

Staff Report



To	Committee of the Whole
Service Area	Infrastructure, Development and Enterprise Services
Date	Monday, October 5, 2020
Subject	Baker District – Project Update

Recommendation

1. That the recommendation to proceed with the detailed development design for the alternative option site layout for the Baker District Redevelopment Project as outlined in this report be approved.
 2. That \$16.6 million for site servicing, environmental/archeological remediation and the outdoor public space for the Baker District be approved and reflected in the 2021 budget.
 3. That the construction of an 88,000 square foot library in the south block as presented as the alternative option in Report 2020-148, dated October 5, 2020, be approved at a cost of \$62.0 million, and Council approve an increase of 0.39% impact to the tax levy starting in 2021 and remain in place for 20 years, in order to fund the \$19.7 million of the library capital cost that is an enhancement to the current service level beyond that allowable by the Development Charges Act, 1997, with construction to begin in 2022 subject to updated design and service delivery reconsiderations as a result of COVID-19.
 4. That staff be directed to maximize the number of public parking spaces in the south block and pursue sharing agreements for parking in the north block and seek budget approval as part of the 2022 budget process.
 5. That staff be directed to phase in the estimated annual tax supported operating cost of the public components of the Baker District, totaling \$3.5 million, as part of the 2021-2024 operating budget and forecast.
 6. That the Guelph Public Library Board report back to Council with a detailed operating budget projection by June 2021 based upon updated design and service delivery reconsiderations resulting from COVID-19.
 7. That staff proceed with revising the Urban Design Master Plan (UDMP), share a virtual presentation with the community to outline the changes and collect final comments for Council's consideration.
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Executive Summary

Purpose of Report

To provide an update on the Baker District Redevelopment project, which includes a new central library, urban square, parking, residential, institutional and commercial space and summarize the rationale for recommendations within the report for Council decision. The Baker District is nearing the end of the pre-development phase and Council decision is required to establish certainty on the desired direction for the City and Windmill Development Group Ltd. to progress into the development phases of the project.

Key Findings

As the Baker District Redevelopment project advanced in greater detail over the past year, several challenges and risks became apparent that negatively impact the project's viability. To date, there has been a lack of interest by an institutional partner for the space allocated for a post-secondary institution in the South Block. As well, the complexity of the required legal agreements and business terms under the original site layout is a risk for the City as detailed in this report.

There are also financial concerns about the overall cost of the project. Specifically, the purchase of any land not currently owned by the City is more expensive than originally anticipated and does not increase the overall land value from an appraisal perspective, based on the specific development proposed for the property. Further to the additional land cost, the City would be responsible for the eviction of tenants, demolition of the existing buildings and completion of environmental remediation activities. Thus, it will cost the City significantly more to purchase the outstanding properties than can be expected to be recouped during the land sale of the entire parcel. Under section 106 of the Municipal Act, 2001, assisting directly or indirectly any commercial enterprise through the granting of bonuses for that purpose is forbidden. If the price that the City receives is not fair market value for the land it is selling and/or equivalent to what the City paid, there are bonusing concerns that arise and will create significant legal, financial and reputational risk for this project.

An alternative layout for the site was explored in an attempt to address the risks and challenges, and to find a path forward for development of the Baker District. The new alternative increases the value of the current land holdings, simplifies agreements between the City and Windmill and gives the City an independent asset. As well, the alternative site layout excludes the properties intended to still be acquired along Wyndham Street, which will mitigate significant capital expense. The stand-alone library in itself has several additional benefits aside from the financial impacts.

With the alternative site layout, the library moves from the north block building with a condominium on top to its own stand-alone building in the south block, located in the area that was originally earmarked for the institutional partner. Privately-owned residential towers would be located on the north and mid blocks, with commercial on the lower levels and flexibility to have institutional space in the

north block. This allows for the “highest and best use” of the land related to height restrictions, as only the full south block is directly in the view corridor and is limited in height of three to four floors. The “highest and best use” then drives the best economic outcomes for the development related to density, and property taxation revenue.

