



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Energy, Fleet and Facilities Management Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	August 14, 2019
SUBJECT/REPORT NO:	Ancaster Memorial Arts & Culture Centre (PW19072) (Ward 12) Outstanding Business Item List
WARD(S) AFFECTED:	Ward 12
PREPARED BY:	Lukas Keermaa (905) 546-2424, Extension 7931 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:	

RECOMMENDATION(S)

- (a) That the General Manager, Public Works Department be authorized and directed to negotiate, enter into and execute the construction contract and any ancillary documents required to give effect thereto with the prequalified compliant bidder of Tender C13-39-19, in a form satisfactory to the City Solicitor;
- (b) That the following funding strategy for an additional \$12.115M be approved for Project 3541641602, Ancaster Memorial Arts & Culture Centre, to complete construction of the project as well as cover any associated project costs and fees:
 - (i) \$860,000 from Councillor Priority Roads Work-In-Process (for road access upgrade to property);
 - (ii) \$540,000 from additional Property Sales;
 - (iii) \$2,000,000 from additional Community Contribution, of which \$1,000,000 will be loaned from Investment Stabilization Reserve 112300;
 - (iv) \$2,738,333 from Federal Gas Tax;
 - (v) \$2,738,334 from the Unallocated Capital Reserve 108020;
 - (vi) \$2,738,333 from a 10-year Ancaster area-rating charge to be loaned from Investment Stabilization Reserve 112300;

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

- (vii) \$500,000 from Early Years Reserve 112218.
- (c) That staff be directed to explore funding from other levels of government to offset the City's own source funding commitment;
- (d) That the General Manager, Public Works Department be authorized and directed to negotiate, enter into, execute and amend any ancillary documents with funders or other levels of government for additional funding on the project, with such terms and conditions in a form satisfactory to the City Solicitor;
- (e) That pursuant to Procurement Policy #11 – Non-competitive Procurements staff be authorized to enter into single source procurement for \$125,000, with Archaeology Research Associates to complete the final Stage 4 excavation report in accordance with the Ministry of Tourism Culture and Sport Standards and Guidelines for Archaeologists.
- (f) That the matter respecting Ancaster Memorial Arts & Culture Centre be removed from the Public Works Outstanding Business List.

EXECUTIVE SUMMARY

The primary purpose of this report is to respond to the Outstanding Business List item which directed staff to report back on any City funding that may be required prior to awarding the tender for the Ancaster Memorial Arts and Culture Centre.

In partnership with the community, represented by The Ancaster Society for the Performing Arts, the City of Hamilton is transforming the existing Memorial School building/site into a creative hub: the Ancaster Memorial Arts & Culture Centre. This multidisciplinary collaborative, creative space is designed to bring from across the city a diversity of artists, arts and heritage organizations, cultural entrepreneurs and community organizations together, and provide the conditions for creativity and innovation between tenants and users. The creative hub will be approximately 30,000 square feet and include a 450-seat theatre, a smaller studio theatre with adjustable seating, an art gallery, two visual arts studios, a dance studio, two rehearsal halls, an artefact vault and a multipurpose common room for community gatherings and collaborations between tenants/users. The Ancaster Memorial Arts & Culture Centre will be providing affordable space for artists, arts organizations and cultural entrepreneurs, and an opportunity for creative growth and collaboration for tenants.

Alternatives for Consideration – See Page 9

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The previously approved financing strategy for the Ancaster Memorial Arts & Culture Centre was approved through the 2018 capital budget. The previously approved strategy along with the revised proposed strategy can be seen below.

2018 Capital Budget (Approved)		PW19072		
Funding Source	Budget Amount (\$)	Revised Funding Source	Budget Amount (\$)	Difference (\$)
Federal Subsidy	3,000,000	Federal Subsidy	1,500,000	(1,500,000)
Provincial Subsidy	3,000,000	Provincial Subsidy		(3,000,000)
Land Sale		Land Sale		-
Sandhill	500,000	Sandhill	500,000	-
Fiddlers Green Lease	500,000	Fiddlers Green Lease	800,000	300,000
Carluke	250,000	Carluke	300,000	50,000
Surplus Memorial	1,000,000	Surplus Memorial	1,190,000	190,000
Community Contribution	3,000,000	Community Contribution	5,000,000	2,000,000
Area Rating (Ancaster)	2,000,000	Area Rating (Ancaster)	4,738,333	2,738,333
Ancaster Capital Reserve	1,050,000	Ancaster Capital Reserve	1,050,000	-
Federal Gas Tax		Federal Gas Tax	2,738,333	2,738,333
Unallocated Capital Reserve		Unallocated Capital Reserve	2,738,334	2,738,334
Early Years Reserve		Early Years Reserve	500,000	500,000
CP Roads Funding WIP		CP Roads Funding WIP (Ancaster)	860,000	860,000
Capital Levy	100,000	Capital Levy	100,000	-
	14,400,000		22,015,000	7,615,000

