



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Tourism and Culture Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 15, 2016
SUBJECT/REPORT NO:	Auchmar Estate Operations Plan (PED12193(a)) (Ward 8)
WARD(S) AFFECTED:	Ward 8
PREPARED BY:	Ian Kerr-Wilson (905) 546 2424 Ext. 1747
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the Auchmar Estate Operations Plan, attached as Appendix “A” to Report PED12193(a), be received;

NOTE: Due to the size and bulk of the Auchmar Estate Operations Plan, a hard copy of the full report will be available for viewing in the Office of the City Clerk, 71 Main Street West, 1st Floor, Hamilton and on the City’s website at: <http://www.hamilton.ca>.

- (b) That Tourism and Culture Division staff be directed to continue with stabilization work obligated under the terms of the Heritage Conservation Easement administered by the Ontario Heritage Trust and to maintain the heritage resource in a stable condition with annual Capital Block funding;
- (c) That the Real Estate Section of the Planning and Economic Development Department be authorized and directed to re-initiate investigation of any opportunity for the sale of Auchmar in accordance with Recommendations (b) through (f) in Report PED15072 of May 20, 2015, and any such other terms and conditions deemed appropriate by the General Manager, Planning and Economic Development Department;
- (d) That in the event no purchasers are identified as having met the terms in Recommendation (c) of this Report (PED12193(a)) after a period of one year, that Planning and Economic Development Department staff are directed to report to the General Issues Committee with a work plan and financing plan for the adaptive re-use of the Auchmar Estate.

EXECUTIVE SUMMARY

On June 24, 2015 (Motion 7.4(b) Council Minutes 15-016) staff were directed to complete the Auchmar Estate Operations Plan, attached as Appendix “A” to Report PED12193(a).

Since the recommendations pertaining to Real Estate (PED15072 (b) through (f)) were tabled (Motion 7.4(b) Council Minutes 15-016) staff are recommending that the Real Estate Recommendations in Report PED12193(a) be explored and exhausted before considering further action on the Auchmar Estate Operations Plan.

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The current operational cost of the Auchmar Estate is \$23,000 per year. These funds will be sufficient to maintain the facility to a heritage standard for one year.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

The City of Hamilton acquired the 3.8 hectare Auchmar Estate in 1999. It has been unoccupied since 2001. Although some improvements and stabilization efforts have been completed, much work remains. Since 2008, the City has invested roughly \$2.5 M to stabilize the buildings and grounds.

On October 17, 2012, the General Issues Committee (GIC) received the Proposed Use Concept Profile for the Auchmar Estate (Appendix “A” to Report PED12193) Staff were directed to proceed with the development of an Operations Plan based on that profile and to issue an Expression of Interest (EOI) for the potential private use and / or sale of the Auchmar Estate for uses consistent with the Proposed Use Concept Profile.

On the basis of the EOI process, at the September 5, 2013 GIC meeting, staff were directed to proceed with a non-binding Request for Proposals (RFP) for the potential private use and / or sale of the Auchmar Estate (PED13151). A panel of City staff, Ontario Heritage Trust (OHT) staff, and external heritage consultants evaluated two proposals. Neither received a passing score.

At the May 20, 2015 (PED15072) GIC meeting, staff were directed to concurrently proceed with exploring the potential sale of Auchmar, subject to a use terms and conditions which protected the heritage resources as defined by the Heritage

Conservation Easement held by the OHT and the Municipal Heritage Designation and return to GIC with the outcome of negotiations with any potential purchasers.

At its June 24, 2015 meeting, Council passed a motion tabling the direction to proceed with the sale process (Motion 7.4(b) Council Minutes 15-016) and directed staff to complete the Auchmar Estate Operations Plan.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Ontario Heritage Act, Part IV, Designation By-law 2000-37

RELEVANT CONSULTATION

Manager, Real Estate Section, Economic Development Division, Planning and Economic Development Department

Public Consultation - On January 28, 2016, staff held a public information meeting on the general proposals of the Auchmar Estate Operations Plan. While supportive, the approximately 40 attendees provided useful feedback on the details of some restoration proposals, and revenue and expense projections, which have been incorporated into the Operations Plan.