The site will still have two levels of underground parking under the entire footprint. The stand-alone library in the south block also allows the public parking component of the site to be placed directly under the library, creating effective use of space with minimal cost sharing and access agreements.

The outdoor urban space concept will still exist with the two outdoor “court” areas, and there is a potential opportunity for a green roof on the library with public access. The alternative option no longer provides the library with direct frontage onto Wyndham Street; however, connectivity is maintained through park space and pedestrian access to Wyndham Street.

Activation of the north part of Wyndham continues to be a major focus of the alternative option with large open public space, combined with retail and institutional ground floor frontage, all inviting active transportation through the whole Baker District.

A number of public engagement sessions have been held to solicit community and stakeholder feedback on the Baker District Redevelopment project. Specifically, the Urban Design Master Plan (UDMP) has been one of the main focal points of the public engagement process. Three key topic areas that emerged were parking, affordability and accessibility, and active transportation. While these themes are well reflected in the alternative site layout, additional feedback will be collected through the engagement process for updating the UDMP, pending approval of the alternative site layout.

Financial Implications

A pivot to the alternative option from the original plan will result in overall cost avoidance of between \$17.6 and \$32.6 million, with the most probable estimate netting about \$25 million. Cost avoidance includes savings related to land acquisition and demolition, library construction, public parking construction, environmental remediation, as well as additional costs related to redesigning the library. This, combined with additional annual revenue from taxation and lower overall operating costs for the library and parking, make the alternative option significantly more financially viable.

As these cost pressures were identified through progressing pre-development activities, the concern about property tax levy increases and additional debt capacity in order to fund this \$17.6 to \$32.6 million was heightened. Over 20 years, an increase in this range equates to a 0.33% to 0.64% tax levy increase. The City also has no available debt capacity to absorb these pressures. This cost is in addition to the estimated \$3.5 million of net new operating costs for the public components, and \$19.7 million of currently unfunded library capital cost required

for the square footage deemed to be a service enhancement above that allowable under the Development Charges Act, 1997.

Land value has played a significant role in the determination of these costs and has resulted in the opinion that executing Council's current direction for Baker District has the potential to contravene the bonusing prohibition contained in section 106 of the Municipal Act, 2001. Land valuation is impacted by the site design and the view corridor, and the fair market value of the land on a site design basis was significantly lower than the escalating costs for the parcels that have not yet been acquired.

With all this in mind, staff believe the original design concept for the Baker District is not financially or legally feasible. The alternative site layout option can allow the Baker District to proceed, protecting the investment of resources for planning this development and helping to mitigate the financial concerns, while still achieving the overall development goals for the City.

Report

The Baker District Redevelopment project is a mixed use development, which includes a new central library, urban square, parking, and residential, institutional and commercial space. A number of public engagement sessions have been held to solicit community and stakeholder feedback on the development project. Specifically, the Urban Design Master Plan (UDMP) has been one of the main focal points of the public engagement process. The integration of the library and development of the schematic design has been completed. Parking is proposed to be arranged such that there are separately-owned portions of the underground parking space to simplify the long-term operation of the parking for the City and the residential units. Business terms to define the short-term and long-term roles and responsibilities for the City and Windmill Development Group Ltd. (Windmill) continue to be developed. Financial aspects of the development project are summarized in this report. Through the process of refining the project, there were logistical, design, economic, contractual and financial challenges discovered relating to the original development concept. As such, an alternative site layout has been considered in an effort to mitigate these constraints while still maintaining the overall development objectives.

This report describes the results of the public engagement sessions and predevelopment work for the original site layout, describes the challenges encountered and proposes a viable alternative to develop the Baker District in alignment with the Downtown Secondary Plan and the Official Plan.

