



THE CORPORATION OF THE TOWN OF AMHERSTBURG

OFFICE OF DEVELOPMENT SERVICES

MISSION STATEMENT: *Committed to delivering cost-effective and efficient services for the residents of the Town of Amherstburg with a view to improve and enhance their quality of life.*

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To: Mayor and Members of Town Council

Subject: Update and Potential Options for 320 Richmond Street

1. **RECOMMENDATION:**

It is recommended that:

1. Council **APPROVE** funding from the Parkland Reserve fund in order to address the shortfall of \$8,573 in capital expenditures for the finished space and the estimated \$26,605 shortfall in building maintenance costs for 2022; and,
2. Administration **BE DIRECTED** to proceed with Option 2 as noted in this report.

EXECUTIVE SUMMARY:

The Community HUB capital investments to date has resulted in completion of Phase 1 and 2, with the exception of parking which needs to be addressed. There are currently 5 non-profit community tenants, occupying 70% of the leasing space. The annual projections for Phase 1 and 2 are estimated to generate an annual surplus of approximately \$55,945. Additional capital investment estimated at \$1,180,115 over the next 3 years to sustain the facility and requirements for the current tenants is required. Re-directing the annual surplus to a reserve would help to contribute towards these capital investments.

As a result of global inflation, material demands, delays and labour shortages, the cost to complete Phase 3 as planned is estimated at \$4,918,795. These costs are significant when compared to the costs for Phase 1 and 2, however they are what current industry is experiencing. When considered in concert with the \$1,180,115 for current site

operations the capital investment diminishes the annual operational surplus which is expected to be realized for the site.

Recognizing the challenge this poses, Administration has put forward an Option 2 for consideration. This option, if approved, would direct Administration to seek alternate models for the site. Council would then be provided with additional options for consideration, while respecting the need to preserve existing tenants and address expectations of future tenants, more specifically the Fort Malden Golden Age Club (Seniors). Should Council adopt the recommendations in this report, Administration will proceed to scope out the necessary activities to determine if alternative ways in which to proceed with the HUB are available and viable for Council's future consideration.

2. BACKGROUND:

In April 2018, Council authorized the purchase of 320 Richmond Street (HUB). The intent was to create a Community HUB with many local non-profit organizations considered as potential tenants. Since that time several reports have been brought to Council on the matter including requests for funding as well as approvals for agreements with tenants. The last comprehensive report on the matter was brought to Council on February 22, 2021, which sought approval and funding to complete Phase 2 of 3 for the site, that Council report is attached as Appendix A.

Since February 2021 there have been discussions and reports around the HUB, however addressing singular issues related to the property. Council has requested of Administration a comprehensive report that provides clarity on the full status including costs to date, annual operational position, as well as next steps including options moving forward. This report serves to provide Council with an understanding of the capital costs to date for Phase 1 and 2, current operational position based on existing lease revenue and site costs as well as the facility rehabilitation investments required within the next 3 years. This report will also provide estimated capital costs for Phase 3, as well as options regarding the site for Council's consideration.

3. DISCUSSION:

PHASE 1 and 2

Current Tenants

Since acquiring the HUB in April 2018, the Town has established lease agreements for this facility with the following organizations:

Organization	Commencement Date	Square Footage
Amherstburg Community Services (ACS)	April 1, 2020	6,235
Essex County Nurse Practitioner Led Clinic	January 13, 2020	4,601
Fighting Island Boxing Club	June 1, 2021	2,295

The House Youth Centre	August 1, 2021	1,903
Verdi Club	May 1, 2022	1,050
Common Spaces		6,905

In total, 22,989 square feet of the 32,764 square feet of lease space at the facility has been renovated and occupied.

Capital Investments to date

The capital investments to date addressed the requirements for the purchase of the site, Phase 1 and 2 improvements, as well as AODA requirements. Costs associated with the annual operations, capital investments required to sustain the facility in good working condition, as well as costs required to complete the site preparation work to allow for additional tenants as part of Phase 3 are outlined further in this report.

