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# HALDIMAND COUNTY

## Report CMS-GM-01-2018 Cayuga Library and Heritage Centre Revised Budget



For Consideration by Council in Committee on January 16, 2018

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### OBJECTIVE:

To advise Council of anticipated cost increases related to the new Cayuga Library and Heritage Centre capital project and receive approval to increase the budget.

### RECOMMENDATIONS:

1. THAT Report CMS-GM-01-2018 Cayuga Library and Heritage Centre Revised Budget be received;
2. AND THAT the revised budget for the new Cayuga Library and Heritage Centre capital project, as outlined in report CMS-GM-01-2018, be approved.

**Respectfully submitted:** B. Hugh Hanly, General Manager of Community Services

**Approved:** Karen General, CPA, CGA, Deputy Chief Administrative Officer

### EXECUTIVE SUMMARY:

The project for the development of the new Cayuga Library was approved in 2013. For various reasons, the project did not proceed in that year. In 2015, the budget was increased to allow for the inclusion of a 2,000 square foot community space, to be funded from the Ward 2 Community Vibrancy Reserve Fund. In 2016, through CMS-GM-02-2016, Council approved the purchase of property in the downtown core of Cayuga as the location for the new library. In November 2016, as part of the Accommodation Review for the Haldimand County Museum and Archives (PED-GM-10-2016), the project was expanded to accommodate 800 square feet of Heritage displays and a 600 square foot genealogy room. Each of these scope changes resulted in budget amendments referencing the construction value of projects underway at the time.

Recently, staff have been made aware that the current estimated cost of the proposed library and heritage centre is significantly higher than the approved budget, which was developed in 2016. Now that the project scope is better defined, this report is seeking approval to increase the budget for this project prior to preparing detailed design and tender documents.

### BACKGROUND:

The need for a new Cayuga Library was first identified in the 2005 Capital Budget and Forecast, with anticipated construction scheduled for 2013. The original budget was approved in the amount of \$1.06 million, then revised through CMS-GM-M03-2013 to \$1.2 million. This estimate reflected minimal site servicing expenditures as the existing site was thought to be relatively simple to service. The 2013 estimates were also based on development costs that had been experienced, at that time, for the County's new arena and fire hall construction activity.

In 2015, Council approved an expansion to the new Cayuga Library project to include 2,000 square foot of community space, located on the original site, at an additional \$500,000 cost.

In 2016, the proposed Cayuga library location was changed when Council approved the purchase of land in the downtown core, as identified in Report CMS-GM-02-2016. The new site had an existing building that is approximately 8,000 square feet and is relatively old, thus requiring demolition. The 2016 budget for the purchase of the property and creation of the vacant lot (demolition, archeology studies, geotechnical studies, designated substance removal etc.) was approved at \$600,000.

Also in 2016, Report PED-GM-10-2016 added 1,400 square feet to the new Cayuga Library project for a Heritage Centre (800 square foot museum display and 600 square foot genealogy center) at an estimated cost of \$460,000 (based on \$328 per square foot).

In the intervening five years since the Cayuga Library project was first approved, the recession has ended and construction prices have generally increased greater than the Consumer Price Index (CPI) in response to increased demand for contractors and the impact of the weaker Canadian dollar when needing to resource U.S. construction materials.

## **ANALYSIS:**

Council has approved construction of a new 7,400 square foot facility, consisting of a library, museum and genealogy space, on the property purchased on the corner of Talbot and Seneca Streets, in Cayuga. The project budget, reflecting this intent, is currently approved at \$2,817,500 including the land acquisition. The estimated construction component of the approved budget was based on past projects using \$300 per square foot (including servicing), with the exception that the 2,000 square foot of community space was estimated at \$250 per square foot (as site servicing etc. was included in the original estimate and this addition would not create significant additional loading.) The consultant for this project (Their-Curran Associates) has indicated that current construction cost estimates should reflect an industry standard of about \$450 per square foot.

A committee of staff and Board (Library and Museum) members, as well as the Ward Councillor, was created to develop the functional program and design. The staff committee worked with the Architect to develop a functional program that created efficiencies due to shared amenities, while still providing functional and adequate space for program delivery. This resulted in a building design in the order of 6,500 square feet, rather than the previously approved 7,400 square foot facility. This design was supported by staff, Library and Museum Board representatives.