Public Engagement

Since November 2018, the City, the Guelph Public Library, Windmill and its consultant team have met with the public four times (three in person, one online following the outbreak of COVID-19). Each event was designed to reach the maximum number of people; afternoon and evening sessions were held for each in-person event, while the online engagement platform remained active for a month.

Importantly, the first three events also included an online survey so that members of the public who were unable to attend in person could still provide feedback. A summary of the feedback received at each event can be found in the following [Baker Engagement Summary Report](#).

The engagement events were designed to track with the progress of the project. The first event, held November 29, 2018, introduced the project to the public. Designed as an open house, the event provided members of the public, 270 attendees in total, with an opportunity to learn about the Baker District redevelopment journey—how we got here and where we are going—and how they can get involved, stay informed and have their say as the multi-year project progresses. Attendees were able to speak directly with staff and the developer and were invited to provide feedback about the project.

The second engagement event (two identical workshops), held on January 15, 2019, was designed to gather input from the public to inform the sustainability vision and goals for the project. The workshops were focused on site-wide sustainability, including the new central library, residential, commercial, and institutional uses, public parking, and the urban square.

The third in-person event, held on May 29, 2019, was designed to validate the design as it had evolved between January and May. One hundred and sixty-three members of the public attended the event. The open houses focused on the north block of the redevelopment, including preliminary design work on the new central library and the urban square. Participants were also shown preliminary sustainability strategies, which emerged from the feedback received during the January 2019 event. Attendees were asked to indicate whether or not the library, square, and sustainable strategies met their expectations.

The fourth and final engagement event, launched on June 11, 2020, was held online following the outbreak of COVID19. Open to the public for a period of four weeks, the electronic engagement provided detailed information about the final Urban Design Master Plan (UDMP), including a pre-recorded presentation delivered by members of the project team. Members of the public were able to provide feedback and questions by way of the [haveyoursay.guelph](#) engagement platform.

The feedback that was received from each event helped to shape the design of the library including the programming options and services that are to be offered, and the overall urban design of the Baker District including the outdoor urban square experience, active transportation throughout the site and the sustainability strategies.

Urban Design Master Plan

The purpose of the Baker District Urban Design Master Plan (UDMP) is to set objectives and describe the proposed solutions pertaining to the urban design of the Baker District Redevelopment, in order for the urban design elements to be evaluated. The City of Guelph, through documents such as the Urban Design Action Plan and the City's Official Plan, has emphasized the importance of urban design

excellence. Excellence requires conscious and coordinated efforts on the part of the public and private sectors, and the UDMP sets out, in part, how the elements of the public and private realm will work together to create a coherent and functional redevelopment. The document is used to show design intent of the spaces and has varying levels of detail as the designs continuously evolve.

The UDMP for the Baker District Redevelopment has been one of the main focal points of the public engagement. The four engagement sessions each gathered feedback, which helped shape the UDMP along with the City of Guelph's Official Plan, Downtown Guelph Secondary Plan, Urban Design Manual and Downtown Streetscape Manual and Built Form Standards.

The UDMP for the original concept was completed following the online public engagement held in June 2020. Three topic areas that emerged were parking, affordability and accessibility, and active transportation. See the following link for the [Draft Baker District UDMP](#).

Original Design

a) Library Design

Located at the north end of the Baker District Redevelopment site, the new four storey Central Library leverages a number of assets and opportunities unique to this location. The library benefits from an urban square as a connection between Wyndham Street North and the library itself, affording an opportunity to define a new gateway to the northern part of downtown Guelph. Large, highly visible curvilinear forms reach out to meet Wyndham Street and the square to collectively define a new civic precinct and create an entry to the library itself.

The proposed development includes an 11-storey residential condominium tower above the library, which necessitates significant structural transfer beams to accommodate the required library and parking functions below the tower. Shared facilities agreements will be required to manage the interrelationships between the two ownerships. Refer to the Library concept design in the link below.

