. The parking garage is a significant municipal asset. Keeping it allows greater flexibility on the site and the smaller footprint allows for better use of the land and greater convenience for residents using the community centre.

Capital Cost		\$29,984,000
Operating/Maintenance/Capital Replacements (OMCR) Cost - 30 years		\$31,400,000
OMCR for Community Centre	\$14,400,000	
OMCR for Parking Garage	\$17,000,000	
	Whole Life Cost	\$61,384,000

The whole life costs noted above do not include the options for additional amenities as identified through public consultation. The chart below shows the capital cost, facility operating and maintenance costs and the whole life cost of the various options. It does not include staffing that may be required to program the additional

space. If all options were approved the annual tax levy impact of the community centre (excluding programming) would be 0.68%.

	Fitness Centre	Double Gym	Therapy Pool	Walking Track
Capital Cost	\$2,460,000	\$450,000	\$2,340,000	\$1,800,000
OMCR Cost	\$1,800,000	\$360,000	\$1,440,000	\$1,440,000
Whole Life Cost	\$4,260,000	\$810,000	\$3,780,000	\$3,240,000
OMCR Impact on Tax Levy	0.03%	0.01%	0.03%	0.03%

South East Neighbourhood Park:

The current budget for the park on the OTMH site of \$530,000 is based on a 0.3 hectare park. Based on environmental assessments the land will require greater remediation than originally anticipated. As a result the budget will need to be increased by \$500,000 for associated site remediation, bringing the revised estimate to \$1,030,000. The park development cost will be finalized once the size of the park has been determined.

CONSIDERATIONS:

(A) PUBLIC

The public has been engaged throughout the planning process for the OTMH lands. The cost estimates prepared for the 2017 10 year capital budget and forecast were received by Council during the 2017 budget process. All budget meetings are open to the public.

(B) FINANCIAL

The cost of the demolition of the former hospital buildings and construction of the South East Community Centre is detailed in the report. The estimated cost of demolishing the hospital and constructing a 40,000 sq. ft. community centre is \$30 million. Optional amenities for consideration would add an additional \$8 million to the project cost. If all optional amenities were approved a second storey would likely be required. This would add \$600,000 to \$750,000 to the construction cost. The cost estimates are considered mid-range estimates. Final costs could vary +/- 15% depending on market conditions and final design. The neighbourhood park is estimated to cost \$1 million based on a 0.3 hectare site, which will likely increase as a result of the Master Plan work outlined in a separate report on the same agenda.

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The whole life cost of the community centre (excluding programming costs) is estimated at \$61.3 million over a 30 year period. The optional amenities would add an additional \$12.1 million. The estimated annual tax impact excluding programming of the operating, maintenance and capital repair of the facility is 0.58% for the base facility and 0.68% if all optional amenities were included.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

The South East Community Centre Initiative has been a collaborative corporate project with input and recommendations from a broad range of departments.

(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- be accountable in everything we do
- be fiscally sustainable

(E) COMMUNITY SUSTAINABILITY

The financial information provided in the report supports the economic and financial sustainability of the town.

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