

### REPROT FROM THE SPECIAL PROJECTS MANAGER

#### DESCRIPTION

Re: Downtown Arts Centre scope of work options

#### RECOMMENDATION

**That** the report from the from the Special Projects Manager re downtown arts centre scope of work be received

**And that** Council approve option 3 in the report to pursue the scope of renovations to accommodate a museum space, performing arts space and art studio spaces at an upset cost of \$3.6M (less any grants applicable) to be taken from the insurance recovery funds in reserve.

## **BACKGROUND**

Originally, the Downtown Arts Centre was envisioned to be an adjunct facility to a larger future multi-use arts hub for which funding approval was pending, and its design reflected this planned supplementary status. More specifically, the original design concept planned for relatively minimal modifications with a large single multi-use room for artist workshops in the western half of the main floor, a theatre space on the eastern half of the main floor and a combination of rooms inhabiting the existing floor space of the second floor of the building. Little to no improvement to the base building envelope was planned, leaving a minimally insulated property and largely the existing façade. There was no space whatsoever for the museum.

## **ANALYSIS**

### ***Facility Overview***

The proposed Downtown Arts Centre location is 16 Elizabeth Walk, the former site of the Reel 2 Reel movie theatre. The footprint of the building on site extends to the extents of the property, and the City of Elliot Lake currently owns and maintains the site.

The location is directly adjacent to street parking on Elizabeth Walk and Ontario Ave, and within walking distance of municipal parking lots at Elizabeth Square, Columbia Walk, and Anne Walk. These areas provide approximately 220 municipal parking spaces. Additionally, parking is currently available at 151 Ontario St.

### ***Funding***

Since the time when original budgeting was done for the project, market costing for construction has risen an estimated 35% due mostly to project backlogs and supply chain issues triggered by the pandemic. Where the initial funding plan for the project involved securing a \$750,000.00 contribution from FedNor paired with a \$391,250.00 contribution from the City, escalating costs would see the City investing significantly more.

### ***Scope of Work***

Staff engaged with the prospective tenants of the space through May and June of this year in order to confirm project requirements and to finalize the design. This process uncovered the implications of the post-pandemic construction cost increases. City staff found itself instructing the design team to make awkward design decisions that compromised the utility of the facility in order to try to meet the initial budget. Moreover, the total project cost for the initial concept has escalated to the point where staff was questioning whether or not there is value for money represented by the final product, and whether or not additional investment in the property made sense in order to ensure that the City asset was usable, maintainable and sustainable into the future.

Additionally, further discussion with the arts groups revealed that the initially planned minimal renovation would not meet the facility needs of the various art disciplines slated to inhabit the space. To be clear, the Arts Club has been forthright in articulating their base needs for operation and have been quite willing to be flexible in order to find budget conscious solutions to issues. However, these base needs include having separated spaces for each discipline to prevent cross contamination of

materials while art works are in progress, to provide adequate working space, a sane way to store materials as well as to provide a way to house requisite equipment.

Through this process, staff coordinated changes in scope with the preliminary design team lead by MET Energy Systems, who also have provided budget construction cost estimates and energy cost estimates. This increase in scope has contributed to increased costs for the project.

Class C budget reports obtained from MET Energy Systems are attached to this report for council's review, along with corresponding floor sketches and an example proposed street-side elevation sketch. While these estimates have been prepared with the benefit of knowledge of current local construction costs, council is encouraged by staff to consider that the construction market is currently volatile and that the true cost of the project will be known only after the tender process.

### ***Structural Review***

Structural engineers confirmed the salvaged HVAC units were safe to install on the roof. Given the scale of proposed work, staff commissioned a full structural review and assessment of the building that was performed by Tulloch Engineering. The review identified some recommended modest repairs to the building but there are no major deficiencies that would present imminent life safety or other serious issues with the building. The report is attached to this report for council's review. Staff requested that the design team engaged in the project provide budget pricing for the repairs as detailed in the report, and recommends to council that these repairs be conducted concurrently with whatever renovation takes place to the building. These repair budget figures are incorporated into the project cost estimates offered to council below.

### ***Renovation Options***

The remainder of this report presents three scope of work options for council to consider, direction is needed. The approved FedNor funding of \$750,000.00 has a requirement that the project be realized by March 31, 2023, so available project timelines provide limited time for completion. The FedNor representative assigned to this file has expressed concern over the available remaining time, and has indicated that funds will have to be reallocated if the project does not move forward in a significant way in the very near future.

