



Staff Report for Special Council Meeting

Date of Meeting: February 22, 2017

Report Number: SRCAO.17.01

Department: Office of the Chief Administrative Officer

Division: Office of Strategic Initiatives

**Subject: Civic Precinct Project – Timing, Governance Structure,
Staffing and Resources Business Case and Financial Plan**

Purpose:

The purpose of this report is to provide Council with requested information on, and to seek approval of, a financial plan and governance structure for the Civic Precinct Project, along with a business case outlining the staff and resource requirements for the project.

Recommendation(s):

- a) That the financial plan for the Civic Precinct Project, outlined in Appendix E SRCAO.17.01 be approved;
- b) That Civic Precinct Task Force be disbanded and a Civic Precinct Project Steering Committee be struck and that the Terms of Reference attached as Appendix B to SRCAO.17.01 be approved;
- c) That the members of the Civic Precinct Task Force, being the Mayor, both Regional Councillors, and Wards 2, 4 and 5 Local Councillors, and the Chair of the Richmond Hill Public Library Board, be appointed to the Civic Precinct Project Steering Committee;
- d) That the Town Clerk be requested to undertake a recruitment process for the two citizen representatives to sit on the Civic Precinct Project Steering Committee;
- e) That the business case for staffing and external resources to support the Civic Precinct Project attached as Appendix C to SRCAO.17.01 be approved with flexibility to the Commissioner of Environment and Infrastructure Services to hire an external project management firm to serve as the project team instead of individual contract employees of the Town, with either option funded in the amount reflected in and in accordance with the financial plan;
- f) That Project Management Services, Engineering consultants and a Prime Architect be retained to initiate and design the project with funding approved in accordance with the financial plan;
- g) That Council provide direction on what option should be used to fund the unfunded portion of the project, as described in Appendix E: (one of the following):

- i. That the unfunded portion of the Civic Precinct Project be funded by a special levy starting in 2018 for 9 years until 2026, and that staff bring forward the final rate as part of the 2018 Operating Budget process; or
- ii. That the unfunded portion of the Civic Precinct Project be funded through debt financing, and that staff bring forward the final debenture need as well as the debenture By-law authorizing the issuance (both term and amount) prior to the last Council meeting in July 2017 for approval to meet the York Region's timing for debenture issuances.

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Submitted by:

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Approved by:

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Neil Garbe
Chief Administrative Officer

Background:

The Civic Precinct Project, also known as People Place Richmond Hill, has been a community engagement and corporate planning initiative designed to explore what the community wants on the Town owned lands at the southwest corner of Yonge Street and Major Mackenzie Drive. The Civic Precinct is an area in Downtown Richmond Hill that has been recognized for its potential to be an important symbolic and functional space in the centre of Town.

At a special meeting of September 7, 2016, Council approved the following resolution:

- a) That the Civic Precinct Project be approved as a Town capital project;
- b) That the Traditional model for capital project delivery be used for the Civic Precinct Project;
- c) That the Central Library expansion be included as part of the Civic Precinct Project;
- d) That the governance structure and timing for the Civic Precinct Project be prepared and forwarded to Council in 2017;
- e) That a draft financial plan be prepared on the basis of funding in the amount of 50%, 75% and 100% from the Community Enhancement and Economic Vitality Reserve Fund.

At a subsequent special meeting on September 20, 2016 to discuss the 2017 Capital Budget and Ten Year Capital Forecast, Council approved the following resolution:

- a) That staff be directed to prepare the Civic Precinct financial plan based on funding of 100% from the Community Enhancement and Economic Vitality Reserve Fund;
- b) That staff be directed to investigate partnership opportunities for the Civic Precinct Project.

This report provides the requested information and seeks approval of a number of items in order for the project to move forward:

- A proposed project timeline;
- The creation of a steering committee and the establishment of its membership to be engaged in the project and make recommendations to Council as needed;
- The hiring of staff and external expertise necessary to undertake the project;
- A preliminary discussion of partnership opportunities related to lease/tenancy options;
- A financial plan for funding the Civic Precinct Project.

References to the Civic Precinct Project in this report include the expansion of the Central Library as per Council's September 7, 2016 direction that it be undertaken as part of this project. The Library Board is currently undertaking a feasibility study to determine how the Central Library can be expanded and the associated Class D estimate for this work. For the purpose of this report, the estimated cost for the library expansion is taken from the Library Facilities Master Plan (2013) and has been indexed.

Proposed Civic Precinct Project Timing

With confirmation of the project delivery model as the traditional approach for capital projects by Council in September 2016, staff have prepared a proposed timeline for the project, attached as Appendix A. The estimated total duration of the project is 9 years (lengthened from the previous estimate of 8 years based on anticipated timing of hiring of the Project Team). The timing of milestones and the duration of phases is based on past experience with capital projects as well as estimations based on what is already known about this specific project, such as high level sub-surface conditions and project scope that is based on the concept plan. While circumstances may alter the timeline as the project progresses through design and due to industry conditions, it is this proposed timeline that staff have used as the foundation of the proposed financial plan (in the following section) as well as forecasting staffing and resource requirements.

Civic Precinct Governance Structure

The day to day management of the Civic Precinct Project will be undertaken by the staff team that reports into the Environment and Infrastructure Services Department under the direction of the Commissioner as outlined in the aforementioned business case. This new team of Civic Precinct staff will provide for participation in the development, design and construction of the Civic Precinct from stakeholders, and to continue with the community consultation that has already taken place as part of the development of the Civic Precinct Concept Plan. The Civic Precinct project team will report through a Civic Precinct Project Steering Committee to be struck.

With the Civic Precinct Task Force already in place, staff are proposing that members of this Task Force continue and constitute as a project steering committee consistent with the model used by the Town for other major capital projects, such as for the Richmond Hill Centre for the Performing Arts and the Oak Ridges Community Centre and Park. This report proposes that members of the Civic Precinct Task Force carry on as members of the Civic Precinct Steering Committee, along with the addition the Chair of the Library Board (as the Central Library expansion is part of the project) and two citizen members to continue the community engagement efforts that began with the extensive visioning workshops, charrettes and community events as far back as 2012. The recruitment and inclusion of citizen members on the steering committee also follows the model used by the Theatre and Oak Ridges Community Centre and Park Steering Committees.

The Terms of Reference for the Civic Precinct Project Steering Committee are attached for Council's approval as Appendix B.

Staffing and External Resource Requirements for the Civic Precinct

A business case for the required staffing and external expertise for the Civic Precinct Project is contained in Appendix C of this report. It is proposed that the Civic Precinct Project will be coordinated by a team of staff on contract for the duration of the project, led by a Director who will report to the Commissioner, Environment and Infrastructure Services. Due to the size and scope of the project, staff are proposing that the Director

will be supported by 2 Project Managers, a Procurement Management Advisor, a Financial Analyst and an Administrative Assistant.

The first step in the process will be to hire the Director, Civic Precinct who will then review the framework of the proposed staffing resources noted in the business case and hire, within budget, the balance of the project team. The Director will be given the opportunity to review the staffing model approach proposed within the business case and afforded the flexibility to adjust the staffing model to manage the project.