Significant capital work was required at the facility in order to allow for occupancy of the above noted tenants. The table below provides a summary of capital funding and expenses for the HUB to date and Appendix B provides images of the renovated space for the various tenants as well as the common space areas used by all tenants.

The funding for work completed to date is a combination of Town approved funding in the total amount of \$2,194,402, as well as leasehold improvement funding contributed by the LHIN for the Essex County Nurse Practitioner Led Clinic area, in the amount of \$655,000. The contribution from the Town is directly related to the funds received from the sale of the property on the southern portion of Centennial Park, in the amount of \$2,457,000. These funds were deposited into the Parkland Reserve fund and to date \$2,194,402 of the \$2,457,000 has been approved by Council for the HUB. As noted below the total actual costs are \$8,573 over the approved capital funding to date. It is recommended that an additional \$8,573 from the Parkland Reserve be used to address this shortfall.

Approved Funding:		
	Funding from Parkland Reserve	\$2,194,402
	LHIN funding for leasehold improvements	\$655,000
Total Approved Funding		\$2,849,402
Actual Expenditures:		
	Purchase of 320 Richmond	\$568,962
	Phase 1	\$1,505,000
	Phase 2	\$756,220
	AODA	\$27,793
Total Actual Expenditures (as of May 27, 2022)		\$2,857,975
Total Variance		(\$8,573)

Current Site Costs

As per the 2022 operational budget the total revenue for the facility, inclusive of lease and common fees, is estimated at \$147,200. Estimated expenses are \$45,150 for utilities and \$19,500 for building maintenance resulting in an estimated annual surplus of \$82,550. The requirements to maintain and address the needs of tenants in this leased facility are new to the Town. Anticipated demands for service at the site were not well understood at the time of developing the 2022 operational budget and costs for building maintenance are trending to be significantly higher than budgeted. The volume of calls for various maintenance services, after hours calls, cleaning and equipment requirements have resulted in costs which are estimated to be closer to \$46,105, as noted in the table below, which is \$26,605 higher than the \$19,500 approved in the 2022 budget

Revenue:	Annual
Annual Leasing income	\$147,200
Total estimated annual revenue	\$147,200
Expenses:	
Utilities	\$45,150
Building Maintenance	\$46,105
Total estimated annual expenses	\$91,255
Total estimated annual surplus/deficit	\$55,945

It should also be noted that, in order to provide service to these tenants, a redirection of staff resources to attend to this facility also impacts Administrations ability to sustain previous service levels to other Town facilities.

Notwithstanding the site's current anticipated surplus position, there are various infrastructure investments required within the immediate and 3-year timeframe to sustain the facility in good working condition. A third-party facility condition assessment was completed for the HUB and has been reviewed by Administration for reasonability and costing. The current site use has also not addressed the parking requirements. These have currently been mitigated by continued use of the east portion of 320 Richmond, however once that development starts use of the location will no longer be feasible. As such the cost to create 30 parking spots to address this requirement is included below.

In addition, as-built drawings related to Phase 1 and 2 will be required for the site within the next 3 years. The table below outlines the investments that are required for the facility before 2025:

Required Investment – Immediate to 3 year timeframe	Total Cost Estimate (2022)
Parking (30 spots at \$10,000/spot)	\$300,000
As-built drawings for existing improvements to date	\$96,552
Roof, eaves and soffits replacement	\$636,302
Exterior doors	\$40,000
Water distribution and fountains	\$6,000
Basement mold remediation	\$50,000
Project Administration (estimated at 7% of project cost)	\$51,261
Total Estimated Investment by 2025	\$1,180,115

These costs are based on 2022 pricing and as such they are anticipated to increase over the course of the next three years. Given the significant increase in construction prices it is difficult to project what the final costs will be until tendered. The costs provided by Administration are solely estimates based on current tender pricing. It should also be noted that these are the capital investments required for the property within the next 3 years, there are other investments noted in the condition assessment report for the 5 to 10-year timeframe.