Municipal Heritage Committee - On January 21, 2016, staff presented a general overview of the Auchmar Estate Operations Plan with some emphasis on the underlying approach and philosophy. Again, while supportive, the Committee provided much useful feedback which has been incorporated into the final version of the Operations Plan.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

The Auchmar Estate Operations Plan (the Operations Plan), attached as Appendix "A" to Report PED12193(a), is a detailed analysis and operations plan based on a use concept approved by Council on October 17, 2012 (Proposed Use Concept Profile for the Auchmar Estate (Appendix "A" to Report PED12193)). The Use Concept Profile combined three primary adaptive re-uses for Auchmar:

1. Community use
2. Private rental use
3. Public sector use

This Operations Plan assesses each of these uses and provides project goals, assumptions, constraints, examples of similar and successful adaptive re-use projects, and operating expenses and revenues.

Balancing community and public use, participation and engagement with private rental use restricts the potential for revenue generation and will mean that the facility will

recover annual operational costs only. There is no ability to develop a reserve for future major or life cycle maintenance projects or to offset the initial development Capital costs.

Although outside the direct scope of a typical operations plan, this Plan also includes an assessment of the fundraising potential for Auchmar as a community facility. This assessment is included as Appendix 1 of Appendix "A" to Report PED12193 (a). The consulting firm of Ketchum Canada Inc. (KCI) conducted a series of in-depth interviews and focus group sessions with a range of Hamilton area philanthropists and community leaders. By this feedback and an assessment of the local market and past campaigns, KCI has concluded that there is little support for a large-scale fundraising campaign for the adaptive re-use of Auchmar. Appropriate fundraising goals for a Capital project would be in the order of 3-5% of the total.

Also outside the scope of a typical operations plan (but included here for clarity and completeness), the Operations Plan provides an update and analysis of the projected Capital costs, included as Appendix 2 of Appendix "A" to Report PED12193(a). The revised Capital cost estimates include assessments of a number of sub-projects and suggest that the development of the Auchmar Estate can be seen as having five phases:

1. **Stabilization.** Conservation of remaining heritage building exteriors and structures. Total cost: \$3-3.6 M.
2. **Tenancy.** Installing new utilities (water, sewer) and developing a small caretaker / tenant facility in the main house. Total cost: \$250-300,000.
3. **Private Use.** Creating office space for lease in the Coach House. Total cost: \$600-800,000.
4. **Community and Public Use.** Developing community and public spaces. Total cost: \$4.9-5.9 M.
5. **Stone Wall Restoration.** Restoring the perimeter stone walls. Total cost: \$3-3.3 M.

The sale of Auchmar would be consistent with the feedback from the KCI study. Participants did not feel the City should continue ownership of Auchmar; they suggested the City either sell the estate to a private investor or develop a public / private partnership in which the City maintains ownership of the land and a private entity develops the site and manages and operates the facility.

The sale of Auchmar would transfer the financial responsibility to meet the requirements of the heritage easement and designation to the new private (for-profit or not-for-profit) owner. The scale of the City's continuing contribution to the development of Auchmar would be a matter of negotiation. The current market value of the property is assessed at zero dollars.

In response to community suggestion, staff contracted with KCI, a fundraising and consulting firm, to assess the potential for generating philanthropic funds for the development of the estate as a community cultural facility. Their findings are included

as Appendix 1 of the Operations Plan. The consultants were not directed to conduct a fundraising campaign. Rather, they were directed to gather information on the level of support or interest if such a campaign was initiated. In a series of interviews with local community leaders with a history of charitable giving, several concerns were consistently identified.

The consultants concluded that a fundraising campaign would establish an achievable target of 3-5% of total Capital costs. On that basis, the Operations Plan has included a similarly modest revenue goal from fundraising for annual operations.

ALTERNATIVES FOR CONSIDERATION

Alternative 1: Direct Staff to Implement the Auchmar Estate Operations Plan

The current municipal levy impact for the operation of the Auchmar Estate is approximately \$23,000 per year. Based on existing operating revenues and expenses of comparable programs and operations within the Tourism and Culture portfolio, it is reasonable to project that this levy impact could be eliminated in a fully-realized Auchmar Estate adaptive re-use operation. Based on 2015 expenses and fee structure the Operations Plan projects a \$10,000 deficit in Year 1, and small surpluses (\$2-5,000/year) thereafter.