As reflected in the recommendations of this report, and in order to meet project milestones, staff are requesting that approval to hire the necessary staffing allow for flexibility to hire an external project management team in place of the internal staff team, through a firm specializing in large capital projects. The external staff team would champion the project, provide strategic direction and technical expertise supplemental with traditional project management services consistent with other large projects. This approach would seamlessly continue the proposed model of internal and external services. Further it would provide more certainty in staff retention and project continuity in the event of staff turnover during the life of the project.

The business case also describes the necessary support from external experts to ensure successful completion of the project. These include IT, Communications and Planning consultants, as well as external legal support and Audit Services.

The total estimated cost for staffing and external expertise for the Civic Precinct Project is \$10,145,400. Council approval is required to fund this cost and proceed with hiring the staff in order to deliver the Civic Precinct Project within the timeline presented in this report. The associated costing for this team, reflected in Appendix C is not included in the project estimate provided by Altus.

Additional external resources to develop the Civic Precinct include the retention of the Prime Project Architect who will develop the Civic Precinct Project concept plan through design development, tender drawings, specifications and construction site developments. The total estimated cost for the Prime Project Architect is incorporated in the Financial Plan and is part of the total overall Class D estimate.

Partnership Opportunities – Leased Space

As part of the September 20, 2016 Council resolution, staff were directed to investigate partnership opportunities, specifically related to leasing strategies with other public agencies to maximize the value of Town-owned assets at the Civic Precinct.

Based on concept plan and preliminary accommodation modeling, it is anticipated that approximately 14,000 square feet of space or approximately 10% of the office space will be unoccupied from 2026 to 2032. The space will not likely be available as a 14,000 sq. ft. block, but rather throughout the building in smaller blocks to accommodate future growth space for various departments.

The Town has held informal discussions with potential tenants and while there is interest, more formal discussions can't take place until further work is done on the building program for the Civic Precinct to determine the nature and location of the

occupied space in order to determine suitability. This level of detail will not be available until the project proceeds through project development and is expected in 2019. Staff will continue to pursue opportunities and the feasibility of leasing space in the Civic Precinct as the project develops.

Financial/Staffing/Other Implications:

Proposed Financial Plan for the Civic Precinct Project

Civic Precinct costs to date are shown in Appendix D.

Financial Implications

The total costs of the Civic Precinct Project are estimated at \$200,662,400 (2016 Class D Estimate), including the Central Library expansion.

The cost estimate for the Civic Precinct is a Class D cost estimate. A Class D cost estimate is a high level order of magnitude cost estimate and is used for early stage project identification/development and to determine feasibility. As such, it can vary by +/- 25%. As additional information becomes available during the design phase (market conditions, drawings etc.) estimates will be revisited to determine more detailed cost estimates.

The chart below provides a summary of current known costs for the project (2016 dollars).

Item	Cost Estimate (2016)
Project Hard Costs	
Construction (includes contingency)	\$149,283,000
Project Soft Costs	
Architect/Special Consultant Fees	\$19,611,000
Other soft costs including furniture, equipment, audio-visual equipment, signage, utilities, moving costs	\$12,110,000
Design Development Contingency	\$3,172,000
Allowance for HST at 1.76%	\$3,241,000
Sub-total	\$187,417,000
Other Costs	
Due diligence studies	\$550,000
Staffing and external resources	\$10,145,400
IT capital	\$2,550,000
Total Project Estimate	\$200,662,400

Of the \$200,662,400 total project costs, \$10,763,000 has been approved to date for the pre-design phase (2016 Capital Budget \$4,262,000 and 2017 Capital Budget \$6,501,000). See Appendix D for details.

For a project of this magnitude and complexity, the appropriate approach and resources must be in place to support its successful completion. In order to maintain fiscal responsibility, it is critical to remain true to the Town’s financial principles of:

- Thorough short and long term planning;
- Prudent consideration of reserves; and
- Leverage on available funding sources.

Although the values have been presented in 2016 dollars, a more accurate estimate factors in the timeline and annual inflation projections. Over the 9 year life of the project the cost is estimated to be \$233,454,600 factoring in inflation at 2% per annum and the anticipated timing of various project work.

Staff identified available funding sources for the Civic Precinct Project of approximately \$171.4 million, eligible to be funded through a combination of external and internal funding sources, escalated to \$188.2 million as described in the chart below.

Total Costs	\$233,454,600
Available Funding	
Development Charges	\$53,458,600
Cash-in-lieu of Parkland	\$1,122,700
Section 37 - Community Benefits	\$313,400
Federal Gas Tax	\$16,983,000
Sale of Assets	\$31,000,000
Reserve Funds:	
Community Enhancement & Economic Vitality Reserve Fund	\$65,200,000
Repair & Replacement Reserve Funds	\$11,397,900
Property Divestiture and Acquisition Reserve Fund	\$5,941,700
Non-growth Reserve Fund	\$2,785,900
Total Available Funding	\$188,203,300
Unfunded Costs	\$45,251,300

Based on the anticipating timing of various project work and cash-flow, the resulting unfunded costs will increase to \$45,251,300 as a result of the escalated project costs.

There are two primary options available to finance the unfunded project balance including a special levy or debt.

The chart below summarizes the potential dollar impact to each resident and business, of financing the unfunded project costs of \$45,251,300 (escalated \$) under the two options.

	Estimated Tax Rate Impact
Option One: Special levy	Starting in 2018, for 9 years until 2026
Per total tax share (per year)	\$64.93 (residential) \$183.41 (non-residential)
Option Two: Debt financing	Acquiring debt in 2017, repayment starting 2018
25 year	\$39.98 (residential) \$112.93 (non-residential)

Details of the Civic Precinct Financial Plan are found in Appendix E.

Council will need to approve the funding option most appropriate for the unfunded portion of the Civic Precinct Project.

Staffing and Resource Implications

There are two groups of staffing and resource implications identified in this report:

- Contract staffing for the duration of the project, as well as funding for external expertise for business areas where there is no additional capacity to accommodate Civic Precinct Project work, or where specialized services are needed. Estimated cost for this is \$10,145,400 with details outlined in Appendix C and requires that funding be allocated.
- Resources to retain the services of an external Project Management Firm and a Prime Project Architect to assist with the management of this significant capital project and the process from concept plan to tender documents and construction. Estimated costs for these services are \$19,611,000, with additional details included in Appendix C.

These resources are critical to moving forward with the Civic Precinct Project in the timeline contemplated in this report. Should Council approve the recommendations in this report, staff are ready to begin recruitment of the Project Director immediately.

Relationship to the Strategic Plan:

Planning for the Civic Precinct Project and how best it can be funded is a clear example of how the Town is meeting Goal One – Stronger Connections in Richmond Hill, specifically creating “opportunities and places for people to connect and get involved” as well as Goal Three – A More Vibrant Richmond Hill by creating “a sense of identity and place.” Examining the approach, timing and resources needed for the Civic Precinct

Project and considering this project in the context of other Town priorities supports Goal Four – Wise Management of Resources.

Conclusion:

With Council approval of the Civic Precinct Project in September 2016, this report sets out the timing, governance, required staff and external resources and a financial plan for the project.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call contact person listed in this document.