To help address these additional capital costs, Administration recommends use of the anticipated annual surplus from the facility, estimated at \$55,945. Those funds could be transferred to a new reserve for the HUB dedicated to addressing the facility rehabilitation costs associated with sustaining the facility in good working condition. While this will not fully fund those capital costs, it would mitigate the financial obligations for the facility to sustain the leased space in good operating condition. This recommendation is notwithstanding the fact that there is still a need to address the long-term operational resources associated with owning a facility such as the HUB.

PHASE 3

Capital Investment Required

There remains 9,775 sq. ft. of unfinished space at the HUB. There have been discussions since April 2018 with several parties about their potential use of the remaining space. In addition, several other organizations also interested in leasing space at the HUB have recently approached Administration. As a result, Administration has found there to be significantly higher interest than remaining space available. While there have been no agreements made with any of these parties, expectations and or perception based on those discussions needs to be considered as part of the Phase 3 discussion.

Particularly, Administration recognizes that the Fort Malden Golden Age Club (Seniors), have been routinely advised and are expecting to be relocated to this facility. Currently the Seniors are provided with no cost accommodations at the Libro Centre for use of the community room 5 days a week Monday to Friday from 12pm to 4pm.

The remaining space at the HUB requires significant work for it to be viable for tenants. It has been well documented that the cost of construction prices, inclusive of labour and materials, is substantially higher than pre-pandemic costs. Shortages and delays in receiving materials as well as skilled labour also result in longer timeframes for completion. In light of these factors Administration has reviewed the unfinished space and sought more current pricing experiences, either from Town issued tenders and/or other municipal projects in the region, to better gage the potential cost for Phase 3.

The table below outlines the cost estimates to complete the unfinished space, inclusive of the higher demands for parking which would be required and was never addressed from the onset of this venture. These costs are exclusive of fit for purpose requirements and additional leasehold improvement costs could be required to meet with the specific needs of future tenants. As previously noted, Administration's estimates are based on current pricing and, as a result of the current significant construction prices increases, the actual costs may be higher once work is tendered.

Project Type	Calculation	Estimated Total Cost
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Site readiness	\$450/sq ft x 9,775 sq ft	\$4,398,750
Parking spaces	\$10,000/spot x 20 spots	\$200,000
Project Administration	% of project cost	\$320,045
Total Estimated Cost		\$4,918,795

Administration recognizes that these costs are significant and currently without a funding source. The original model for the HUB presented as a self-sustaining site, however it did not consider, nor could it have anticipated, the inflation costs currently being experienced world wide.

Recognizing the community investment made to date, the obligation to the existing tenants and the original community need for the HUB as a centre of community care, Administration puts forward the following two (2) options for Council's consideration.

- Option 1 – Complete the unfinished space
- Option 2 – Alternate approach to site

The high-level summary of each of the options below.

Option 1 – Complete the unfinished space

Council could proceed with the completion of the unfinished space. It should be noted that of the remaining 9,775 sq ft, approximately 949 will be required for Administrations use to support the site. This leaves 8,826 sq ft of which 2,140 is recommended to be allocated for community programming, which would be inclusive of the needs for the Fort Malden Golden Age Club (Seniors).

Administration has estimated the leasehold improvement costs for the 2,140 sq ft for programming space. These costs include replicating the amenities and services the Fort Malden Golden Age Club (Senior) currently have at the Libro in anticipation that this level of service will be provided at a new location. In addition to their programming time previously stated above, other services provided at no cost to this group include but is not limited to, access to the kitchen, phone line and internet, storage and office space. It is anticipated that requirements for daily set up, cleaning and other customer service requests currently provide by Town staff will also be expected at the new location and as such those costs are factored into the operational budget for this option.

The table below does not include leasehold improvement estimates for the remaining 6,686 sq ft, of space. Negotiations with future tenants will inform what those costs may be. Council could direct Administration that future tenants are required to fund their leasehold improvement costs. Should Council not wish to set that direction, future tenants who require those costs to be funded by the Town will be brought forward to Council to consider the request.

