

Staff Report



To	Committee of the Whole
Service Area	Infrastructure, Development and Enterprise Services
Date	Monday, October 4, 2021
Subject	Real Estate Assets Update

Recommendation

1. That the City proceed with preparing an open proposal to solicit uses for the property at 72 Farquhar Street in conjunction with finalizing the stabilization of the property.
 2. That upon completion of the stabilization, the Drill Hall shall be secured as is until a suitable community use is found that is financially viable without the need for additional City funding.
 3. That staff proceed to stabilize 341 Forestell Road and Carter Farm over the next three years.
 4. That staff report back to City Council in Q4 2022 to provide an update on the remaining 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-2020-208 "Real Estate Asset Update"](#).

Key Findings

The report [IDE-2020-208"Real Estate Asset Update"](#) identified eight (8) properties of interest and offered background, use, and potential opportunities for those properties. With the sale of 65 Delhi Street to the County, the City currently has seven (7) properties of interest, and this report will focus on the findings from the Drill Hall Sounding Study and the Stabilization Plans for 341 Forestell Road and 880 Victoria Road (Carter Farm).

The Drill Hall Market Sounding Study was undertaken in June and July 2021 and included both private developer and community user feedback. The results from the sounding study provided strong feedback that the Drill Hall, with the existing structure and heritage protections, is not a marketable property for developers. There was strong feedback from community user groups that there is interest in the Drill Hall, however funding to bring the building to state where occupancy would be granted would be an issue for the majority of, if not all, user groups. It is recommended that the City finalize the stabilization in 2022 while preparing to secure the building for an indefinite period of time until either appropriate funds can

be included in a future City budget, or a community user group can present a proposal to the City that meets the City's requirements of benefitting the community, aligning with the downtown secondary plan, and financial viability without financial support from the City.

As per direction from Council in December 2020, City staff have undertaken works to prepare a stabilization plan for both 880 Victoria Road (Carter Farm) and 341 Forestell Road. Staff have worked the recommendations from these reports into their workplan for the next three years to bring these buildings to a stabilized state and help prevent further deterioration.

Financial Implications

The identified properties have associated costs for maintaining, monitoring and/or converting the properties into functional public space.

The stabilization efforts of the Drill Hall are projected to cost \$4.5 million due to the current condition of the building and the working requirements to bring the building to a structurally sound state. A budget of \$2 million was approved when the building was transferred to the City, and an additional \$2.5 million was transferred in August 2021 from current approved Facilities Management projects to provide the necessary funding. An estimated additional \$5 million would be required to bring the building to a state of occupancy. However, this is not currently within the capital forecast, nor does the City have available funding to complete this work.

The stabilization of the buildings at 341 Forestell Road and 880 Victoria Road require a combined \$260,000 in addition to the typical annual maintenance costs. These costs have been included in future budget years in alignment with City's overall asset management plans.

Report

Overview of Real Estate Holdings

There were eight properties of interest identified and reviewed in the report [IDE-2020-208 "Real Estate Asset Information Report"](#). With the sale of 65 Delhi to the County, the remaining properties are as follows:

- 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

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.

Property Update: The City completed a market sounding study for the property which indicated that there was no market interest from developers for the property as is. With the current restrictions on the property, there is no sale value for the building. There was significant community interest in the Drill Hall, with over 50 user groups responding to the market survey. However, based on initial feedback, there are no user groups that could utilize the Drill Hall space and be financially viable without support from the City.

The City is currently undertaking stabilization of the Drill Hall. The works have been accelerated due to the poor condition of the building, and the risk of the upcoming Metrolinx track expansion and platform works causing further structural damage. Currently the City has committed approximately \$2 million to stabilize this building, and another \$2.5 million in funding is required to complete the stabilization works. The additional costs are due to requirements from Metrolinx for shoring and general works near the railway tracks along with coordination, cost escalation due to COVID, and updating servicing to the building.

The original budget of \$2 million was approved when the building was transferred to the City, and an additional \$2.5 million was transferred from current approved Facilities Management capital projects to provide the necessary funding to complete the required work. The projects that were deferred due to this priority will be re-budgeted in the 2022 capital budget.