- Appendix A: Civic Precinct Project Timeline
- Appendix B: Terms of Reference – Civic Precinct Project Steering Committee
- Appendix C: Business Case – Staffing for the Civic Precinct Project (6 positions and external expertise)
- Appendix D: Civic Precinct Project Costs to Date
- Appendix E: Financial Plan for the Civic Precinct Project

Appendix A: Civic Precinct Project Timeline

(Assumes that the project/financial plan is approved by Council in February 2017, along with authorization and funding to hire staff team).

Project Phase	Activities	Time Estimate
1A. Internal Staffing	<ul style="list-style-type: none"> -Retain internal project management staff <ul style="list-style-type: none"> - Project Director - Project Manager/other staff 	<p>Apr 1, 2017 to Aug 1, 2017</p> <p>Aug 1, 2017 to Feb 1, 2018</p> <p>(10 months)</p>
1A. External Staffing	<ul style="list-style-type: none"> -Retain external project management services -Retain Project Architect 	<p>Nov 1, 2017 to May 1, 2018</p> <p>May 1/18 to Nov 1/18</p> <p>(12 months)</p>
1B. Pre-design/ pre-planning	<ul style="list-style-type: none"> -Develop functional program for site and building 	<p>Nov 1/18 to July 1/19</p> <p>(8 months)</p>
2. Design	<ul style="list-style-type: none"> -Undertake geotechnical and hydrogeological testing -Develop design alternatives for building and site -Update Class D Cost Estimate -Develop schematic design -Further develop design -Develop Class C,B,A Cost Estimates -Obtain committee of adjustment and site plan approvals, tree removal permit and building permit approvals -Develop contract documents -Update Financial Plan 	<p>July 1, 2019 to April 1, 2022</p> <p>(33 months)</p>
3. Construction Tender	<ul style="list-style-type: none"> -Pre-qualify contractors -Tender -Award 	<p>April 1, 2022 to Feb 1, 2023</p> <p>(10 months)</p>
4. Construction	<ul style="list-style-type: none"> -Building and site construction -Develop commissioning plan -Develop operational readiness plan 	<p>Feb 1, 2023 to Feb 1, 2026</p> <p>(36 months)</p>
5. Operational Readiness/ Implementation	<ul style="list-style-type: none"> -Ensure building and site ready for occupancy, operation and maintenance. -Move and occupancy of building and site 	<p>Feb 1, 2026 to April 1, 2026</p> <p>(2 months)</p>

Appendix B: Terms of Reference – Civic Precinct Project Steering Committee

Town of Richmond Hill Civic Precinct Project Steering Committee Terms of Reference

Name

This committee shall be known as the Civic Precinct Project Steering Committee (the “Committee”).

Purpose

The purpose of the Committee shall be to review and provide advice with respect to the development, design and construction of the Civic Precinct.

Mandate

The mandate of the Committee is to make recommendations to Council on the implementation of the visioning and concept plan developed through the work of the Civic Precinct Task Force (now discontinued) through the development, design and construction of the Civic Precinct on the southwest corner of Yonge Street and Major Mackenzie Drive.

Delegated Authority

The Committee is an advisory committee to Council and does not have any delegated authority.

The Committee has no authority to direct staff and any recommendations requiring implementation, reports or staff actions must first be considered by Council before any action by staff may be taken.

Committee Composition

The membership of the Committee will be comprised of:

- The Mayor;
- 2 Regional Councillors;
- Ward 2, 4 and 5 Local Councillors
- 2 community representatives
- Chair of the Public Library Board

Additional Councillors may be appointed to the Committee from time to time by Council. Only the members of the Committee may vote on any issue.

Subcommittees

The Committee may establish subcommittees, as needed, to consider specific issues. Subcommittees are not required to be approved by Council. Subcommittees are responsible for the preparation of their own agendas and minutes as required and making their own arrangements for meeting locations. Only members of the Committee may be members of any subcommittee.

Term of Office

All members of the Committee will hold office for a term coincident with the term of Council, with the exception of the citizen members, who will hold office for the term of the project.

Lead Department/Reporting Relationship

The Committee will be supported by the Civic Precinct Project Team, a staff group reporting to the Commissioner, Environment and Infrastructure Services. From time to time staff from other departments may provide support to the Committee, especially in relation to the building program. This includes the Chief Executive Officer of Richmond Hill Public Library with respect to the portion of the project that impacts the Central Library and deals with its expansion.

Any staff attending meetings of the Committee are not members of the Committee.

Administration of the Committee

The Committee will elect a Chairperson and Vice-Chairperson at its first meeting. The Committee may appoint any other officers as it deems necessary.

Members of the Committee will serve without remuneration other than reimbursement of expenses approved by the Committee and incurred in the performance of their duties.

Save and except as set out in these Terms of Reference, the rules of procedure for Special Committees as set out in the Procedure By-law #74-12, as amended, shall apply to the Committee. In the case of any conflict between these Terms of Reference and such rules of procedure, the Terms of Reference shall take precedence.

Quorum/Meeting Prerequisites

Quorum shall be a majority of the members of the Committee.

Meeting Schedule

The Committee will meet regularly with the specific dates and times for meetings to be determined by the Committee in consultation with the Commissioner, Environment and Infrastructure Services. Additional meetings may be called by the Chairperson. The Chairperson can cancel any meeting.

Meetings of the Committee shall not conflict with regular meetings of Committee of the Whole and regular meetings of Council.

Committee members are expected to attend all regularly scheduled meetings. In the event a member is unable to attend a meeting, the member must contact and advise the Chairperson and the Office of the Clerk in advance. If a member other than the Mayor has been absent for three consecutive regularly scheduled meetings and has failed to advise the Chairperson in advance, the member shall be deemed to have abandoned his or her appointment and the office shall be considered vacant.

Staff Resources

Secretariat assistance to the Committee will be provided by the Office of the Clerk. The Commissioner of Environment and Infrastructure Services or his/her designate must be present at all Committee meetings.

Miscellaneous

Unless otherwise directed by Council, the minutes of all Committee meetings will be presented to Council for adoption and approval of any recommendations.

These Terms of Reference for the Civic Precinct Project Steering Committee are established by Council and can only be altered by Council.

Date of Adoption by Council:

Date of Amendment:

Appendix C: Business Case – Staffing for the Civic Precinct Project (6 positions and external expertise)

BUSINESS CASE – STAFFING FOR THE CIVIC PRECINCT PROJECT

6 Positions and External Resources

Overview

The Civic Precinct Project is the largest capital project ever undertaken by the Town of Richmond Hill, in terms of cost, but also length of time and resources. The project will need a group of dedicated staff and expert resources specifically for this project as there is no capacity to undertake this project with the current staff resources. This business case sets out the additional staffing and resources required in order to successfully deliver on a project of this magnitude and scope.

The proposed approach and timing of the Civic Precinct Project using the Design-Bid-Build (DBB) Model contemplates a number of staffing resources over the span of the project to support delivery of the development of the Civic Precinct. This is due to the size, complexity and lack of current staff resources for this project.