Although the facility design has been reduced by 900 square feet, the approved budget is still insufficient despite the efficiencies achieved. Using estimates prepared by the cost consultant, and based on the Committee's preferred design, there is an estimated shortfall of \$1.26 million in order to allow this project to proceed. The key drivers of this increase are higher costs of construction and servicing based on current market prices.

For reference, the recent Dunnville Library expansion project's final construction cost equated to \$447 per square foot, including servicing and renovation, but excluding land costs as the work was done on the existing County owned site. Extrapolating estimates using this recent construction cost, applied to the committee's reduced facility size, the new Cayuga Library project would require a construction budget of approximately \$2.9 million. Adding a project contingency of \$234,500 brings the total estimated construction cost to \$3,140,000, not including the land costs. This would result in a 6,500 square foot facility, with similar finishes as the Dunnville Library. The increase in the cost per square foot is the major contributing factor in the budget shortfall for the building construction.

The land portion of the project budget was also under estimated based on a separate demolition tender released that came in significantly higher than the budget allowed. The revised estimate for the

demolition and designated substance removal (asbestos) associated with the existing building on the recently purchased site is approximately \$220,000 higher than the original estimates. It is estimated that the cost to have the land made “development ready” is \$820,300, including the acquisition cost that has already been incurred. Staff felt that there may be cost efficiencies by including the demolition as part of the construction tender. As the actual cost is an unknown at this point, staff are using the estimate from the tender for budget purposes. The additional cost includes the demolition of the existing building, increased cost for asbestos abatement and the capping/decommissioning of the natural gas well located on this site.

When all of the above factors are combined, the new Cayuga Library and Heritage Centre capital project is estimated to require expenditures of \$4,075,100.

## FINANCIAL/LEGAL IMPLICATIONS:

In order to accommodate the additional project expenditures of \$1.26 million, staff propose a revision to the project budget as follows:

Item	Current Approved Budget	Proposed Revised Budget
<b>Expenditures:</b>		
Construction of New Library and the additional square feet of Community Space	\$1,700,000	\$2,463,300
Legal Fees	\$3,000	\$5,000
Temporary Financing	\$54,500	\$110,300
Addition of Museum space	\$260,000	\$386,400
Addition of genealogy space	\$200,000	\$289,800
Land Acquisition – (move site to Cayuga Hotel location)	\$600,000	\$820,300
<b>Total Expenditures:</b>	<b>\$2,817,500</b>	<b>\$4,075,100</b>
<b>Financing:</b>		
CRR – General	\$200,000	\$200,000
Library Reserve Fund	\$38,410	\$81,900
Debenture Financing	\$902,400	\$1,624,000
Community Vibrancy Fund – Ward 2	\$1,210,000	\$1,460,000
DCRF - Library (legal and temporary financing)	\$19,090	\$33,400
DCRF - Library (Debt)	\$447,600	\$675,800
<b>Total Financing</b>	<b>\$2,817,500</b>	<b>\$4,075,100</b>

Beginning in the year 2023, the Library Reserve Fund is projected to be in a negative balance based on the forecasted capital expenditures, with no projects anticipated that the Board can defer to help absorb more of the additional cost of this project than what is shown above.

Development charge funding has been increased proportionately based on the previously approved percentage of growth related costs.

The Ward Councillor has agreed to \$250,000 of the additional project budget being funded from the Ward 2 Community Vibrancy Fund.

The balance of the increased project budget will need to be financed by Debentures. This will result in increased annual debt repayments over and above what has been incorporated in the Capital Financing Strategy outlined in the Draft 2018 Tax Supported Capital Budget and Forecast. Staff can identify that additional levy impact at the Council in Committee meeting of February 6<sup>th</sup>.

## **STAKEHOLDER IMPACTS:**

Members of the Library Board and Museum Board are part of the Project Committee and have been involved in the design and functional program development since the beginning. Once drawings are at the stage where they can be shared, a public information session can be held so that the public can see the proposed development.

Staff from Finance, the Library Board, the Museum Board, Facilities and Parks Operations and Community Development and Partnerships have been involved in developing this report.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: Yes

Policy: No

## **ATTACHMENTS:**

None