Staff Report

To	**Committee of the Whole**
Service Area	Infrastructure, Development and Enterprise Services
Date	Monday, December 7, 2020
Subject	**Real Estate Assets Update**

Recommendation

1. That the property at 65 Delhi Street be deemed a surplus asset and be put up for sale.
2. That a market sounding study to determine potential uses for the Drill Hall be completed by 2022, to coincide with the completion of the building stabilization efforts.
3. That the porch at 341 Forestell Road be removed and catalogued for future restoration under the Ontario Heritage Act.
4. That staff report back to City Council in Q4 2021 to provide an update on the listed properties of interest.

Executive Summary

Purpose of Report

This report provides updated information regarding the City's real estate holdings, including the current and potential use of several properties of interest. This report is an update to the report IDE-2019-103 "Real Estate Asset Information".

Key Findings

The report IDE-2019-103 "Real Estate Asset Information" identified eight (8) properties of interest and offered background, use, and potential opportunities for those properties. This report provides updates on these assets, including recommendations for three (3) of the eight (8) properties to either deem the asset as surplus, or make recommendations to help align the properties in a direction where they could be utilized by the City or sold in future years. Staff are continuing to develop strategies for the listed properties and assets, and will be reporting back to City Council with an update in 2021.

Financial Implications

In most cases, the identified properties have associated costs that must be incurred for maintaining, monitoring and/or converting the properties into functional public space. Identifying surplus properties and developing plans to address these underutilized real estate assets can have significant financial benefit to the City.

Pending City Council approval, $800 thousand of otherwise future planned investment on Delhi Street can be redirected to higher priority requirements.

The City will continue to assess and recommend viable strategies for the remaining real estate properties identified as more information is known. Capital requirements or proceeds from any sale of lands will be forthcoming in future staff reports and budgets.

The City's Asset Management Plan identified that the City owns $4.39 billion of assets that require on-going maintenance, renewal and replacement. The City has translated this into an average sustainable funding target required to take care of these assets over the long term. The City is incrementally increasing infrastructure renewal funding over time to meet this sustainable target. Reducing the number of real estate assets (facility and structure inventory) that the City owns lowers the City's sustainable funding target and, ultimately, the amount of property taxation required in the future.

Report

Overview of Real Estate Holdings

There were eight properties of interest identified and reviewed in the report IDE-2019-103 "Real Estate Asset Information Report". These properties are as follows:

- 65 Delhi Street
- 72 Farquhar Street (Drill Hall)
- 341 Forestell Road.
- 880 Victoria Road South (Carter Farm)
- 14 Edinburgh Road South (Pottery)
- 106 Beaumont Crescent
- McQuillan's Bridge (Stone Road Structure 116)
- 606 Massey Road

This report provides an update on the status of the properties and makes recommendations for actions moving forward.

Properties of Interest

65 Delhi Street

Heritage Status: Listed as non-designated on the Municipal Heritage Register of Cultural Heritage Properties.

Acquisition Background: Acquired in 1911 and was initially used as an isolation hospital. In the 1960s, the building was converted to be utilized as a recreation space (i.e., summer camps, arts programs) and operated as such until 2008.

Updates from 2019 Report: The north half of the building at 65 Delhi Street is currently occupied by Guelph-Wellington Paramedic Services (GWPS). GWPS has finalized a lease in the downtown core at 34 Gordon Street and will be taking occupancy in early 2021.

Future Use: There is currently no future use identified for this space once GWPS vacates the building. The 2022 Capital Forecast includes $800 thousand of funds that were planned for the renovation/renewal of this facility, which funds can be redirected to higher priority infrastructure renewal projects. Reducing the number

of facilities and assets that the City owns, reduces the Infrastructure Backlog and lowers the City's Sustainable Funding target.

Next Steps: Recommend the asset be declared a surplus asset and sold by the City.

72 Farquhar Street (Drill Hall)

Heritage Status: Designated in 2018 pursuant to Part IV of the Ontario Heritage Act through By-law (2018)-20332.

Acquisition Background: Transferred from Metrolinx as a result of a land exchange in October 2017. The asset formed a part of the City's contribution to extending GO Train service to Guelph.