Program Description

The first step in the process will be to hire the Director, Civic Precinct Project. Once this position is in place, the Director will review the overall staffing approach presented in the Business Case and work within the budget to determine and validate the project staffing model presented. It is the staff's recommendation that the Director needs to participate in the selecting of the project team and the project delivery approach to determine the specific and detailed staffing resources necessary to implement the Civic Precinct Project. The business case provides the framework for the project delivery that may be modified and altered by the Director, or replaced by the hiring of an external project management firm if determined to be the best course of action by the Commissioner of Environment and Infrastructure Services, in order to successfully deliver the project.

This team will add their industry experience in project management with similar large projects and they will guide, assist and coordinate the terms of reference necessary to engage expert resources and assist/liaison in managing the project architects, technical support and internal stakeholders.

The final step in the development of the Project Team is to seek a Project Architect to develop the concept plan and vision into working drawings.

When the Project Architect is selected, they will use the master concept plan as their guide to develop the building size, configuration and internal working group relationships that will inspire architectural form.

Staff are recommending the following contract positions for the all or a portion (where noted) of the duration of the Civic Precinct Project, anticipated to be 9 years:

- A Director, Civic Precinct Project, to oversee the strategic management of the project and act as a champion for the project.

- Two Project Managers to oversee the day to day management of the project and provide technical expertise as the Civic Precinct project progresses through each stage, such as the development of specifications, planning design and compliance, procurement, negotiations and construction. The title of the positions may change once the Director establishes the Project Team.
- In recognition of the administrative support required for the team and in keeping with the Town's staffing practices, an Administrative Assistant to support the efficient operations of the Civic Precinct Project staff group is recommended.
- A Financial Analyst, to assist with the financial planning and analysis of the project funding, ensuring that the appropriate resources are available to the project as needed, as well as completing any financial modelling, analysis and support to the Director as the project progresses.
- A Procurement Management Advisor, to coordinate procurement activity for the project.

The Director will be reporting to the Commissioner, Environment and Infrastructure Services (EIS) whereas the Project Managers and Administrative Assistant will report to the Director. These positions will be required for the full duration of the project, with anticipated start dates ranging from April to August 2017 and continuing until April 2026. The Financial Analyst and Procurement Management Advisor will have a dual reporting structure, to the Manager, Capital and Development Financing and the Manager, Procurement, respectively, and to the Director of the Civic Precinct Project as they will provide dedicated support to the Civic Precinct Project Team.

Additional support and expertise is required though not needed for the full duration of the project, but only certain phases:

- External advisors will also be required for certain portions of the Civic Precinct Project in order to ensure that the Town's interests are protected and technical expertise is leveraged at key points to ensure project success. These include:
 - Legal review and advice on project documents, including procurement documents and contracts may be required. As this is the first time the Town will undertake such a large and complex project, staff are recommending a \$75,000 budget to hire external legal expertise. However, for this same reason, staff are not certain that this will accommodate all costs. Additional funds may be requested through Council should this be necessary.
 - Information Technology expertise to provide dedicated support to project planning and design, development of specifications and evaluation of submissions, procurement of IT assets, IT asset transition planning, deployment and migration, and configuration of the data centre and end user devices. IT staff estimate this cost as \$2,586,400.
 - Communications expertise to supplement existing Town Communication Services resources for both internal and external communication needs. Specific activities will include, but are not limited to, development of a communications strategy, update of the website and visuals, time-lapse camera and equipment and media relations. The anticipated cost is \$300,000.
 - As the Town cannot act as both a regulatory body and as the applicant, external planning support is needed in order to act as the Town's agent through the planning approvals process. The anticipated cost for this work is \$53,000.
 - In order to demonstrate transparency and accountability in this and to better understand and mitigate project risks on an ongoing basis, the largest of its kind for

Richmond Hill, staff are proposing that audit services be acquired for the duration of the project, for an estimated cost of \$200,000.

Strategic Alignment

The Civic Precinct Project represents an opportunity to achieve Goals One and Three of the Strategic Plan, specifically Stronger Connections, by creating “opportunities and places for people to connect and get involved” and A More Vibrant Richmond Hill, by creating a “sense of identity and place.” Consideration of appropriate staffing for the management, coordination and oversight of this large-scale project also addresses Goal Four of the Strategic Plan by wisely managing the Town’s resources to best achieve community goals.

Comparative Analysis

The Town has never taken on a project of this size and scope so there are no internal comparators available. For significant capital projects, though smaller in size, the Town has hired external project management firms to provide support and to supplement internal resources such as for the design and construction of the Richmond Hill Centre for the Performing Arts and the Oak Ridges Community Centre. The project management firms hired by the Town brought their broad project experience to the project delivery and became an extension of the Town’s staff resources.

York Region is currently implementing an Administrative Centre Annex which is under construction. The project includes 8 floors of office space, court and clinic space, underground and surface parking and unassigned growth space. The Region has implemented the Design-Bid-Build (DBB) model that the Town will be using for this project and they have developed an internal Annex Project Team that includes a consulting team, an in-house project team with internal stakeholders providing input.

Analysis of Alternative Approaches

There is insufficient internal capacity in the organization to manage and deliver a project of the size and scope of the Civic Precinct Project. The additional contract staffing and external resources outlined in this business case are required to ensure successful delivery of this complex project.

Cost and Benefit Analysis

Hiring project specific staff is required in order to deliver the Civic Precinct initiative. Hiring specialized expertise through contract staff and external support provides assurance that the Town is being responsible and accountable for what would be the largest capital project ever undertaken for Richmond Hill.

Total costs for the following positions, including salaries, benefits, minor capital costs, conferences and training is estimated to be \$6,935,000 (2016 dollars).

Positions	Group	Grade	Step	Required	(2017-2026) Total
Director	ADM	10	3	9 years	1,793,300
Project Manager	ADM	7	3	9 years	1,175,500
Project Manager	ADM	7	3	9 years	1,175,500
Procurement Officer	ADM	6	3	9 years	1,043,200
Financial Analyst	ADM	5	3	9 years	885,900
Administrative Assistant	ADM	3	3	9 years	713,600
Minor Capital Costs					79,000
Conferences and Training					69,000
Total Estimated Staffing, Minor Capital, Conferences and Training					6,935,000

Additional costs associated with other external expertise for legal services, information technology support, communications and the development of a functional program are estimated as follows:

Expertise	Proposed budget
Legal Services	75,000
Information Technology	2,582,400
Communications	300,000
Planning	53,000
Audit Services	200,000
Total Estimated	3,210,400

The total cost for staffing resources and external expertise outlined in this business case is \$10,145,400 (2016 dollars).

Conclusions and Recommendations

Council has elected to use the DBB model traditionally used by the Town to construct the Civic Precinct Project. A dedicated team of in-house staff and external resources are required to successfully manage this project given that there is no staffing resource capacity currently available to undertake this project.

While this project is the largest project the Town has undertaken, the expertise to project manage this type of project resides in the Environment and Infrastructure Services (EIS) Department. The dedicated team to be developed exclusively to deliver the Civic Precinct Project will report through the Commissioner of EIS. This project delivery approach will capitalize on the subject knowledge and ensure a seamless integration into the Department allowing the current Department Divisions the ability to deliver existing programs uninterrupted.