[Baker District library original design](#), October 5, 2020

b) Parking

Parking is a key element in the Baker District Redevelopment. The plan identifies two levels of underground parking under the entire footprint of the site, with entrances on Baker Street and Chapel Lane. The underground parking is to be a combination of publicly-owned parking and privately-owned parking for the residential towers.

Although the number of parking spaces will need to be finalized pending site plan comments from the City Planning and Engineering departments, the original concept for the Baker District site is anticipated to have approximately 548 spaces.

Delineation of the parking areas would occur by level, with one level dedicated to public, City-owned parking and the other level to be owned by the private

developer. The City-owned level would be approximately 280 stalls and the privately-owned level would be approximately 278 stalls.

This arrangement of having separately-owned portions of the parking lot help to simplify the long-term operation and maintenance of the parking for the City and the residential units. The residential tower owners/operators would have to retain control over the residential permits and the changeover of permits. City staff would operate the City-owned portion of the garage including the issuing of permits and enforcement.

c) Business Terms

Business terms and the associated legal agreements discussed to date are based on the concept of selling the entire parcel of land to Windmill. Under this arrangement, Windmill would construct all of the different components of the site. The City would buy back the finished library, urban square and portion of the underground parking once completed.

This arrangement requires multiple legal agreements due to the complexity of the north block building being a library on the first four floors and a condominium on the top 11 floors.

The list of agreements includes:

1. Agreement of Purchase and Sale (APS) of Land – to sell the entire parcel to Windmill. This is for Windmill to own the entire site for construction. The timing of this is also affected by the acquisition of remaining properties.
2. Agreement of Purchase and Sale (APS) of Land – for the City to purchase its components of the project upon completion. With the original design, this agreement is complex and includes a freehold strata agreement for the north block building with the library and through the whole site for one level of parking.
3. Master Development Agreement – to be in effect upon completion of the Pre-Development Management Agreement (PDMA).
4. Parking Agreement and Ownership of Parking – parking ownership to be split between the City and private development with shared access and egress.
5. Shared Facilities Agreement – north block building contains the library and condominium and requires a detailed shared facilities agreement for access, security, utilities and operational costs, easements, etc.
6. Construction Agreement – details for the construction of the public facilities including change order processes, construction guidelines, etc.

Challenges and Risks

Several challenges and risks have become apparent as the project has advanced that negatively impact the project viability. Of greatest concerns are financial in nature and are detailed in the Financial Implications section of this report. However,

there are other challenges and risks with the project that have been discovered over the last year through the process that has been undertaken.

There has been a lack of interest by an institutional partner for the space allocated for a post-secondary institution. After extensive efforts, Windmill and the City have exhausted all options to find a post-secondary partner for the institutional building in the south block. There have been discussions with multiple universities and colleges throughout Ontario. Before the pandemic, there was little to no interest from these institutions without heavy subsidization for the cost of the land and building. This lack of interest has been compounded with the challenges facing educational institutions due to the COVID-19 pandemic as academic institutions move to offer the majority of their course offerings online.

Under section 106 of the Municipal Act, 2001, bonusing any commercial enterprise is forbidden. If the price that the City receives is not fair market value for the land it is selling and/or equivalent to what the City paid, there are bonusing concerns that arise and will create significant legal, financial and reputational risk for this project.

The complexity of the required legal agreements and business terms is a risk for the City. Challenges under the original arrangement include the following elements:

- A shared facilities agreement is complex considering library access, security protocols, shared utilities and spaces, long-term operation and maintenance agreements and establishment of easements
- Long-term implications of a freehold strata agreement for the north block building with the library limit future flexibility
- Construction timing of the library is tied to the construction of the north block residential tower, which requires units to be sold prior to being constructed
- Shared access agreements and strata agreements would also be required for the public parking.

All of this not only has legal and financial implications now; however, for the extended life of these building, the City would be bound by these agreements, minimizing flexibility and involving significant costs.