Staff acknowledges that all three options that are presented below represent facilities that are compromised in functionality when compared to the Lester B. Pearson Civic Centre (Civic Centre) that was lost to collapse in 2019. Specifically, all three options house a performance theatre space of 130 seats plus provisions for barrier-free /adaptable seating, which is significantly less than the capacity that was offered by the Civic Centre (max 364). The seating available at the larger Collins Hall mitigates this capacity limitation, when configured as a performance venue.

Similarly, the existing available floor space in the former Reel 2 Reel location is not sufficient to accommodate the needs of the uses of the various spaces located at the former Pearson Centre. As such, Options 1 and 2 listed below would require an adjunct secondary facility (ie museum or art studio spaces) to provide this functionality. Option 3 requires further renovation to the Reel 2 Reel building in order to provide additional floor space (to secure space for museum, studio space and 130 seat performing arts section).

## Option 1 – Combination Artist Workshop and Theatre Facility

### Description

Western portion of existing Reel 2 Reel theatre space to have a level floor installed to be occupied by artist workshops. Eastern portion of remaining floor to have sloped floor modified to accommodate current building codes for the use of a performance / presentation theatre space. Washroom facilities upgraded to reflect use and current building code. Barrier-free access to second floor provided by person-lift/elevator. Existing second floor levelled to house artist workshops, model train club clubhouse and storage.

Item	Value	Notes
<b>Construction Costs</b>		
Anticipated Cost of Construction:	2,576,325.00	See Attached Estimate
Structural Report Building Repairs:	165,950.00	See Attached Estimate
	<b>\$2,742,275.00</b>	
<b>Funding Breakdown</b>		
FedNor Funding:	- 750,000.00	
City of Elliot Lake Funding:	<b>\$1,992,275.00</b>	
<b>Financing Option</b>		
Annual Payment for Financing:	<b>\$146,465.00</b>	20-Year Amortized Loan from Infrastructure Ontario at 4.03%
<b>Operational Costs</b>		
Anticipated Annual Operations Cost:	39,900.00	Revised Energy Estimate
	+ 21,500.00	1 Part Time Staff Cleaner / Facilities Support Person
	+ 3,000.00	Annual Electricity Use of Kilns
	<b>\$64,400.00</b>	
<b>Impact on City Budget (Financed)</b>		
Financing Costs:	146,465.00	From Above
Operational Costs:	64,400.00	From Above
Known Revenues:	- 11,640.00	From Tenant Rents
Currently Budgeted:	- 20,600.00	Currently Budgeted for Maintenance
	<b>\$178,625.00</b>	
Increase in Levy Percentage:	<b>1.36%</b>	
<b>Impact on City Budget (Self-Funded)</b>		
Operational Costs:	64,400.00	From Above
Known Revenues:	- 11,640.00	From Tenant Rents
Currently Budgeted:	- 20,600.00	Currently Budgeted for Maintenance
	<b>\$32,160.00</b>	
Increase in Levy Percentage:	<b>0.24%</b>	

## Option 2 – Combination Museum and Theatre Facility

### Description

Western portion of existing Reel 2 Reel theatre space to have a level floor installed to be occupied by a museum space. Eastern portion of remaining floor to have sloped floor modified to accommodate current building codes for the use of a performance / presentation theatre space. Washroom facilities upgraded to reflect use and current building code. Existing second floor left un-renovated, removing elevator requirement and easing washroom facility requirements.

Item	Value	Notes
<b>Construction Costs</b>		
Anticipated Cost of Construction:	1,854,625.00	See Attached Estimate
Structural Report Building Repairs:	165,950.00	See Attached Estimate
	<b>\$2,020,575.00</b>	
<b>Funding Breakdown</b>		
FedNor Funding:	- 750,000.00	
City of Elliot Lake Funding:	<b>\$1,270,575.00</b>	
<b>Financing Option</b>		
Annual Payment for Financing:	<b>\$93,408.00</b>	20-Year Amortized Loan from Infrastructure Ontario at 4.03%
<b>Operational Costs</b>		
Anticipated Annual Operations Cost:	39,900.00	Revised Energy Estimate
	+ 21,500.00	1 Part Time Staff Cleaner / Facilities Support Person
	<b>\$61,400.00</b>	
<b>Impact on City Budget (Financed)</b>		
Financing Costs:	93,408.00	From Above
Operational Costs:	64,400.00	From Above
Known Revenues:	- 11,640.00	From Tenant Rents
Currently Budgeted:	- 20,600.00	Currently Budgeted for Maintenance
	<b>\$125,568.00</b>	
Increase in Levy Percentage:	<b>0.95%</b>	
<b>Impact on City Budget (Self-Funded)</b>		
Operational Costs:	61,400.00	From Above
Known Revenues:	- 11,640.00	From Tenant Rents
Currently Budgeted:	- 20,600.00	Currently Budgeted for Maintenance
	<b>\$29,160.00</b>	
Increase in Levy Percentage:	<b>0.22%</b>	