Future Use: Based on the findings from the Market Sounding study, the Drill Hall is ideally suited towards a community use.

Next Steps: Complete the stabilization works in 2022 and prepare a solicitation for proposals from community user groups for use of the Drill hall in accordance with the recommendations from the Market Sounding study. The building is to be secured after stabilization until either a suitable community user group can provide a proposal that benefits the community, is in alignment with the Downtown Secondary Plan, and is financially viable without City support. Alternatively, the City can include the required \$5 million in funding required to bring the building to a restored state in a future capital plan upon Council direction.

The operating costs to secure this building are projected to be \$15,000 per year for utilities (heat and ventilation) and general building / property upkeep.

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.

Property Update: The City is in receipt of a stabilization plan for the farmhouse, which recommends updates to the site civil to promote water drainage away from the house, exterior lighting for site security, roofing repairs, mould abatement, hording, and providing ventilation and heating for a total cost of \$150,000.

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 have commenced in 2021.

Next Steps: Complete the stabilization works over the next three years to prevent further deterioration of the building, in the amount of \$150,000 in addition to the annual operating costs of the facility. Should the environmental studies and permitting conclude that the site is suitable for a water production site, the building should be rehabilitated into a well house.

880 Victoria Road South (Carter Farm)

Heritage Status: In 2021, the Township of Puslinch listed the Caulfield-Carter farmhouse on their heritage register under section 27 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.

Property Update: The City is in receipt of a stabilization plan for the farmhouse, which recommends updates to the site civil to promote water drainage away from the house, roofing repairs, hording, and providing ventilation and heating for a total cost of \$110,000.

Future Use: Retain the lands for continued water production. The building has been vacant for a number of years due to the sensitivity of the lands for water production. The City is reviewing options to relocate the building from the lands. However, relocating the building from the site is problematic as there is no path out of the site for building removal without incurring significant tree removal. The City continues to work both internally and with the Puslinch Heritage Committee to determine options for this building.

Next Steps: Complete the stabilization works over the next three years to prevent further deterioration of the building, in the amount of \$110,000 above and beyond the annual operating costs of the facility. Continue to pursue options for use of this building and options to move the building off site.

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.

Property Update: The building continues to be used for pottery programming through the City's Recreation and Culture 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. No major capital improvements beyond general maintenance and upkeep are being considered for this 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.

Property Update: A [land use study](#) was concluded in 2021, which recommended that the lands be retained by the City as parkland which was approved by City Council on May 10, 2021.

Next Steps: The property will be retained by the City as parkland and will no longer be included in the properties of interest list.

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.

Structure Update: 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 2028 and construction in 2030 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 2028 and 2030, 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.

Property Update: The property has multiple access agreements and a portion of the lands is currently leased to Metrolinx until 2029. The City has reviewed options for sale with the existing access agreements and is preparing for future sale as industrial lands. There is currently external interest in the property that will be explored moving forward. City staff are currently confirming prior to sale that there is no use within the City for a land parcel of this size.

Future Use: Upon review of the lands and requirements for servicing, it is recommended that the City sell the lands "as is" for industrial use should it be confirmed that there is no use for the lands within the City.

Next Steps: Confirm that there is no viable use within the City and prepare the lands for sale as required by the current access agreements and lease. Any future sale would be conducted in accordance with the City's Policy for the Sale and Disposition of Real Property Interests. Proceeds from this sale would be directed towards the Industrial Land Reserve Fund, to be utilized in the future upon Council direction.

Financial Implications

The identified properties have associated costs for maintaining, monitoring and/or converting the properties into functional public space.

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

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 Drill Hall Market Sounding Study

Report Author

Ian Scott, Manager, Facility Design and Construction, Facilities and Energy Management

This report was approved by:

Antti Vilkkö, P.Eng., MBA

General Manager, Facilities and Energy Management

Infrastructure, Development and Enterprise Services

519-822-1260 extension 2490

Antti.vilkko@guelph.ca

This report was recommended by:

Jayne Holmes, P.Eng., PMP

Deputy Chief Administrative Officer

Infrastructure, Development and Enterprise Services

519-822-1260 extension 2248

Jayne.Holmes@guelph.ca