Alternative Option

In an effort to address many of the challenges and risks outlined above, staff, in conjunction with Windmill, explored an alternative option for the site layout. In addition to the financial advantages of this option, there are also several additional benefits for the long-term viability of this development for the Guelph Public Library and the citizens of Guelph.

Alternative Site Layout

The proposed alternative site layout excludes the properties yet to be acquired along Wyndham Street, which would mitigate significant capital expense and eliminate the section 106 bonusing concern. In the alternative layout, the library moves from the north block building with a condominium on top, to its own building

in the south block. The site would now feature a stand-alone library to be owned by the City and located in the area that was originally identified for the institutional partner. Privately-owned residential towers would be located on the north and mid blocks. The building on the north block would have a residential tower and commercial on the lower levels, with flexibility to have institutional space. The mid-block building would be a residential tower with some commercial/retail on the main street level. This allows for a higher and better use of the land related to height restrictions as only the south block is directly in the view corridor and is limited in height to three to four floors.

The site will still have two levels of underground parking under the entire footprint. The number of spaces will decrease based on the smaller footprint of the land assembly. Alternative solutions can be pursued to facilitate adequate stalls for both public and private parking. The stand-alone library in the south block also allows the public parking component of the site to be placed directly under the library creating effective use of space with minimal cost sharing and access agreements.

The outdoor urban space concept will still exist with the two outdoor “court” areas, and there is a potential opportunity for a green roof on the library with public access. The design team will work closely with the Planning Department to ensure it still achieves and possibly surpasses the goals of the Downtown Secondary Plan.

The east-west roadway, referred to as “Library Lane” would be removed. However, a laneway from Wyndham Street to connect to the site for pedestrians, cyclists and emergency vehicles is being considered. Staff recognize that the alternative option no longer facilitates the Library with frontage onto Wyndham Street. Although the frontage was relatively small with the original concept, the alternative concept is intended to still have connectivity through park space and pedestrian access to Wyndham Street. The new development including the urban space is expected to act as a catalyst to reactivate the north end of Wyndham Street.

The final design would be determined upon approval to proceed and would incorporate additional feedback through engagement processes for updating the UDMP.

The new layout will increase the value of the land, simplify agreements between the City and Windmill and give the City an independent asset. The stand-alone library in itself has several additional benefits aside from the financial impacts. For reference, see the link for [Alternative concept sketches](#).

a) Library Design Description,

The proposed new location of the library at the southern end of the Baker District Redevelopment affords the library a unique and strong autonomous identity within the overall development. It provides an independent asset for the City which gives levels of flexibility for the life of the building that would not be possible when in a shared building with a residential condominium.

From an ownership standpoint, the fee simple title—not linked to a residential tower--offers a high degree of flexibility with respect to operations, special

configurations and future use potential. The free-standing three to four floor building configuration within a more rectangular footprint allows for more efficient space uses, providing more effective programming opportunities.

One concern is that this will remove the “main street” address of the library by not having it on Wyndham Street. By moving the library to the south end of the Baker District Redevelopment, the proposed design for a new Central Library presents an opportunity to animate the intersection of Quebec Street and Baker Street. The presence of a new facility of this scale will mean a significant amount of foot traffic to portions of the downtown that have previously not been considered as civic assets. Chapel Lane would adopt the character of a complete street, with a much heavier emphasis on pedestrian movement while functioning as an extension of the public realm. A strong pedestrian realm can link the new Wyndham Square through a landscaped mews to a new Library Square, which could be animated by library users as well as active retail frontage on the southern side of the South Block residential tower. The south-east corner of the proposed library would afford an opportunity for exposure to St. George’s Square from the upper floor levels while also using a linear grade level corridor to animate Chapel Lane. A fourth floor, accessible roof terrace oriented towards St. George’s Square could provide excellent opportunities for outdoor library programming while also affording scenic views across downtown Guelph.