Appendix D: Civic Precinct Project Costs to Date

Description of Work	Total Cost
Town Hall Feasibility Study (2008-2009) <i>Retention of a supplier to complete the feasibility study, advertising for public consultation.</i>	\$97,134.31
Civic Precinct Project – Visioning, Costing and Concept Plan (2011-2015) <i>Public consultation, concept plan design, project cost estimation, financial planning, real estate valuation services, legal advice.</i>	\$95,432.97
Alternative Financing and Procurement – Investigation of Options (2016) <i>Work with Infrastructure Ontario and peer review from Deloitte</i>	\$50,880.00
Due Diligence Site Work (2016-2017) <i>Subsurface utility investigation, topographical survey, pre-planning geotechnical and hydrogeological reports, parking and TDMP studies)</i>	\$46,216.69
Total costs to date	\$289,663.97

Town of Richmond Hill – Special Council Meeting

Date of Meeting: February 22, 2017

Report Number: SRCAO.17.01

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Appendix E: Financial Plan for the Civic Precinct Project

Town of Richmond Hill

Civic Precinct Project Financial Plan

February 2017

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1. INTRODUCTION

The Civic Precinct Project, also known as People Place Richmond Hill, has been a community engagement and corporate planning initiative designed to explore what the community desires on the Town owned lands at the southwest corner of Yonge Street and Major Mackenzie Drive. The Civic Precinct is an area in Downtown Richmond Hill that has been recognized for its potential to be an important symbolic and functional space in the centre of Town.

The Project is comprised of a Civic Building, Underground Parking, the Central Library Expansion, Connection to the Central Library and associated amenities including Pedestrian Plazas, Children's Garden, Skating Rink/Reflecting Pool, Public Square and Amphitheatre.

2. OVERVIEW OF PROPOSED CAPITAL COST OF THE PROJECT

The Altus Group Limited was retained by the Town to undertake a cost estimate for the Civic Precinct project. This cost estimate was updated in 2016 to current dollars and is provided in their report titled "Richmond Hill Civic Precinct Class D Estimate" dated November 7, 2016.

The 2016 Class D estimate for the project is \$187,417,000. This cost estimate included construction and soft costs as well as HST. It did not include other costs such as due diligence studies, staffing and external resources, IT capital, project financing, lifecycle and maintenance, and escalation costs to the anticipated construction year.

A Class D cost estimate is a high level order of magnitude cost estimate and is used for early stage project identification/development and to determine feasibility. As such, it can vary by +/- 25%. As additional information becomes available during the design phase (market conditions, drawings etc.) estimates will be revisited to determine more detailed cost estimates.

Tables 2-1 provides a summary of hard costs for the Civic Precinct project. Table 2-2 provides a breakdown of the hard and soft costs by project component, the project estimate provides for a \$200.7 million undertaking.

Table 2-1
 Civic Precinct Project - Summary of Hard Costs (Class D Estimate)
 February 22, 2017

COMPONENT	NUMBER OF PARKING STALLS	\$ BUDGET
Underground Parking (North)	616	\$26,408,000
Civic Centre Building (Main Bldg.)		\$82,676,500
Library Addition		\$7,975,500
Site Development (Outdoor Elements)		\$6,842,820
Central Library Connection - Allowance		\$500,000
Option: Soundproofing to library		
Sub-Total - GLA (Excluding Contingencies Allowance)		\$124,402,820
Design Contingency	10.0%	\$12,440,300
Sub-Total - GLA (Excluding Contingencies Allowance)		\$136,843,120
Contingencies:		
Escalation Contingency - EXCLUDED		Separate Allowance
Construction Contingency	10.0%	\$12,440,300
Sub-Total - GLA (Excluding Contingencies Allowance)		\$149,283,420
HST		EXCLUDED
Total		\$149,283,000

Table 2-2
 Civic Precinct Project - Total Hard and Soft Costs by Project Component (Class D Estimate)
 February 22, 2017

COMPONENT	BUDGET - HARD COSTS			BUDGET - SOFT COSTS					Total	HST	Full Project Cost Total
	Site Work	Buildings	Contingency	Design Consultants	Furniture, Fixtures, Décor	General & Administration	Design Contingency	Other			
CIVIC CENTRE BUILDING											
Civic Centre Building	\$ 82,676,500	\$ 16,534,537	\$ 99,211,137	\$ 9,891,008	\$ 11,810,000	\$ 3,341,530	\$ 2,504,254		\$ 27,546,792	\$ 2,230,340	\$ 128,988,268
U/g parking (generally beneath Civic Centre, Library and square)	\$ 26,408,000	\$ 5,281,600	\$ 31,689,600	\$ 3,159,344		\$ 1,067,337	\$ 422,668		\$ 4,649,349	\$ 639,566	\$ 36,978,515
Library Addition	\$ 7,975,500	\$ 1,595,100	\$ 9,570,600	\$ 954,166		\$ 322,351	\$ 127,652		\$ 1,404,168	\$ 193,158	\$ 11,168,026
Central Library Connection	\$ 500,000	\$ 100,000	\$ 600,000	\$ 59,818		\$ 20,209	\$ 8,003		\$ 88,029	\$ 12,109	\$ 700,138
Public Square	\$ 703,915	\$ 140,783	\$ 844,698	\$ 84,213		\$ 28,450	\$ 11,266		\$ 123,930	\$ 17,048	\$ 985,676
Upper Grove	\$ 98,480	\$ 19,696	\$ 118,176	\$ 11,782		\$ 3,980	\$ 1,576		\$ 17,338	\$ 2,385	\$ 137,899
Skating Rink / Reflecting Pool	\$ 886,000	\$ 177,200	\$ 1,063,200	\$ 105,997		\$ 35,810	\$ 14,181		\$ 155,988	\$ 21,458	\$ 1,240,645
Community Kiosk	\$ 160,000	\$ 32,000	\$ 192,000	\$ 19,142		\$ 6,467	\$ 2,561		\$ 28,169	\$ 3,875	\$ 224,044
Amphitheatre	\$ 883,100	\$ 176,620	\$ 1,059,720	\$ 105,650		\$ 35,692	\$ 14,134		\$ 155,477	\$ 21,387	\$ 1,236,585
Covered Pergola / Entrance Landmarks (North Block only)	\$ 500,000	\$ 100,000	\$ 600,000	\$ 59,818		\$ 20,209	\$ 8,003		\$ 88,029	\$ 12,109	\$ 700,138
Pedestrian Plaza / Entrance Landmarks (North Block only)	\$ 1,235,040	\$ 247,008	\$ 1,482,048	\$ 147,755		\$ 49,917	\$ 19,767		\$ 217,439	\$ 29,911	\$ 1,729,398
Pedestrian Promenade / Tree Alley (North and South Block)	\$ 201,700	\$ 40,340	\$ 242,040	\$ 24,131		\$ 8,152	\$ 3,228		\$ 35,511	\$ 4,885	\$ 282,436
Pedestrian Priority Zone (North Block only)	\$ 119,000	\$ 23,800	\$ 142,800	\$ 14,237		\$ 4,810	\$ 1,905		\$ 20,951	\$ 2,882	\$ 166,633
New Drop-Off for Library Patrons	\$ 25,000	\$ 5,000	\$ 30,000	\$ 2,991		\$ 1,010	\$ 400		\$ 4,401	\$ 605	\$ 35,007
New Access Point from Major Mackenzie	\$ 23,980	\$ 4,796	\$ 28,776	\$ 2,869		\$ 969	\$ 384		\$ 4,222	\$ 581	\$ 33,579
General Grading, Demolition and Fill	\$ 367,662	\$ 73,532	\$ 441,194	\$ 43,985		\$ 14,860	\$ 5,885		\$ 64,730	\$ 8,904	\$ 514,828
Mechanical and Electrical Site Services	\$ 954,093	\$ 190,819	\$ 1,144,912	\$ 114,144		\$ 38,562	\$ 15,271		\$ 167,976	\$ 23,107	\$ 1,335,994
General Requirements and Fees	\$ 685,000	\$ 137,000	\$ 822,000	\$ 81,951		\$ 27,686	\$ 10,964		\$ 550,000	\$ 16,590	\$ 959,190
Due Diligence Studies									\$ 10,145,400	\$ -	\$ 10,145,400
Staffing and External Resources									\$ 2,550,000	\$ -	\$ 2,550,000
IT Capital									\$ -	\$ -	\$ -
Total	\$ 6,842,970	\$ 1,171,560,000	\$ 24,879,831	\$ 14,885,000	\$ 11,810,000	\$ 5,028,000	\$ 3,172,100	\$ 13,245,400	\$ 48,138,500	\$ 3,240,899	\$ 200,662,400