Updates from 2019 Report: Stabilization works are underway to prevent further building deterioration and will address foundation deficiencies, roof leaks, structural element reinforcement, water proofing, asbestos and mould removal, and heating. Currently, stabilization efforts have cost $900,000 with an expected additional $2 million for site civil works, foundations and footings, and miscellaneous other repairs required by the Metrolix agreement. This work is expected to be completed in 2022.

Additional costs would be incurred to renovate the stabilized building for use. This would include renovation associated with the windows, entrances, walls, mechanical and electrical infrastructure replacement and sanitary service. The restoration is estimated at $4 million to $5 million and is currently not included in the long-term capital plan.

Future Use: To be determined.

Next Steps: Complete the stabilization works by the end of 2022 to fulfill the City's obligation to Metrolinx in accordance with the land exchange agreement, and review potential future uses prior to commencing any renovation work by completing a market engagement/sounding study (estimated cost of $20,000). The study will be funded from existing budget sources.

341 Forestell Road

Heritage Status: Designated in 2003 pursuant to Part IV of the Ontario Heritage Act through By-laws (2003)-17260 and (2011)-19159.

Acquisition Background: The property was purchased as part of the Hanlon Creek Business Park Land Assembly in 2001.

Building Condition Assessment: Based on a Building Condition Assessment conducted in October 2018, the building requires full renovation including the removal of all interior finishes and insulation, structural reinforcement of floors and support walls, foundation rehabilitation (drainage, waterproofing), heating system, electrical service, fire protection and plumbing. The exterior work required includes replacement and/or restoration of windows, rebuilding the front porch including supports, repair of brick masonry, and replacement of the fencing and driveway. The estimated cost to complete the above noted work is $1.3 million.

Updates from 2019 Report: The lands and building located at 341 Forestell Road continue to be vacant.

Future Use: This building is part of the Hanlon Creek Business Park Phase 3 Lands, which will be sold in accordance with City Council direction. However, staff are

considering a leaseback with option-to-purchase arrangement for the house and immediate surrounding lands, given that these have been identified by Water Services as a potential future production water well. Current pumping tests completed in September 2020 appear to be favorable and multi-year environmental studies and permitting will begin in 2021.

Next Steps: The current porch is in a state is disrepair and needs to be removed and catalogued for future restoration ($25,000), which will be funded from existing budget sources. If the lands are favorable as a water production site, then the building could be re-purposed into a pump house.

880 Victoria Road South (Carter Farm)

Heritage Status: This property is recognized by an informal heritage program in the Township of Puslinch, but is not formally designated or listed in a heritage register pursuant to Part IV of the Ontario Heritage Act.

Acquisition Background: The property was purchased as part of land assembled for source water purposes and came into City ownership in multiple phases between 1916 and 1983.

Building Condition Assessment: A building condition assessment was completed in October 2018 that identified extensive renovation work required for both interior and exterior elements of the structure. Renovation costs are estimated to be over $1.2 million.

Updates from 2019 Report: Mould has developed in the farmhouse, which requires remediation in addition to the renovation work previously identified.

Future Use: The lands continue to provide a significant source of water to the City water distribution system. Given the sensitivity of the shallow ground water source, occupying the land or this building is discouraged to protect the water supply. There is no current use for the farmhouse in its present location.

Next Steps: Retain the lands for continued water production and work with the Township of Puslinch to explore the option of relocating the dwelling so that adaptive reuse and rehabilitation might be possible. The City has contacted the Chair of the Puslinch heritage committee, but interest in this option has not been confirmed and needs to be presented to the Township Council. Funding for the move would likely be the responsibility of the City. Executing the move of the house may be problematic due to the environmental sensitivity of the site and the potential impacts to the farmhouse and what remains of the original laneway and farmstead, which will require evaluation prior to finalization of any relocation plans.

The City is currently reviewing the scope of work and costs for mould abatement within the building. Funding for the abatement will be determined once a complete scope of work is known.

14 Edinburgh Road South (Pottery)

Heritage Status: This property is not historically designated or listed on the City's Heritage Register.

Acquisition Background: The property was purchased in preparation for a future grade separation of the railway tracks at Edinburgh Road South.

Updated from 2019 Report: The building continues to be used for pottery programing through the City's Recreation Department.

Future Use: The property will continue to be held in preparation for a future grade separation of the railway tracks at Edinburgh Road South and continue to be used as a City recreation facility.

Next Steps: The property will continue to be used until it is required for a future grade separation.