Using existing Tourism and Culture Operating Budgets as a guide, the Operations Plan projects that following adaptive re-use, and program development, annual Operating expenses (including 0.5 FTE wages and benefits) would range between \$126,000 and \$138,000 per year and revenues would range between \$132,000 and \$142,000 per year. Given the inherent uncertainty of these figures, it is prudent to conclude that the projected annual municipal levy impact would be approximately zero.

The Operations Plan does not envision that earned revenue will be sufficient to generate surpluses to develop a reserve fund for future major or life cycle maintenance. Similarly, the Operations Plan does not anticipate that the initial Capital costs of the adaptive re-use would be recoverable.

The Revised Capital Cost Estimate, Appendix 2 to the Operations Plan, documents a variety of projects within the larger re-development of the Auchmar Estate and outlines the additional required stabilization work. These projects can be grouped into phases:

- **Phase 1 Stabilization.** This Phase would complete the stabilization and exterior restoration of the main house, the garden walls and dovecote, and coach house. The estimated cost of this phase is \$3 to 3.6 M.

Following Phase 1, some limited revenue would be available to the project, largely in the form of outdoor wedding photography and commercial filming. Additional minor expenses, in the form of additional grounds maintenance, should be anticipated. The net municipal levy impact should be slightly reduced.

- Phase 2 Tenancy. This Phase would develop a small apartment in the main house for a caretaker or Heritage Restoration Program intern, similar to the procedure in place at Chedoke / Balfour Estate. New water, sewer and electrical and heating systems will be required. The total estimated cost is \$250,000 to \$300,000.

Following Phase 2, beyond some growth in commercial photography and filming limited additional revenue should be expected. Some additional operating expenses (for heat and other utilities) can be predicted. However, the security of the site will be greatly enhanced, and some reductions in vandalism and other repairs should also be anticipated. The net municipal levy should be unchanged.

- Phase 3 Private Use / Offices. This Phase would complete the adaptive re-use of the coach house as space for a for-profit professional office. The cost for this phase will vary somewhat depending on the specific design, but \$600-800,000 is estimated.

As with Phase 2, the completion of Phase 3 will lead to additional operating expenses. Garbage removal, grounds maintenance and snow removal costs will increase. However, it will create a significant new revenue source from the lease of the coach house space. Revenue to the Auchmar operation would also vary but is estimated to be in the \$20,000-30,000 range based on current commercial rates.

- Phase 4 Community Use / Public Sector Use. This phase would complete the interior restoration of the main house and re-creation of the historical landscape. Total estimated cost is \$4.9 to 5.9 M.

Completion of Phase 4 leads to the most significant increase in operating expenses and revenue potential. The Year 1 to Year 4 projections in the Operations Plan, Appendix "A" to Report PED12193(a), are based on completion of Phase 4.

- Phase 5 Estate Walls. This final Phase will complete the restoration of 950 feet of perimeter stone wall. This is a very significant project and is estimated at \$3 to 3.3M.

Phase 5 completion does not lead to any significant expenses or revenue.

Financial: It is important to note, if approved, significant Capital costs (outlined above) would be required for implementation. In the long term, future major maintenance and Capital costs would have to be funded from outside the revenues of the operation.

Staffing: There are no staffing implications at this time; however, if the Operations Plan is fully implemented, a 0.5 FTE would be required in the future.

Legal: N/A

Policy: N/A

Legal: N/A

Alternative 2: Continue Re-Development and Return to Council to Consider Re-Establishing the RFP or Real Estate Process following each Phase.

Each phase of re-development described here moves the Auchmar Estate closer to long-term viability. The operation becomes more attractive to perspective owners, operators or lessees. If directed, staff could return to Council after the completion of each phase seeking direction to either continue with re-development or pursue the RFP or sale process.

Capital costs for the completion of each development phase would remain with the City and it is not certain that these could be recovered through a sale or lease arrangement.

Financial: A Capital funding program would be required to complete additional phases of the re-development.

Staffing: N/A

Legal: N/A

Policy: N/A

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED12193(a) – Auchmar Estate Operations Plan

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