*Note: Additional funding of 12.115M is required to offset unrealized upper level government contribution of \$4.5M as well as the increased project cost of \$7.615M

The additional Area Rating Charge to the Former Municipality of Ancaster would be levied from 2020 to 2029 through an annual charge of \$316,000. This equates to a 0.27% levy increase, or \$18 for the average assessed property of \$525K. The additional Area Rating funding amount of \$2.738M would be loaned from Investment Stabilization Reserve 112300, with Area Rating Charges used to repay the loan from Reserve 112300. This practice is consistent with the \$2M area rating charge for this project which was approved as part of the 2018 Capital Budget.

The new, additional Federal Gas Tax (FGT) announced in March 2019 provided a onetime FGT contribution of \$32.6M to the City. Report FCS19038 Disaster Mitigation and Adaptation Fund Financing Strategy committed \$18.48M of the \$32.6M funding. Approval of the revised financing plan for the Ancaster Memorial Arts & Culture Centre would commit an additional \$2.74M of the FGT Funds resulting in \$11.38M of uncommitted FGT Funding remaining.

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Staff have recommended using additional City funding towards the project in order to leverage significant private contributions and Federal Funding assistance. Private contributions towards the project are forecasted to be \$5M or 23% of the total cost. Area rating charges specific to the Former Municipality of Ancaster account for \$4.738M or 21% of the total cost. In addition, funding from the Ancaster Capital Reserve and Ancaster Councilor Priority Roads funding accounts for \$1.91M or 9% of the total cost, understanding that the project requires civil enabling works on the project. Early years funding has been added, considering relevant early years programming and creative hub opportunities, as determined by staff within the Healthy and Safe Communities Department. In working with the Real Estate section, property sale values are currently forecasted higher than originally anticipated. Unallocated Capital Reserve as a funding source has been added at \$2.738 or almost 12% of the total cost.

A \$1M non-interest-bearing loan from Investment Stabilization Reserve is recommended as community contribution in the form of naming rights will be donated at \$100K a year for 10 years. The intention is for the equivalent \$1M to be loaned from Investment Stabilization Reserve immediately to fund the project, with naming rights revenue being used to repay the Investment Stabilization Reserve.

Operating Impacts:

Lease Agreement negotiations are underway with The Ancaster Society of the Performing Arts Corporation (“Performing Arts Society”), Pursuant to Council’s July 14, 2019 approval of General Issues Report 17-015 (Item 9.2), the Lease with the Performing Arts Society is to be fully net and carefree to the City whereby they will assume responsibility, as may be applicable, for all operating, maintenance, utilities costs and contribute towards a capital replacement reserve fund. The signed Memorandum of Understanding (MOU) between the City and Performing Arts Society details the terms of this contemplated “net and carefree lease” as hereinbefore outlined and at a nominal base rent value to the City.

Council approved \$157K in operating impacts as part of the 2018 Budget process and will be annualized in 2019. These funds are intended for external property maintenance, such as landscaping, grounds maintenance, snow clearing, etc.

Staffing: There are no staffing implications associated with this report.

Legal: All agreements will be in a form acceptable to the City Solicitor.

HISTORICAL BACKGROUND

The Ancaster Memorial Arts & Culture Centre project was conceived in 2012 when a group of local stakeholders including residents, business owners, political representatives, citizens, and community arts administrators met to discuss the issue of deficiency of space for their rapidly growing community arts groups.