Additionally, a stand-alone structure allows for flexibility during construction and phasing of the project. With the previous concept design, the construction of the library was tied to the condominium tower. As a simpler structure, the time to complete construction would be shorter and less costly than it would be with an 11-storey condominium atop the structure.

A design of the space would have to be completed upon approval of this alternative option. A preliminary investigation conducted by Windmill shows that there are potential financial savings in this stand-alone design concept. Given that there is no longer a condominium above, the alternative option does not have the same requirements for structural supports and slabs for the library and two floors of parking. There is also no shared spaces such as stairwells, elevator shafts, and loading docks, which could allow for the overall area of the library to be reduced to still fit the same program requirements. These changes to simplify the design will save \$5.1 million, reducing the overall cost from the previously estimated \$67.1 million to \$62.0 million for an 88,000 square foot (sq. ft.) facility.

Removal of the shared spaces also helps with security and reduces operating costs for the library over the long term. Additionally, the simplified design and rectangular floor plan may also allow for additional efficiencies related to current programming requirements and overall square footage required. Refer to the following link to the [conceptual illustrations of the proposed alternative library](#).

The funding of \$62 million for the new Central Library of 88,000 sq. ft. is driven by the size of the facility summarized as follows:

	Square feet	Cost	Funding source
Replacement of current library	40,000	\$28.2 million	Tax infrastructure renewal reserve fund, proceeds from sale of current facility
Growth of library for population to 2041	20,000	\$14.1 million	Development Charges, Tax growth reserve fund
Service enhancement beyond that being experienced by current population	28,000	\$19.7 million	Tax city building reserve fund

The average cost per square foot for this facility is approximately \$705.00, and includes appropriate contingencies and administration as well as furniture and equipment. It does not include library collection expansion.

The current library is 29,000 square feet and it was determined, in an earlier study, that 40,000 square feet would be required to replace that footprint including the accessibility standards in place today.

The portion of the facility that is deemed to be a service enhancement based upon the size and cost of the facility beyond that allowable to be funded from development charges as per the Development Charge Act, 1997 is \$19.7 million and is currently unfunded. A one-time increase to the property tax levy of 0.39%, or \$1 million annually, would be required over a 20-year period to fund this cost.

The increase in operating cost estimated for this facility, including the incremental infrastructure renewal requirement for the expanded size, is \$3.5 million; however, with the alternative design in a stand-alone facility, it is expected to be lower. The Guelph Public Library Board will need to prepare an updated cost projection and report back to Council, preferably in advance of the 2022 budget process.

[Baker District library alternative concept](#), October 5, 2020

b) Parking

This alternative layout would still feature two levels of underground parking under the entire site. The quantity of stalls would be decreased due to the decreased overall land footprint of the site. From preliminary review, it is estimated that there would be approximately 430 spaces for the entire site. A more detailed review upon approval is required to maximize the number of spaces.

With this alternative site layout concept, the City would own the two levels of underground parking that are under the library footprint in the south end. This would be approximately 170 parking stalls. The lot would be separated so the developer would own the two levels of underground parking under the two residential towers, which would be approximately 260 stalls. These numbers are

preliminary and would be finalized upon approval of the alternative option. The budget proposes the capital cost of public parking be reduced from \$21 million to \$13 million for the 170 underground spots. The number of stalls required for the residential towers would be determined through a parking study and appropriate planning processes.

The rationale for having the parking lot split by ownership is consistent with the original design—to optimize the operation of the parking lot between the two very different entities.

Staff are recommending that options for shared-parking be investigated for some of the privately-owned stalls to maximize and optimize the use of the underground parking space, while also considering the overall downtown public parking requirements that may be changed post-COVID-19.

The funding of the public parking will be maintained within the new enterprise funding model for Parking Services. This means that the capital or on-going operating cost is not funded by property taxes, but by the fees and rates charged to the users who use the parking stalls. Development charges were also a planned funding source for this parking structure.