Other Costs

The 2016 Class D estimate for the project is \$187,417,000 for hard construction costs, other project soft costs as well as HST at 1.76%. The cost estimate included certain soft costs however did not factor in other cost items such as due diligence studies/environmental assessments prior to project commencement, staffing and external resources required during the project and IT capital upon completion and commissioning of the Civic Precinct building. These costs are estimated at \$13,245,400.

The chart below provides a summary of known costs for the Civic Precinct Project:

Item	Cost Estimate
Project Hard Costs	
Construction (includes contingency)	\$149,283,000
Project Soft Costs	
Architect/Special Consultant Fees	\$19,611,000
Other soft costs including furniture, equipment, audio-visual equipment, signage, utilities, moving costs	\$12,110,000
Design Development Contingency	\$3,172,000
Allowance for HST at 1.76%	\$3,241,000
Sub-total	\$187,417,000
Other Costs	
Due diligence studies	\$550,000
Staffing and external resources	\$10,145,400
IT capital	\$2,550,000
Total Project Estimate	\$200,662,400

Of the \$200,662,400 total project costs, \$10,763,000 has been approved to date for the pre-design phase (2016 Capital Budget \$4,262,000 and 2017 Capital Budget \$6,501,000).

Escalated Costs

The Order of Magnitude Class D estimate for the Civic Precinct Project is \$200.7 million, escalated to \$233.5 million over the life of the project due to forecasted inflation and timing of work components, factoring in inflation at 2% per annum. The Civic Precinct Project will be the Town's largest design and construction project ever undertaken and it is estimated that the project will take 9 years to complete from the retaining of internal project staff through to occupancy.

3. PROPOSED FUNDING

In 2016, staff identified possible available funding sources for the Civic Precinct Project. Approximately \$171.4 million is eligible to be funded through a combination of external funding sources and the Town's internal financial resources.

Given most of the available funding is calculated as a percentage of the total costs of the project and that these revenue sources are also indexed annually, the projected escalated funding will increase to \$188.2 million. However, there will be an impact on the unfunded portion of the project, limited to the component funded by the Community Enhancement and Economic Vitality Reserve Fund as the growth of the reserve fund has already been factored in and the anticipated funding from the sale of assets.

Funding from External Sources

Development Charges

Most of the services contemplated for this project are eligible for at least partial development charge funding. Outdoor amenities, the library connection, and the Central Library expansion are 90% funded from development charges as provided by the Development Charges Act, however there is a mandatory 10% deduction for these services that will require alternate funding.

In regard to the Civic Centre Building, the Development Charges Act does not allow the general administration component of municipal administration buildings to be financed from development charges. A significant portion (160,000 sq.ft of the 242,000 sq.ft.) of the new Civic Centre Building is replacement of the Town's present facility. Of the residual new space of 82,000 sq.ft., 50% is assumed to be for non-eligible services (ie. Council and general administration). The remaining 41,000 sq.ft. will be for resources that directly support the work of growth related projects, hence considered eligible for DC funding at 90% recovery as a result of the mandatory 10% deduction.

Based on 2016 figures, \$45.6 million will be funded by development charges which will increase to \$53.5 million as a result of escalation.

Cash-in-lieu of Parkland

The Town uses the Cash-in-lieu of Parkland Reserve Fund as a direct funding source towards the 10% mandatory deduction for development charges that relate to outdoor recreation services. Almost \$1 million will be required from this funding source to cover the non-DC eligible portion of the outdoor amenities. The funding will increase to \$1.1 million as a result of escalation.

Section 37 – Community Benefits

Community benefits have been agreed to between the Town and a developer for the development on Yonge Street south of the Civic Precinct, pursuant to Section 37 of the Planning Act. As a result, a lump sum cash payment of \$225,000 will be provided to be used toward the construction of the outdoor amphitheatre and/or other outdoor improvements proposed as part of the Town's Civic Precinct Project, or toward other community purposes or facilities in the immediate vicinity of the site, as determined by the Town in consultation with the developer. The funding will increase to \$313,400 as a result of escalation.

Federal Gas Tax

This money is provided via a Federal Gas Tax funding agreement to make funds available to municipalities. Recent changes have expanded eligible projects to include most municipal infrastructure, an opportunity for greater funding of the Town's strategic capital projects. The Town receives about \$5.4 million per year which must be spent within five years. Recognizing that the Civic Precinct Project will be constructed over several years, it is expected that \$10 million will be allocated towards the funding of the Civic Centre Building.

It has been the Town's practice to cover the additional costs associated with upgrading new Town facilities to LEED standards and other energy efficiency measures from Federal Gas Tax funds. For new facilities, this typically equates to about the 10% mandatory deduction that is not funded by development charges. A total of \$2.2 million will be funded from Federal Gas Tax towards the Central Library expansion for the 10% mandatory deduction as well as the benefit to existing development portion of the project that is not eligible for development charge funding.

Funding from Federal Gas Tax will increase to \$17.0 million as a result of escalation.

Sale of Assets

The Town's existing facility is approximately 160,000 sq.ft. and is located at Highway 7 and East Beaver Creek. The Town has had an appraisal evaluation of the building which has identified a sale value range of \$22 million and \$35.8 million. An estimate of \$28 million has been used for the funding of the Civic Precinct Project.

Staff are exploring further options to assist in the funding of the Civic Precinct Project by investigating the potential sale of other surplus Town properties. It is estimated that approximately \$3 million could be generated from the sale of potentially surplus Town properties.

Funding from the sale of assets has been maintained at \$31 million given the unpredictable nature of the real estate market, a more conservative approach with no escalation factor is used.

Funding from Town's Financial Resources

Community Enhancement and Economic Vitality Reserve Fund

In 2003, Council approved the establishment of six reserve funds from the net proceeds of the sale of Richmond Hill Hydro Inc. The Community Enhancement and Economic Vitality Reserve Fund was allocated \$40 million and was established with the purpose of providing monies for the funding of capital projects within Richmond Hill which will enhance the quality of life and/or enrich the economic vitality of the community. The reserve fund has provided funding towards significant projects including the Richmond Hill Centre for the Performing Arts and other community grants.