The City of Hamilton ("City") purchased a property, Ancaster Memorial School, in 2014 in the heart of Ancaster's Heritage Village (est. 1793) for redeveloping it into a theatre arts centre. The property is ideally situated in the centre of the Ancaster Village Business Improvement Area (the BIA) and presents the opportunity to transform the already exciting area into a theatre district, complete with museums, restaurants, shops, and events. The BIA's vision of a liveable, walkable' community complimentary to its heritage is close to completion, and with a 450 seat theatre, studio theatre, visual arts and dance studios, the Ancaster Memorial Arts & Culture Centre will be of a threshold size which has been quoted at Council on March 8, 2018, as "the final stroke on the masters canvas that is framed by the historic Ancaster Village BIA". Proponents have also argued that Ancaster Memorial Arts & Culture Centre will enrich the cultural and artistic landscape of Ancaster and the surrounding region, will add to the City's growing theatre industry, and benefit the City from a social and economic standpoint.

In 2015, a public forum was held to present the Ancaster Memorial Arts & Culture Centre concept and measure community support, where response was found to be overwhelmingly positive, and where Ancaster Town Hall was standing-room-only, and community members spoke to their support of the project.

The Federal government has committed \$1.5M in funding to the project in a signed contribution agreement. The Provincial government had agreed to commit \$3M to help finance the project. In 2019, the Provincial government rescinded its financial commitment to the project, nonetheless funding opportunities are being explored elsewhere to replace the Provincial portion.

Council Direction & Timeline of Funding Approvals:

The following are the main sources of Council direction and funding approvals for this project:

- In 2014 there was direction from Council to purchase the property, Ancaster Memorial School, for redeveloping it into a theatre arts centre;
- In 2015, the capital project 3541641602 - Ancaster Memorial Arts & Culture Centre was approved for design as part of the 2016 capital budget and earmarking funds for construction in the 2018 capital budget, approved by council in 2018;

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- June 22, 2016, there was direction from Council to apply for federal funding to fund the project;
- March 8, 2018, Council approved an additional 2M in funding in 2018 via motion; January 23, 2019, Council approved entering into an agreement with the Federal Government to provide \$1.5M in funding to the City of Hamilton as a grant and provided direction to staff to report back with respect to any City funding that may be required for the project.

Project Progress:

At a high level, the following project milestones have been successfully accomplished:

- Detailed Design and Contract Documents completed;
- Stage 1-4 Archaeological Assessments completed and approved by Ministry of Tourism, Culture and Sport. Completion of work pending final excavation report;
- Rezoning of the property is completed;
- Site Plan Control Application DA-17-132 has been approved and building Permit issuance pending the removal of an archaeological holding provision;
- The City has conditionally sold a parcel of land adjacent to the Ancaster Memorial Arts & Culture Centre and the new water and wastewater servicing for the Ancaster Memorial Arts & Culture Centre project will service this parcel of land;
- Tree Removals and minor grading completed;
- Electrical Servicing in progress with Alectra Utilities;
- Prequalification of General Contractors complete and Construction Tender closed; and
- The project is shovel-ready.

Budget Update:

The updated budget contains variance as follows:

- A. Complete loss of Provincial funding;
- B. Partial loss of Federal funding;
- C. Final archaeology costs higher than forecasted;
- D. Construction escalation/inflation (approx. 20% of construction costs) from 2015 to 2019; and
- E. Contingency for post construction contract award is required for unforeseen /unplanned work due to extensive scope of renovation, addition and site development works.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Tender Award of Construction:

Under City of Hamilton By-law #17-064, Procurement Policy #2 – Approval Authority, Section 3, “The Client Department in conjunction with the Procurement Section shall submit a report to Council and the appropriate standing committee recommending award of a RFT or RFP if ANY of the following conditions apply:

- a) the value of the Bid being recommended for award and any contingency allowance are in excess of the Council approved budget including any contingency allowance, or
- b) for capital projects, when the final cost of the proposed project exceeds the amount provided in the Council approved capital budget for that project by \$250,000 or greater.”

Single Source Archaeological:

Under City of Hamilton By-law #17-064, Procurement Policy #11 – Non-competitive Procurements, “Council must approve any requests for negotiations with a single source as set out in subsection (1)(b) of this Policy # 11, where the cumulative value of the Policy 11 exceeds a multi-year value of the proposed procurement is \$250,000 or greater. For greater clarity, the total cumulative value of a Policy 11 shall not exceed \$250,000 in any given year or multiple consecutive years.”

Staff engaged with Archaeology Research Associates, first under the competitively procured Roster Contract, followed by an extension under a single source Policy 11. Staff have reached the threshold of single source as identified above in the City’s Procurement By-law and require council approval to address an additional \$125k in archaeological expense.