### Option 3 – Combination Artist Workshop, Museum and Theatre Facility

#### Description

Western portion of existing Reel 2 Reel theatre space to have a level floor installed to be occupied by a museum space. Eastern portion of remaining floor to have sloped floor modified to accommodate current building codes for the use of a performance / presentation theatre space. Washroom facilities upgraded to reflect use and current building code. Barrier-free access to second floor provided by person-lift/elevator. Existing second floor levelled to house artist workshops and model train club clubhouse. New second floor added above underlying museum space on eastern half of existing Reel 2 Reel theatre to house artist workshops.

Item	Value	Notes
<b>Construction Costs</b>		
Anticipated Cost of Construction:	3,602,105.00	See Attached Estimate
Structural Report Building Repairs:	-	Included in Above
	<b>\$3,602,105.00</b>	
<b>Funding Breakdown</b>		
FedNor Funding:	- 750,000.00	
City of Elliot Lake Funding:	<b>\$2,852,105.00</b>	
<b>Financing Option</b>		
Annual Payment for Financing:	<b>\$209,677.00</b>	20-Year Amortized Loan from Infrastructure Ontario at 4.03%
<b>Operational Costs</b>		
Anticipated Annual Operations Cost:	45,850.00	Revised Energy Estimate
	+ 21,500.00	1 Part Time Staff Cleaner / Facilities Support Person
	+ 3,000.00	Annual Electricity Use of Kilns
	<b>\$70,350.00</b>	
<b>Impact on City Budget (Financed)</b>		
Financing Costs:	209,677.00	From Above
Operational Costs:	70,350.00	From Above
Known Revenues:	- 11,640.00	From Tenant Rents
Currently Budgeted:	- 20,600.00	Currently Budgeted for Maintenance
	<b>\$247,787.00</b>	
Increase in Levy Percentage:	<b>1.88%</b>	
<b>Impact on City Budget (Self-Funded)</b>		
Operational Costs:	70,350.00	From Above
Known Revenues:	- 11,640.00	From Tenant Rents
Currently Budgeted:	- 20,600.00	Currently Budgeted for Maintenance
	<b>\$38,110.00</b>	
Increase in Levy Percentage:	<b>0.29%</b>	

## **FINANCIAL IMPACT**

### ***Financing Options***

Currently, there is a \$4,088,706.90 reserve held by the City made up of funds paid out on the insurance claim associated with the loss at the Civic Centre. All of the construction budgets offered for consideration by council in this report fall within the amount of the available funds in that reserve.

For illustration and context, staff has provided the annual payment required to finance the City of Elliot Lake's funding for each construction scope option. This hypothetical annual payment amount is based upon Infrastructure Ontario's current rate of 4.03% for a 20 year amortized loan.

### ***Operational Costs***

Staff asked MET Energy Systems to provide an estimated operational utility cost for the facility for each of the options based on both the existing base building insulation / configuration as well as based on what could be expected post renovation including some energy upgrades that have been included in the cost budgeting. Those reports are attached to this report for council's review. Staff encourages council to treat these estimates as only a representative estimate, as current energy use in the building is quite high for what amounts to a minimal amount of heating in winter and no cooling in the summer. The hope is that the energy consumption measures taken during the renovation will curb this use, but there is a substantial disparity between what staff would expect to see used for energy based on current use and the estimates offered in this report that are largely based on typical usage.

In Options 1 and 3, staff has made an estimate of the cost to operate the existing kilns owned by the Arts Club using guidance from an industry calculator and based on the club's typical usage of the kilns.

