



INFORMATION REPORT

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	November 24, 2017
SUBJECT/REPORT NO:	Surplus School Property at 155 East 26th Street known as Eastmount Park Elementary School (PW17094) (Ward 7)
WARD(S) AFFECTED:	Ward 7
PREPARED BY:	Robyn Ellis 905-546-2424, Extension 2616
SUBMITTED BY:	Rom D'Angelo, C.E.T.; CFM Director, Energy, Fleet & Facilities Management Public Works Department
SIGNATURE:	

Council Direction:

Council, at its meeting of September 13, 2017 provided direction in relation to surplus school Property at 155 East 26th Street, owned by the City of Hamilton and known as Eastmount Park Elementary School, that staff:

“Report to the 2018 budget process (General Issues Committee) with the following, as it relates to the former Eastmount School property, and to include a funding source(s) for each:

- (i) the backlog of outstanding, unfunded capital projects necessary to bring the Eastmount school building up to current Building Code requirements;
- (ii) the capital funding required over the next 10 years to maintain the facility;
- (iii) the required Corporate Facilities operating enhancements and pressures to maintain and operate the facility with full occupancy at 30,000 square feet”and,

“That, concurrent with staff reporting to the 2018 budget process (General Issues Committee), as it relates to the former Eastmount School property, the previously approved funding of \$600,000for the remediation and the demolition, as outlined in Private & Confidential Appendix “B” to Report PED15127(a), respecting the Surplus School Property at 155 East 26th Street know(n) as Eastmount Park Elementary School,

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be reallocated to possibly fund all or a portion of the backlog of outstanding, unfunded capital projects necessary to bring the Eastmount school building up to current Building Code requirements; and

That no money be spent until the report coming through the 2018 budget process is completed.”

Information:

Capital Cost:

Consistent with standard practice on newly acquired properties, staff hired an external engineering firm in December 2016 to begin a Building Condition Assessment and a Structural review. The cost findings of the engineers were as follows:

Item	Cost
2017 backlog of critical lifecycle renewal items	\$2,000,000
2018-2025 critical lifecycle renewal items	\$2,600,000
Immediate Structural Repairs (based on engineering report)	\$ 700,000
Accessibility Improvements	\$ 500,000
Asbestos Abatement (Based on the demolition estimate provided for an earlier report)	\$ 300,000
Aesthetic Improvements & tenant fit-ups	TBD ^[1]
Meeting code for commercial lease (e.g. long term structural replacement)	TBD ^[2]
Total	\$6,100,000 (Plus tenant fit up and code compliance)

[1] As a former school, the estimated cost of tenant improvements may vary considerably and using typical commercial fit-out costs would be misleading - this will be based on a particular tenant's needs assessment and will represent a significant cost)

[2] Depending on the nature of the use, the cost of commercial lease code compliance may vary considerably

The \$700,000 in structural costs identified is to repair joists in room 06 and 04, due to greater than 30% section loss and compromised load bearing capacity. This information is based on a structural report and recommendations submitted by engineers.

The engineers also noted significant structural risks and undetermined costs not identified above. For anything longer than short term occupancy within the same occupancy classification, the classrooms, which are the majority of the building, are designed for a lower live loading and may have been under-designed structurally up to 250% depending on the occupancy requirements. If the building occupancy

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changes, all corridors would also require reinforcement to achieve current Ontario Building Code requirements. Structural upgrades are likely to be required as part of any interior renovations, in order to obtain building permit. The total cost of required structural upgrades is unknown at this time but will be an unbudgeted, incremental premium to any renovation plans. This premium for structural upgrades is likely to add significantly to the \$6.1M in costs identified.

Structural issues aside, the facility is in “poor” condition as an asset with Facility Condition Index (FCI) of 22% and the asset will reach critical condition within 5 years. Due to the structural condition in combination with the poor lifecycle condition, the recommendation from the perspective of responsible asset management is demolition or sale.

The facility is currently vacant and future tenants in the 30,000 square foot facility are unknown. Without an understanding of tenant uses and requirements, the future occupancy costs cannot be estimated with any reasonable accuracy. Temporary use of facilities by community groups can pose risk to the City with respect to code and compliance as well as security.

Use of space by non-profit or charitable organizations does not eliminate the requirement to comply with commercial lease occupancy standards, which is likely to have additional implications on: zoning, building code, structural upgrades, fire code requirements and property tax. Because the occupancy type is still unknown, it is not possible to estimate total costs until the future tenants have been identified.