Delaying the finalization of the parking arrangements until the site design is complete benefits the City as well because there are on-going changes with the legislation, and Parking Services will no longer be an eligible service under the Development Charge Act, 1997. This means that, in approximately two years' time, the City can no longer collect this revenue. A new alternative revenue source called the Community Benefit Charge can replace this lost revenue stream; however, the regulations were released just on September 18, 2020 and staff have not yet determined the full impact.

c) Business Terms

By simplifying the overall site and having the library as a City-owned, stand-alone building at the south end of Baker District the legal agreements that were required with the original design will, in turn, be simplified. With this scenario, the purchase of the library would not require a complex strata agreement. The north block portion of the district could be severed and sold to Windmill. There would be no need for shared services agreements, and it makes the operational costs much simpler and easier to control.

The list of agreements proposed may include:

1. Agreement of Purchase and Sale (APS) of Land – simpler with this option because the City currently owns all the land. North block portion could be severed.
2. Agreement of Purchase and Sale (APS) of Land – the City buy back, significantly simpler with this alternative layout and may not be required.
3. Master Development Agreement
4. Parking Agreement and Ownership of Parking

5. Construction Agreement

The simplification of the agreements has short-term benefits, but there are also long-term gains, particularly for the library. As a stand-alone, independent asset, there would be flexibility to make any changes that might be required in the future without the complication of doing this work in agreement with a condominium.

The simplification makes both the City and Windmill respective owners of their own timelines and construction schedules and reduces complications with coordination.

d) Summary

The alternative layout for the Baker District Redevelopment provides benefit for the City of Guelph, the Guelph Public Library, Windmill Development Group Ltd. And, most importantly, the citizens of Guelph. The Baker District will boost the quality of life downtown and provide economic revitalization to more than just the downtown core. This layout will achieve the overall development goals while being more financially viable. In addition, it will provide less complex agreements for the long term and will provide improved flexibility for the future.

Financial Implications

The original and alternative site design approaches in terms of financial impacts is summarized as follows:

	Original design (in millions)	Alternative design (in millions)
Total estimated net land cost for the City including development planning and design, remediation and site servicing	\$16.2 to \$26.2	\$5.2 to \$10.2
88,000 square foot Central Library	\$67.1	\$62.0
Public Parking	\$21.0	\$13.0
Additional costs related to the redesign of the Alternative Option	\$0	\$1.5
Urban square and public space	\$2.6	\$2.6
Total estimated City capital cost of Baker District	\$106.9 to \$116.9	\$84.3 to \$89.3

The alternative option can achieve most of the existing goals of the Baker District with a potential cost avoidance of between \$17.6 million and \$32.6 million with the probable estimate of \$25 million in cost avoidance, which includes savings related to land purchases, library construction, public parking construction, environmental remediation, as well as additional costs related to redesigning the library. This,

combined with additional annual revenue from taxation and lower overall operating costs for the library and parking, make the alternative option significantly more financially viable.

As these cost pressures were identified through progressing pre-development activities, the concern for property tax levy increases and additional debt capacity in order to fund this \$17.6 to \$32.6 million was heightened. Over 20 years, an increase in this range equates to a 0.33% to 0.64% tax levy increase. The City also has no available debt capacity to absorb these pressures. This cost is in addition to the estimated \$3.5 million of net new operating costs for the public components, and \$19.7 million of currently unfunded library capital cost required for the square footage deemed to be a service enhancement above that allowable under the Development Charges Act, 1997.

The capital cost of the alternative design is fundable within the City's current base capital funding for infrastructure renewal, contaminated sites and growth except for library service enhancement component \$19.7 million. Staff are recommending a 0.39% levy increase in the 2021 budget for this reason. The operating cost of the public components will need to be refined based on the alternative design and other factors including the impact COVID-19 will have on service and program delivery. Staff are requesting the Guelph Public Library Board to have these estimates to Council in advance of the 2022 budget, when the phase-in of the budget is planned to begin.