To arrive at a representational operations cost, staff has also included anticipated wage costs for 1 part time worker for janitorial and facilities support. Again, staff encourages council to treat this figure as representative of what costs may be incurred rather than a statement of what will be incurred because the particulars of programming, use, and the level of support required to operate the facility is not fully apparent. For instance, it is doubtful that the full allocation of a part time worker will be required to run the facility, but some combination of work for reception, administration, cleaning etc. will be required and the particular costs of this will be dependent upon use. As well, cleaning materials would be required at some cost. However staff feels that the stated budget for labour could encompass these costs as well, and given what is known at this time, the presented estimate most fairly represents the total cost that will be incurred.

### ***Facility Revenues***

Staff understands the intent of council to be to support the past tenants of the Civic Centre through offering them rental rates at or near levels that were being paid at that facility, and understands those tenants to be ELATE, The Elliot Lake Arts Club and The Elliot Lake Model Railroad Club.

Of those tenants, ELATE has informed staff that they do not intend to rent space from the facility on an ongoing basis, and would prefer to rent the theatre space on a per use basis. No business model or per use fee for use is offered to council for consideration in this report, but staff recommends that one be generated in the future, and suggests that scaled fees in line with what is charged for performance at Collins Hall are likely appropriate.

The Elliot Lake Model Railroad Club has traditionally paid \$220.00 per month / \$2,640.00 per year in rent for the facilities at the Pearson Centre, and have informed staff that they are not able to sustain an increase in rent at the new facility.

The Elliot Lake Arts Club has traditionally paid \$528.84 per month / \$6,346.08 per year in rent for the facilities at the Civic Centre, and has informed staff that they would be able to sustain rent as high as \$750 per month / \$9,000.00 per year at the new facility in order to increase its viability.

At present, the known offsetting revenue for the operation of the facility is at most \$11,640.00. However, staff is of the opinion that there is opportunity to increase these revenues to some degree through user fees for the theatre space, and through putting the theatre space to use in order to show movies. Staff recommends that it prepare a comprehensive business plan to support these revenue streams should council have an appetite to pursue them.

### ***Impact on Future Budgets***

Staff would like to note that any financing costs discussed thus far are not represented in the current City budgeting, and the operational expenses discussed above are not represented to the scale required to operate a running facility. These ongoing costs would largely be considered to be unbudgeted and unfunded additional expenses to City operations.

Proposed annual payment amounts for financing range from \$93,408.00 to \$209,677.00.

At present, the City budgets \$20,600.00 per year to maintain the vacant Reel 2 Reel property, where proposed expenses for the three options presented in this report range from \$61,400.00 to \$70,350.00 per year. These expenses are also offset by the anticipated \$11,640.00 in known revenues mentioned above.

## **LINKS TO STRATEGIC PLAN**

Regardless of the option selected, addressing arts and cultural spaces lost from the Civic Centre collapse supports the following strategic goals:

- Strategic, vibrant, relevant museum for the future
- Cultivate appreciation of arts & culture through accessible programming, arts & cultural facilities & entertainment for all
- Further develop relationships with diverse arts & culture organizations
- Maintain and improve arts & cultural facilities

## **SUMMARY**

Staff recommends renovating the property at 16 Elizabeth Walk according to the specifications outlined in Option 3 in order to provide an economical way to house associated users on a known, relatively short timeframe.

While a compromise compared to what was on offer at the Civic Centre, developed in this way the facility would accommodate the needs of its users indefinitely through the combined use with Collins Hall for larger performances and gatherings.



Housing the user groups and the museum in a single facility would serve to minimize ongoing operation costs compared to maintaining facilities. This arrangement would allow the operation of the museum as well as user fees and/or possible movie revenues from the theatre to help to support the ongoing activities of the other arts and culture groups in a mostly passive way.

Option 3 is able to be funded with the existing resources of the City through the monies held in reserve from the insurance settlement arising from the Civic Centre loss, with sufficient excess in that fund to accommodate unforeseen project overages and to provide residual resources to continue to seek funding for larger scale Arts and Culture spaces if deemed warranted by Council.

While these existing reserves allows the City to self-fund the project, staff recommends that council allocate a recurring annual contribution of \$210,000.00 to replenish these reserves so that the City is better positioned to seek funding for future arts initiatives as well as to refurbish this facility as it ages. Time sensitive, supplementary funding approval is in-hand from FedNor for this project. Clear direction is needed in the near future.