Staff is recommending completion of the archaeological work with Archaeology Research Associates for the completion of the Stage 4 final report in accordance with the Ontario Heritage Act.

City’s Labour Obligations:

Bill 66, Schedule 9 received Royal Assent and was proclaimed, however provisions that would deem the City to be a non-construction employer were subject to a further proclamation date in early July. The Bill also introduced a 90-day window wherein Council may have elected to opt out of the change in law. Discussions with the Ministry of Labour suggest that the future proclamation date may coincide with the close of the 90-day window expiring. Staff brought a June report to Council regarding the opting out election

and the possibility to cease being a non-construction employer for early July. There were no non-signatory bids submitted on this tender.

Accessibility:

New and retrofitted public facilities are expected to meet modern, improved accessibility standards that can be found in the 2012 OBC, O. Reg. 332/12, as amended in 2013 to 368/13. All new and retrofitted public facilities are subject to comply with Hamilton's Barrie-Free Design Guidelines (BFDG) requirements, as adopted by Council. The implication for the City's long term capital planning is to include accessibility in the plan, whenever building a new facility or renovating an existing facility. Throughout the project, the Built Environment Working Group is proactively engaged at key milestones in order to solicit feedback. The over 35,000 square foot theatre will have barrier-free accessibility throughout and will include barrier free washroom facilities, on grade building access, accessible seating, and a barrier free elevator and lift.

RELEVANT CONSULTATION

Report recommendations are the result of consultations with the following Departments and Divisions:

- Corporate Services, Legal Services
- Corporate Services, Procurement
- Corporate Services, Financial Planning and Policy and Finance & Administration
- Planning and Economic Development, Real Estate

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Benefits and Priority to the Community:

Ancaster Memorial Arts & Culture Centre contributes the following benefits to the Community and City:

- A new quality multipurpose venue for arts and culture programming in the Hamilton area;
- A creative hub - a multidisciplinary, affordable, collaborative, creative space that will bring together a diversity of tenants and users (artists, arts and heritage organizations, cultural entrepreneurs, community and education organizations);
- Increased capacity for the growing local arts community to create works and reach an audience through a concentration of activities in a highly visible, purpose-built arts centre;
- The addition of an AODA compliant and energy efficient creative hub in the Hamilton area;

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- Increased visibility for the arts in the Hamilton area;
- Improved creative conditions for artists, not-for-profit arts organizations and for-profit creative entrepreneurs in the region, with access to affordable shared spaces and specialized equipment;
- Increased ability to partner with other players, and to be included in networks of presentation and exhibition.

City Council has approved funding for Ancaster Memorial Arts & Culture Centre within the 10-year capital plan and supported. The priority of this project to Council has further been demonstrated to date through support for funding applications to other levels of government. It should be noted that this project has garnered support and funding from various sources, including federal funding as well as strong community support and fundraising exceeding the original \$3M goal.

Awarding for Best Value to the City:

Six bidders were prequalified prior to tendering the project, based on their relevant experience with constructing similar size and type of facilities. Of those six prequalified bidders, only three bidders submitted tender package bids. The recommendation is to award Tender C13-39-19 to the prequalified compliant bidder. Steelcore Construction Limited successfully submitted the lowest compliant bid

Limited Opportunity for Additional Cost Savings:

The project team completed a value-engineering exercise with the Architects prior to tendering the project and was able to reduce costs through opportunities the team believes will have low impact on the facility's quality, function and experience by the public. Items which were not removed from the project remain because they were deemed to impact compliance with legislation, public use, quality or function. Through past experience on projects, if these items are removed from the project, their full value will not necessarily be recovered in the tender price. While the opportunity for additional savings is very limited, the Project Team will review all of these discretionary items carefully to identify an opportunity to build in further contingency to the project.

ALTERNATIVES FOR CONSIDERATION

The City is in the process of negotiating with the low bidder as a strategy within staff authority.

The City has one alternative option for consideration.

Option 1 – Reduce the size of the building and scale of overall development to align with current approved budget. It is estimated that this decision may delay the delivery project

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by up to two years and add design costs, construction escalation costs and permit fees. There will also be a significant amount of sunk costs for the current design which will not add value to the project. This option is not recommended since decreasing square footage of the facility will significantly impact the programming for the building and approved vision for the project to deliver a 450 seat theatre.

The option of cancelling the project is not recommended since this is a Council-Approved Project with benefits and priority to the Community and the City.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Not applicable.