The estimated 2016 year-end balance of \$51.6 million in the reserve fund, is earmarked entirely to be used for the Civic Precinct Project and have been placed in special investment instruments, with the goal to provide an estimate of \$65,200,000 towards the project by 2023/2024.

Sale of Assets and the Community Enhancement and Economic Vitality Reserve Fund are earmarked as primary funding sources of the Civic Precinct Project; no other projects have been identified to date for these same funding sources.

Repair and Replacement Reserve Fund

The Town has reserve funds dedicated to the replacement of existing assets. For the Civic Centre Building, \$1,700,000 has been provided from the Tax Supported Repair and Replacement Reserve Funds and \$8,187,300 funded from the Rate Supported Repair and Replacement Reserve Funds (Water and Wastewater) to reflect associated costs.

The funding will increase to \$11.4 million as a result of escalation.

Property Divestiture and Acquisition Reserve Fund

The Property Divestiture and Acquisition Reserve Fund was established for the proceeds from the sale of Town surplus properties and provides funds for costs incurred in relation to divestiture of Town surplus properties; costs incurred to acquire Town properties that are not eligible for funding from other sources and other purposes as approved by Council. The 2016 year-end balance is estimated at \$8,531,000, accumulated from previous sales, 50% or \$4,265,500 of the reserve fund balance will be used to fund the Civic Precinct Project.

The funding will increase to \$5,941,700 as a result of escalation.

Non-Growth Reserve Fund

Similar to the Cash-in-lieu of Parkland Reserve Fund, the Town has a Non-Growth Reserve Fund which is used to finance the 10% deduction from eligible growth related capital expenditures. The 10% deduction for non-outdoor recreation related elements of this project would total \$3,039,200; however, the balance in this reserve fund is \$2,020,500 at the present time. Funding of \$2,000,000 has been provided for from this reserve fund.

The funding will increase to \$2.8 million as a result of escalation.

Based on the anticipating timing of various project work and cash-flow, the resulting unfunded costs will increase to \$45.3 million.

Table 3-1 provides a detailed summary of funding sources and quantum for each project component detailed in Table 2-2, in addition to other project costs

Applying the \$188.2 million in funding would leave a residual \$45.3 million to be funded, as described in the chart below.

Total Costs	\$233,454,600
Available Funding	
Development Charges	\$53,458,600
Cash-in-lieu of Parkland	\$1,122,700
Section 37 - Community Benefits	\$313,400
Federal Gas Tax	\$16,983,000
Sale of Assets	\$31,000,000
Reserve Funds:	
Community Enhancement & Economic Vitality Reserve Fund	\$65,200,000
Repair & Replacement Reserve Funds	\$11,397,900
Property Divestiture and Acquisition Reserve Fund	\$5,941,700
Non-growth Reserve Fund	\$2,785,900
Total Available Funding	\$188,203,300
Unfunded Costs	\$45,251,300

An estimated cash-flow for the Civic Precinct Project is shown in Table 3-2. The majority of expenditures (85%) are expected to be incurred during years of construction between 2023 and 2025.

It is anticipated that the project costs will grow as a result of inflation and as the project moves from Class D to higher Class estimates, the cost will become more certain.

Table 3-1
Civic Precinct Project - Financing by Project Components (All)
February 22, 2017

COMPONENT	Full Project Cost Total	PROPOSED FINANCING							Funding Total	Net Unfunded Costs			
		Development Charges	Cash-in-lieu of Parkland	Section 37 - Community Benefits	Federal Gas Tax	Sale of Assets	Community Enhancement & Economic Vitality Reserve Fund	Repair and Replacement Reserve Funds			Property Divestiture and Acquisition Reserve Fund	Non-Growth Reserve Fund	
CIVIC CENTRE BUILDING													
U/g parking (generally beneath Civic Centre, Library and square)	\$ 128,988,268	\$ 19,668,046			\$ 7,771,933	\$ 24,092,992	\$ 50,673,002	\$ 7,237,535	\$ 3,315,118	\$ 1,554,387	\$ 114,313,011	\$ 14,675,257	
Library Addition	\$ 36,978,515	\$ 5,638,459			\$ 2,228,067	\$ 6,907,008	\$ 14,526,998	\$ 2,074,865	\$ 950,382	\$ 445,613	\$ 32,771,394	\$ 4,207,121	
Central Library Connection	\$ 11,168,026	\$ 9,046,101			\$ 2,121,925						\$ 11,168,026	\$ -	
Public Square	\$ 700,138	\$ 630,125	\$ 98,568		\$ 70,014						\$ 700,138	\$ -	
Upper Grove	\$ 985,676	\$ 887,108									\$ 985,676	\$ -	
Skating Rink / Reflecting Pool	\$ 137,899	\$ 124,109	\$ 13,790								\$ 137,899	\$ -	
Community Kiosk	\$ 1,240,645	\$ 1,116,581	\$ 124,065								\$ 1,240,645	\$ -	
Amphitheatre	\$ 224,044	\$ 201,640	\$ 22,404								\$ 224,044	\$ -	
Covered Pergola / Transit Walkway	\$ 1,236,585	\$ 1,112,926	\$ 123,658								\$ 1,236,585	\$ -	
Pedestrian Plazas / Entrance Landmarks (North Block only)	\$ 700,138	\$ 630,125	\$ 70,014								\$ 700,138	\$ -	
Pedestrian Promenade / Tree Alley (North and South Block)	\$ 1,729,398	\$ 1,556,458	\$ 172,940								\$ 1,729,398	\$ -	
Pedestrian Priority Zone (North Block only)	\$ 282,436	\$ 254,192	\$ 28,244								\$ 282,436	\$ -	
New Drop-Off for Library Patrons	\$ 166,633	\$ 149,970	\$ 16,663								\$ 166,633	\$ -	
New Access Point from Major Mackenzie	\$ 35,007	\$ 31,506	\$ 3,501								\$ 35,007	\$ -	
General Grading, Demolition and Fill	\$ 33,579	\$ 30,221	\$ 3,358								\$ 33,579	\$ -	
Mechanical and Electrical Site Services	\$ 514,828	\$ 463,345	\$ 51,483								\$ 514,828	\$ -	
-General Requirements and Fees	\$ 1,335,994	\$ 1,202,395	\$ 133,599								\$ 1,335,994	\$ -	
Due Diligence Studies	\$ 959,190	\$ 863,271	\$ 95,919								\$ 959,190	\$ -	
Staffing and External Resources	\$ 550,000	\$ 83,864									\$ 550,000	\$ 217,266	
IT Capital	\$ 10,145,400	\$ 1,546,964									\$ 1,987,274	\$ 8,158,126	
	\$ 2,550,000	\$ 388,822									\$ 499,492	\$ 2,050,508	
Total (2016 \$)	\$ 200,662,400	\$ 45,626,228	\$ 956,205	\$ 225,000	\$ 12,191,939	\$ 31,000,000	\$ 65,200,000	\$ 9,887,250	\$ 4,265,500	\$ 2,000,000	\$ 171,354,122	\$ 29,306,277	
Total (Escalated)	\$ 233,454,600	\$ 53,458,630	\$ 1,122,690	\$ 313,418	\$ 16,983,011	\$ 31,000,000	\$ 65,200,000	\$ 11,397,902	\$ 5,941,715	\$ 2,785,941	\$ 188,203,308	\$ 45,251,292	