Land Acquisition and Valuation

Land value has played a significant role in the determination of these costs and has resulted in the opinion that executing Council's original direction for Baker District would contravene section 106 of the Municipal Act, 2001. Land valuation is impacted by the site design and the view corridor, and the fair market value of the land on a site design basis was significantly lower than the escalating costs for the parcels that have not yet been acquired.

The purchase of any land not currently owned by the City does not increase the overall Baker District land value as identified in a recent land appraisal completed based on the specific development proposed for the property. Further, staff are now certain that the cost of these parcels of land will not be achieved at the current budget and the City would be responsible for the eviction of tenants, demolition of the existing buildings and completion of environmental remediation activities of which costing was not previously known.

Thus, it will cost the City significantly more to purchase the outstanding properties than expected and, based upon the appraisal, the City will not be able to recoup this value during the land sale of the entire parcel. The addition of these lands to the existing property proposal also does not increase the value of the overall development.

This creates a challenge, given that the land sale required for the private development, which has the potential to contravene the Municipal Act, 2001, which prohibits "obvious undue advantages" to the developer.

Without an alternative solution, this Baker District project is at risk of not continuing. For this reason, staff have developed the alternative site plan option being proposed with financial benefits including:

- significantly reduce costs to the City for the land acquisition by eliminating the need for the Wyndham Street properties
- increase the overall land value by simplifying the development for the land sale to Windmill as a simplified design is less expensive to develop
- reduce the costs of the library by making it a simplified, stand-alone structure that no longer requires substantial structural supports and areas for shared services
- reduce the cost for underground parking due to a simplified, stand-alone parking structure under the library, which would result in a reduction in parking spaces
- Simplify and reduce ongoing operating costs as there will not have to be extensive shared service agreements for common elements related to a mixed library, residential, retail, public and private parking space

There were several items in the original site design that contributed to lower appraised land value, including the complexity of the site, and the combination of a library and condominium in the north block. These factors contributed to a lower value than if the residential and library buildings were separate. In the alternative option, staff recommend moving the library into its own stand-alone building, which will help increase the overall land value.

Another item was the area that was allocated in the south block for the post-secondary institutional building. Land values for institutional development are significantly less valuable than for residential or retail space.

The building on the north block will now have the opportunity for more residential and commercial spaces where the library was originally located, thus increasing the overall taxable assessed value of the development. This annual property taxation increase is estimated at \$100,000, which, over a 50-year period, equates to an additional \$5 million in taxation revenue.

In order to ensure the site is ready for construction, the City is responsible for site servicing, archeological and environmental remediation totaling \$14 million, as well as the construction of the urban public spaces of \$2.6 million for a total of \$16.6 million. Staff are recommending this budget for approval in order to allow the Baker District site to move forward.

Consultations

Windmill Development Group Ltd.

Baker District Steering Committee

Guelph Public Library Board

Legal, Realty and Court Services

Business Development and Enterprise Services

Strategic Plan Alignment

The Baker District Redevelopment Project aligns with the following Strategic Plan priorities:

Powering Our Future

This project leverages partnerships and is fostering downtown business innovation to support a thriving downtown Guelph. It is a collaborative partnership, which will help grow the downtown residential, business and institutional areas. The development is contributing to a sustainable, creative and smart local economy.

Building Our Future

The redevelopment of an existing parking lot into a multipurpose mix of residential, public and commercial space is a strategic investment in the downtown area. It is a response to Guelph's growing and changing social, economic and environmental needs. It will have a mix of housing types to address the growing concerns in the city and will be working with community partners to establish a safe neighborhood.

Departmental Approval

John Regan, General Manager, Business Development and Enterprise

Tara Baker, General Manager, Finance / City Treasurer

Christopher C. Cooper, General Manager, Legal, Realty Court Services / City Solicitor

Report Author

Stephanie Guy, Project Manager, Special Projects, Business Development and Enterprise

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