The table below outlines the capital costs anticipated in this scenario:

Description	Cost
Unfinished space and parking	\$4,918,795
Estimated Leasehold Improvements for community programming and Seniors space	\$50,000
Total Capital Costs	\$4,968,795

Administration has created a programming plan, similar to the Libro Centre and conservatively estimates an annual revenue of \$74,312 for the programming space. These estimates consider the continuance of the grant for the Fort Malden Golden Age Club to waive any costs for their use of the space for their programming. The anticipated revenue for the balance of the lease space was estimated based on a lease rate of \$12/sq ft, inclusive of CAMs. This rate has been reviewed and confirmed as a reasonable rate for non-profit.

The utilities and building costs are based on the cost estimates for the 22,989 of currently finished lease space. Specifically, the estimated annual cost of \$45,150 for utilities and \$46,105 (restated) for building maintenance, equates to approximately \$2/sq ft for each of these expense types. Given the community and seniors programming use there will be a need for a Customer Service Representative (CSR) to be stationed at the site therefore that cost is also included in this scenario. The table below outlines operational projections for the HUB inclusive of this option for phase 3:

Revenue:	Phase 1 and 2	Phase 3	Total
Programming and Seniors Room		\$ 74,312	\$ 74,312
Annual Leasing income	\$ 147,200	\$ 80,232	\$ 227,432
Total estimated annual revenue	\$ 147,200	\$ 154,544	\$ 301,744
Expenses:			
Utilities	\$ 45,150	\$ 19,550	\$ 64,700
Building Maintenance	\$ 46,105	\$ 19,550	\$ 65,655
Customer Service Representative		\$ 90,000	\$ 90,000
Total estimated annual expenses	\$ 91,255	\$ 129,100	\$ 220,355
Total estimated annual surplus/deficit for Phase 3 Space	\$ 55,945	\$ 25,444	\$ 81,389

The additional annual surplus projected from the investment is \$25,444. While the overall result indicates the facility would be self sustaining on an annual basis, costs may continue to increase reducing the annual project surplus. With an initial capital investment of \$4,968,795 for Phase 3 resulting in only an increase of \$25,444 to the surplus there is nearly a 200 year payback on the investment. Appreciating that often municipalities make capital investments to provide services needed by the community, not to be profitable, the challenge, particularly at this funding level, is determining which service is of a higher priority for the community. The required \$4,968,795 for Phase 3 is expected to come at the expense of deferring or cancelling other projects and or requiring the issuance of debt. When considering these costs in addition to the \$1,180,115 required to address existing tenants, the total capital is at estimated at \$6,148,910.

Council may wish to consider this investment in concert with the many other initiatives and investments the Town is considering for the community. A complete picture of the significant investments for service enhancements as well as sustainability of existing services, will provide Council a more comprehensive picture of the potential capital investments, allowing for discussion around priority as well as consideration of other funding options, such as divesting of property and or public private partnerships and or issuance of debt, which may be considered.

Option 2 – Alternate approach to site

Notwithstanding the projected ability for the site to be self-sustaining in the near term, Administration recognizes that the current inflationary challenges pose an unforeseen and significant risk to the financial feasibility of proceeding with Phase 3 of the HUB. Further, the decision on whether or not to sell additional parcels of Centennial Park for development has seen many voices from the community advocating for preserving the remaining parcels of the Park.

Since the purchase of 320 Richmond in 2018, there has been increased demand for residential housing and many new multi residential development projects have come forward. In addition, the Eastern portion of the property has been sold for a planned long-term care facility, the high school will be in operation in September and a Transit Windsor route will be also be starting in September running down Fryer.

All of these factors create a new dynamic and potential renewed interest in the area. With this in mind, Administration started to explore opportunities to reimagine the HUB, either by exploring a partnership and or turning over the site and operations to an interested third party.

This idea is not without challenges including but not limited to:

- Ensuring agreements with existing tenants are not adversely impacted;
- Addressing accommodations for the Fort Malden Golden Age Club, both short and long term;
- Ensuring design is feasible for the area and does not adversely impact residents;
- Potential reduction of space for additional non-profit use and;
- Community expectations of the HUB

There is a potential that one such partner could be Stillbrook. Administration has undertaken preliminary work on determining if relocating their project to the 320 property, and merging it with the HUB would be feasible. This idea would require significant effort and potential funding to explore further, and the Stillbrook group has yet to confirm if a revised footprint aligns with their business model.