Table 3-2
 Civic Precinct Project - Estimated Cashflow
 February 22, 2017

COMPONENT	Projected Forecast (Escalated \$)											Total
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Project Hard Costs			\$ 1,405,600	\$ 3,291,300	\$ 3,666,000	\$ 8,482,600	\$ 3,819,800	\$ 34,899,300	\$ 88,993,300	\$ 50,833,000	\$ 3,703,500	\$ 178,429,100
Project Soft Costs								\$ 2,736,400	\$ 7,747,500	\$ 8,362,100	\$ 733,100	\$ 40,244,400
Other Costs	\$ 550,000	\$ 499,800	\$ 1,010,400	\$ 1,116,600	\$ 1,229,100	\$ 1,249,400	\$ 1,172,700	\$ 1,282,700	\$ 1,311,500	\$ 1,423,100	\$ 857,900	\$ 550,000
Due Diligence Studies												
Staffing and External Resources												
IT Capital												
Total	\$ 550,000	\$ 499,800	\$ 2,416,000	\$ 4,407,900	\$ 4,895,100	\$ 9,732,000	\$ 4,992,500	\$ 38,918,400	\$ 98,052,300	\$ 62,141,900	\$ 6,848,700	\$ 233,454,600

Other Financing Alternatives

Although \$188,203,300 has been recognized as available funding for the Civic Precinct Project, the unfunded portion of the Civic Precinct Project is approximately \$45.3 million considering full use of the Community Enhancement and Economic Vitality Reserve Fund.

There are two primary options available to finance the unfunded project balance including a special levy or debt.

Special Levy

A special levy is money collected for a specific purpose. A special levy dedicated to the funding the unfunded portion of the Civic Precinct Project would be a special fee separate from property taxes to provide additional needed funding.

A property tax increase generally applies to all residential and non-residential tax payers in the Town by the same effect, as a percentage of their respective assessment values. In contrast, a special levy recognizes the different attributes of the residential and non-residential properties and composition of the Town's property tax revenues, and is typically based on a per household or business rate.

A special levy in place for 9 years for the duration of the Civic Precinct Project will provide the required funding to finance the unfunded \$45.3 million, as described in the chart below.

	Annual Funding Required	Residential	Non-residential
Percentage of total tax levy		86%	14%
Per total tax share			
\$45,251,300 total funding	\$4,454,300	\$64.93	\$183.41

Debt Financing

In a two-tier government structure, long term debt (debentures) is issued by the upper tier. Town staff have consulted with York Region Finance staff to confirm the mechanisms and timing of debt issuance. Should Council decide to proceed with the Civic Precinct Project, debt financing would be required for the unfunded portion of the project. At the appropriate time, Council would need to pass a By-law authorizing debenture issuance and identifying the maximum term of debt financing.

The Traditional Design-Bid- Build model uses reserve funds and debt funding in a pay-as-you-go way with the approach to debt finance the remaining project costs once all available funding has been exhausted. However, in this low interest rate environment, issuing debentures early to lock in low interest rates could optimize the overall

borrowing costs compared to issuing debt later in the project when funds are required. A summary of the required debt financing and associated financial impact for a 25 year term is shown in the chart below. The 25 year debt repayment term has been selected in consideration of the majority of asset lifecycles.

Debt financing required	\$45,251,300
Annual debt repayment (25 year term)	\$2,742,600
Interest rate	3.49%
Total financing costs (over the 25 years)	\$23,313,700

As the majority of expenditures will be incurred during 2023 and 2025, the borrowed funds will be invested from 2018 to 2022 and the interest earnings will be used to partially offset the estimated tax rate impact. A detailed debt repayment schedule is provided in Table 3-3.

4. PROPERTY TAX RATE IMPACT

The financing options available to fund the unfunded portion of the Civic Precinct Project include:

- Special levy; and
- Debt financing.

The chart below summarizes the potential dollar impact to each resident and business, of financing the unfunded project costs of \$45,251,300 (escalated \$) under the two options.

	Estimated Tax Rate Impact
Option One: Special levy	Starting in 2018, for 9 years until 2026
Per total tax share (per year)	\$64.93 (residential) \$183.41 (non-residential)
Option Two: Debt financing	Acquiring debt in 2017, repayment starting 2018
25 year	\$39.98 (residential) \$112.93 (non-residential)

Table 3-3
 Civic Precinct Project - Debt Financing Schedule
 February 22, 2017

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028 to 2032	2033 to 2037	2038 to 2042
Loan	\$ 45,251,300												
Interest rate	3.49%												
Loan life	25 years												
Payments frequency	Annually												
Number of payments	25												
Balance	\$ 45,251,300	\$ 44,087,970	\$ 42,884,040	\$ 41,638,093	\$ 40,348,663	\$ 39,014,231	\$ 37,633,228	\$ 36,204,027	\$ 34,724,948	\$ 33,194,249	\$ 31,610,128	\$ 22,820,623	\$ 12,386,491
Payment No.	1	2	3	4	5	6	7	8	9	10	11 to 15	16 to 20	21 to 25
Principal	\$ 1,163,330	\$ 1,203,930	\$ 1,245,947	\$ 1,289,431	\$ 1,334,432	\$ 1,381,003	\$ 1,429,200	\$ 1,479,079	\$ 1,530,699	\$ 1,584,121	\$ 8,789,505	\$ 10,434,132	\$ 12,386,491
Interest	\$ 1,579,270	\$ 1,538,670	\$ 1,496,653	\$ 1,453,169	\$ 1,408,168	\$ 1,361,597	\$ 1,313,400	\$ 1,263,521	\$ 1,211,901	\$ 1,158,479	\$ 4,923,495	\$ 3,278,868	\$ 1,326,510
Payment	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 2,742,600	\$ 13,713,000	\$ 13,713,000	\$ 13,713,000

5. CONCLUSION

This financial plan provides an overview of the updated Class D cost estimates of the Civic Precinct Project and potential available funding which would assist in minimizing the net impacts on property taxes. Based on the analysis provided:

- The total estimated cost of the Civic Precinct Project is \$233.5 million (Class D Estimate in escalated dollars)
- The following funding is provided:

	Million \$
Development Charges	\$53.5
Cash-in-lieu of Parkland	\$1.1
Section 37 – Community Benefits	\$0.3
Federal Gas Tax	\$17.0
Sale of Assets	\$31.0
Community Enhancement and Economic Vitality RF	\$65.2
Repair and Replacement RFs	\$11.4
Property Divestiture and Acquisition RF	\$5.9
Non-Growth RF	<u>\$2.8</u>
	\$188.2

- The unfunded costs of \$45,251,300 require to be financed by one of the specified options: Special Levy or Debt.
- Council will need to approve the funding option most appropriate for the unfunded portion of the Civic Precinct Project.