Operating Cost:

There is a cost of operating the facility for items such as utilities, grounds maintenance, snow clearing, window cleaning, security, minor repairs, etc. The anticipated Operating Enhancement/Pressure is estimated at \$80,000 in 2018 for the currently vacant 30,000 square foot facility and \$240,000 once the facility is fully occupied, possibly anticipated for 2020/2021. This assumes the uses do not include heavy utility users such as kitchens or pottery and does not include the cost of lifecycle sustainability.

Lifecycle Facilities Sustainability:

The addition of buildings to the Facilities portfolio should take into consideration the capital renewal requirements over the life of the building. The current block funding model does not support the current backlog of deferred maintenance of the Facilities portfolio of buildings. New buildings added to the portfolio should budget for building financial sustainability, including the following elements, at minimum:

- a) operating costs (\$7-\$8 /sq.ft.);

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- b) annual reserve fund contribution for lifecycle renewal (2.1% of replacement value of the building, its systems, and leasehold improvements – approximately \$315,000).

This is recommended to be a requirement of a business case for a new facility before it can be added to the portfolio.

Funding Source:

The known available funding source is the \$600,000 cost previously allocated to demolition and abatement, as redirected by Council. The Ward Councillor has offered Ward 7 area-rating funds to be applied as an available funding source. There are no other known funding sources at this time.

Surplus school property at 155 East 26th Street known as Eastmount Park Elementary School is not in the 10 year capital plan. Therefore block funding is not a possible funding source. There is a significant capital backlog of \$216M in the portfolio of over 455 City-owned facilities.

Staff created and input a 2018 Capital Budget Detail Sheet for renovations to the existing building in response to Council direction. Corporate Finance has flagged the funding for discussion under “Council Strategic Priorities” in the 2018 Tax Capital Budget Process. The budget is \$6.1M for the bare minimum of renovations and includes immediate code requirements and lifecycle renewal only. This is because future tenants are unknown and therefore the scope of the renovations will vary depending on the type of tenant and change of major use along with the associated Hazard Index (HI) for review by Planning/Zoning. Therefore the budget does not address tenant-fit up costs or long term structural repairs & upgrades, etc. The proposed project scope is as described below:

Scope includes:

- Window replacement
- Electrical service replacement (end of life)
- Fire code compliance
- Replace washroom fixtures + accessible washrooms
- Plumbing replacement (water supply & sanitary waste)

- Lighting replacement
- Hot water tank & boiler replacement
- Asphalt & minor site works
- Accessibility improvements
- Asbestos & other designated substance abatement
- Roof replacement
- Short term structural repair

Scope does NOT include:

- Complete Lifecycle Renewal
- Long Term Structural Repairs & Upgrades
- Complete AODA upgrade to current building code
- Central Heating & Cooling (& Modern HVAC)
- Tenant fit-up & Aesthetic improvements
- Meeting code requirements, as triggered by a commercial lease (change of major use)

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The project requires additional funding sources in order to proceed

Additional Information:

With the goal in mind of creating a Community Hub in Ward 7, Hill Park Secondary School and Hill Park Recreation Centre may offer an alternative location to the surplus school property at 155 East 26th Street known as Eastmount Park Elementary School. Hill Park Recreation Centre, which is attached to Hill Park Secondary School, may present an opportunity for partnership with other funding sources which have not yet been explored. For example, the Hamilton-Wentworth District School Board is in the process of developing plans to create a community hub at the surplus school location, which would include the board's archives, adult education, and alternate learning programs. Early discussions are underway with other community partners to provide other programs and services for families and individuals at this location, including the possible development of a Child and Family Centre.

Staff have also investigated an order of magnitude budget to build new on the existing site. Based on construction cost guidelines of \$378 per square foot for a new build (plus soft costs), a new build to replace the existing facility at 30,000 square feet would cost approximately \$15M, plus the cost for demolition. A smaller building size between 10,000-15,000 would cost approximately \$5-\$8M plus the cost of demolition. Building a new facility would have a longer construction schedule at 4.5 years from approval including 1.5 years for site plan approval & re-zoning, 1 year detailed design & permits, 2 years construction. Estimated occupancy if approved in early 2018 is by end of 2022. The operating cost of a new facility would run at approximately \$7-\$8 per square foot.

Appendices and Schedules Attached

Not applicable.