Administration would need to proceed with discussions around the concept moving towards more details on feasibility, as well as how the points above are achieved. It is possible that an Expression of Interest for the property may need to be issued in order to understand the breadth of interest and options. At this time Administration is undertaking to prepare material to discuss with Council potential expressions of interest (EOI) for opportunities such as Belle Vue. Should this property also be best served by issuing an EOI, Administration will include it in a future report on recommended properties for an EOI for Council's consideration, as synergies and pricing may be better achieved if there is more than one property.

4. RISK ANALYSIS:

The risks associated with approving the recommendations in this report are considered to be:

- Frustration by some organizations in further delays to complete the HUB for additional tenants;

- No capital funding currently identified to address the capital cost projections to sustain the current site as well as complete Phase 3;
- Concern that funding the capital investments for the HUB may come at the expense of proceeding with other community investments;
- Concern over what alternative models for the HUB might look like, particularly for existing tenants.

These risks can be mitigated by ensuring there is consultation with these parties as alternatives are considered.

5. FINANCIAL MATTERS:

As noted above the Town has currently invested \$2,194,402 in the HUB and established agreements with 5 tenants. This is considered as Phase 1 and 2 for the HUB and the estimated operational surplus is approximately \$55,945 annually. The facility requires additional investment to sustain the facility in good working condition. If the annual surplus is transferred into a dedicated reserve for the HUB, it would help to fund a portion of the immediate to 3-year capital investment requirement, estimated at \$1,180,115, to sustain the site for current tenants.

As previously stated, the costs associated with completing Phase 3 did not plan for, nor could it have projected the inflation being experience driving costs significantly higher than originally estimated. It should also be noted that the original funding strategy for the HUB was conceptual only. While Council approved the use of just over \$2.1M in funding from the sale of the South East portion of the Centennial Park, no other funds from the sale of properties such as the East portion of 320 and the Fighting Island Boxing Club, were encumbered for the HUB. Those funds were deposited into the Parkland Reserve and have been approved for use other priority park projects, and or remain unencumbered in the Parkland Reserve.

Allocation of approximately \$4,968,795 to complete Phase 3 of the HUB would most definitely impact Council's ability to consider funding for other priority projects. Unlike some of the other priority projects Administration has been asked to review for Council, such as Duffy's, the HUB only requires \$36,000 to be sustainable through the end of the year at which time further capital investment can be presented in the capital budget. This will not address the expectations of the Fort Malden Golden Age Club (Seniors) to be in the HUB as soon as possible, however they can remain at the Libro under the current arrangement during this time.

Should Council deem it necessary to address this matter as part of the 2023 budget deliberations, Council may also see fit to direct Administration to pursue Option 2 in parallel. This would allow for the consideration and clarity on whether or not there are other options for the HUB which Council may wish to consider when reviewing the capital budget.

6. CONSULTATIONS:

Valerie Critchley – Deputy CAO/ Director Legislative Services & Clerk
 Tracy Prince – Director Corporate Services / Chief Financial Officer
 Terry Fasan – Manager of Facilities

7. CONCLUSION:

In light of the unprecedented globally experienced cost increases, along with all groups currently having a space to operate from, Administration would recommend that Option 2 be explored at this time. Provided there is no urgency for Council to consider any of the resulting alternatives prior to the 2023 budget deliberations, it is further suggested the results of Option 2 be discussed in concert with Option 1 during 2023 budget deliberations.



Melissa Osborne
Director of Development Services



Heidi Baillargeon
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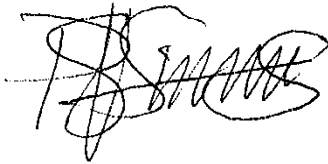
Report Approval Details

Document Title:	Update and Potential Options for 320 Richmond.docx
Attachments:	- Appendix A - February 22, 2021 Council Report.pdf - Appendix B - 320 Richmond HUB Phase 1 and 2 images.docx
Final Approval Date:	Jun 8, 2022

This report and all of its attachments were approved and signed as outlined below:



Tracy Prince



Peter Simmons



Valerie Critchley