106 Beaumont Crescent

Heritage Status: This property is not historically designated or listed on the City's Heritage Register.

Acquisition Background: The property was purchased in 1973 in anticipation of the realignment of Cityview Drive.

Updates from 2019 Report: A land use survey was delayed in 2020 due to COVID-19 and will be completed in 2021.

Future Use: City Planning Department staff are initiating a land use study for this area that includes this property. Staff recommend that the study be completed prior to discussion of any potential use or sale of these lands.

Next Steps: The property will be retained until the land use study is completed (estimated completion is Q2 2021) and an evaluation of potential use is performed.

McQuillan's Bridge, Stone Road East (Structure 116)

Heritage Status: The bridge was designated in 2004 pursuant to Part IV of the Ontario Heritage Act through By-law (2004)-17357.

Acquisition Background: The bridge was built in 1916 and is located within the original Stone Road alignment and still considered part of the public highway.

Condition Assessment: The bridge was most recently inspected in June 2018, at which time the condition score indicated that the asset is in poor condition.

Updates from 2019 Report: The bridge is scheduled to have an environmental assessment completed with restoration works following.

Future Use: The City is currently planning for maintenance work activities to preserve this asset with consideration to its heritage designation. A municipal Class Environmental Assessment is scheduled for 2024 (at an estimated cost of $100,000) with design commencing in 2027 and construction in 2029 for restoration (at a total estimated cost of $1 million).

Next Steps: The City will initiate a Municipal Class Environmental Assessment in 2024 with the funding currently being forecast in the City's capital plan with design and construction forecast for 2027 and 2029, respectively.

606 Massey Road

Heritage Status: This property is not historically designated or listed on the City's Heritage Register.

Acquisition Background: The property was acquired as part of a larger parcel in 1973 for future extension of Campbell Road and creation of small industrial lots. Most of the industrial lots were sold; this parcel was retained. An extension of

Campbell Road or Massey Road or Independence Place is not identified or referenced in the current Official Plan.

Updates from 2019 Report: The property was reviewed by City staff for use as a potential dog park. The use was not deemed favorable due to the lack of current access, parking and significant grade changes creating accessibility compliance issues. Overcoming these issues would require significant capital investment. The City has continued to progress on providing access to the property and provide options for future sale as industrial lands. There is current interest in the property from industry that will be explored moving forward.

Future Use: There is an opportunity to extend Campbell Road and create small industrial lots. As well, the City will continue to lease a portion of the lands to Metrolinx to use for a communications tower in accordance with the 10-year agreement executed in 2019.

Next Steps: Staff are taking necessary steps to create formal road access to these lands, and to reconfigure the property to allow a future sale of any unused portions of the lands (approximately 9 to10 acres) at an estimated cost of $1.9 million dollars. Any future sale would be conducted in accordance with the City's Policy for the Sale and Disposition of Real Property Interests.

Financial Implications

In most cases, the identified properties have associated costs that must be incurred for maintaining, monitoring and/or converting the properties into functional public space. Identifying surplus properties and developing plans to address these underutilized real estate assets can have significant financial benefit to the City. Pending City Council approval, $800 thousand of otherwise planned investment on Delhi Street can be redirected to higher priority requirements.

The City will continue to assess and recommend viable strategies for the remaining properties of interest as more information is known. Capital requirements or proceeds from any sale of lands will be forthcoming in future staff reports and budgets.

Some of these costs, where a defined strategy is known, have been incorporated into the City's operating and capital budgets. Financial implications will continue to be developed in conjunction with the strategies for the remaining properties of interest.

Consultations

Tara Baker, City Treasurer / General Manager, Finance

Krista Walkey, General Manager, Planning and Building Services (For heritage and Beaumont)

Jennifer Rose, General Manager, Environmental Services

Stephen Robinson, Heritage Planner, Planning Services

Christine Chapman, Manager, Economic Development

Greg Bernardi, Realty Specialist, Legal, Realty and Court Services

Strategic Plan Alignment

Building our Future – Managing our existing infrastructure and maintaining existing assets to maximize funding and resources for improved value to the community.

Attachments

Attachment-1 Real Estate Assets Update Presentation

Attachment-2 Confidential Memorandum to Accompany Report No. 2020-208, entitled Real Estate Assets Update (Section 239 (2) (c) of the Municipal Act relating to a proposed or pending acquisition or disposition of land)

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