1
DESIGN OPTIONS FOR THE DEVELOPMENT OF A CENTRAL SERVICES CENTRE (CSC) IN NEWMARKET

The Finance and Administration Committee recommends:

1. **Receipt of the presentation from Bruce Macgregor, Chief Administrative Officer; and**

2. **Adoption of the recommendations contained in the following report dated January 18, 2012, from the Commissioner of Corporate Services:**

1. RECOMMENDATIONS

It is recommended that:

1. Council approve option 2B as the preferred design option for development of a Central Services Centre (CSC) in Newmarket, selected from the four (4) architectural design options shown as *Attachments 2-5*, attached to and forming part of this report.

2. Staff further investigate the options for Design/Build/Finance with Infrastructure Ontario and report to Council on any benefits of engaging Infrastructure Ontario for this project.

3. In the absence of a clear advantage to engaging Infrastructure Ontario, Council:

   i. approve the business case and estimated project budget for development of the selected design option, which will form the basis for the final detailed design, application for all permits and approvals, and tender documents by WZMH Architects.

   ii. authorize staff to issue the project for tender immediately upon completion of the final detailed design and costing plan, provided the project and its corresponding budget have not changed significantly from that which was approved by Council, and to bring the tender results back to Council to award the project.

2. PURPOSE

This report seeks Council direction on selecting an architectural design option with corresponding project budget, for the construction of a 340,000 to 430,000 gsf Central Services Centre (CSC), located on Region-owned lands adjacent to the Administrative

Centre (AC) in Newmarket. Four design options with estimated costing plans and a business case are presented for consideration.

3. BACKGROUND

The need to consolidate a number of old, expensive and functionally obsolete, owned and leased facilities in Newmarket was identified in 2005 in Phase 1 of the Council adopted Strategic Accommodation Plan (SAP)

The Region's first Strategic Accommodation Plan (SAP) was adopted by Council in 2005. Through this plan, Council set the framework for addressing the Region's short and medium term accommodation requirements. The plan identified as a Phase 1 priority, the need to consolidate a number of 50+ year old, expensive and functionally obsolete, owned and leased facilities in Newmarket. This new consolidated service centre would much more effectively and efficiently serve residents located in the Region's central and northern communities, while providing significant savings for the Region over the next 35 years and beyond. The Region's southern residents are currently served by the Region's leased South Services Centre (SSC) in Richmond Hill, and additional leased locations in Vaughan and Markham.

Additional office space in Newmarket was identified as a priority

The proposed site in Newmarket is on lands owned by the Region, in an Urban Growth Centre and on a VivaNext rapid transit line. The new building will permit the consolidation of staff currently located in nine separate owned and leased locations consisting of approximately 160,000 gross square feet (gsf).

The proposed CSC would primarily house Regional programs that require residents to travel to the facility. These services include dental and sexual health clinics, social assistance, healthy babies and breastfeeding programs, water quality sample testing, interview rooms for residents applying for social housing and other programs. These services are not of a nature that can be provided to residents through work from home initiatives or other alternative work arrangements to any significant degree.

As well, the proposed CSC includes the relocation of the Provincial Offences Court from leased space in the Tannery Mall and would provide for approximately 10 years of growth. Calculations estimate there will be approximately 1,500-2,300 court visitors per day in 2015.

The Strategic Accommodation Plan also identified, as a Phase 2 priority, the need for additional service centres in the Region's southern tier

In addition to a new CSC in Newmarket, the 2005 Accommodation Plan established a Phase 2 strategy to develop service delivery centres in the Region's southern tier. Given that the Region first established a South Services Centre (SSC) in Richmond Hill in 2001, the SAP did not place the same urgency on providing additional accommodation in the southern tier in comparison to dealing with the issues associated with the 50+ year old Newmarket accommodations.

Recognizing the medium to long term need for additional Regional services in the south end, staff will be holding further discussions with the Town of Markham, Town of Richmond Hill and the City of Vaughan on their municipality's service requirements, as well as with Regional departments.

An update to the 2005 SAP is nearing completion. A major focus of the update is to explore various options to establish a consolidated Regional presence in both Markham and Vaughan, as well as develop a strategy for the existing South Services Centre (currently leased through 2021), once the Central Services Centre project is approved and constructed.

Council approved the Central Services Centre in principle in 2009 and requested a larger building design option be added for consideration.

In March 2009, Council approved, in principle, the development of a Central Services Centre adjacent to the Administrative Centre and authorized the Property Services Branch to undertake a thorough RFPQ and RFP process to develop a pre-qualified shortlist to retain architectural/engineering services to complete the conceptual design process. The original objective was to develop three design options for the CSC with POA courts, including a costing plan for each option and a business case for Council's review. Since that time, a fourth design option showing a larger building has been completed to address questions from a 2011 workshop.

Architectural design options, traffic/parking, soils, servicing and other site studies are complete

Preliminary planning, environmental, geotechnical, storm water, traffic, parking, servicing, architectural designs, interior design and space planning, costing plans and a business case have been completed for the CSC project. Over the past 2 years, Property Services staff have retained and managed a project team consisting of staff from both the Region and various consulting firms to examine a number of site development issues and building design concepts. The Project Steering Committee has worked together to develop a short, medium and long term planning vision for the site, while exploring innovative, sustainable and practical solutions to meet the program delivery needs of Regional departments. The result of this work is illustrated in the architect's four design options.

4. ANALYSIS AND OPTIONS

Owned space in Newmarket is functionally obsolete and in need of on-going and expensive rehabilitation and renovation

There are three Regionally-owned facilities in Newmarket identified by the Region's consultants as functionally obsolete and in need of expensive ongoing rehabilitation and maintenance. Building condition audits have been completed on these facilities and a number of needed repairs have been delayed as long as possible pending a decision on the CSC. In addition, these older owned buildings are not AODA compliant and both the costs and/or existing infrastructure of the buildings will make it prohibitive to make them compliant.

The 62 Bayview Parkway building (20,798 gsf) was constructed in 1957 and houses some of the Region's Community Services staff. While it served as the original Regional Headquarters from 1971 to mid-1994, the building had been in existence for many years prior. This building is in constant need of repair. If the CSC were not to be constructed, current and projected rehabilitation costs are estimated to be approximately $2.3 million by 2014, and another $3.5 million from 2014 to 2048. This includes asbestos removal, cost of swing space and structural repairs.

The 22 Prospect Street building (12,000 gsf) is home to one of the Region’s dental clinics and nutrition programs, where dental care and referrals are delivered on-site. It is a ground lease arrangement, where the Region owns the building, but the property is owned by Southlake Regional Hospital and leased to the Region at no cost. The facility is 46 years old and is also functionally obsolete by modern office standards. Current and projected rehabilitation costs are estimated to be approximately $1.5 million in 2014 and another projected $2.1 million from 2014 to 2048 for structural repair work and swing space.

The 55 Eagle Street building (10,755 gsf) provides services through the Early Intervention Services program. The building was constructed in 1972 and has escalating maintenance and rehabilitation needs. Current and projected rehabilitation costs are estimated to be approximately $1.1 million in 2014 and another $1.5 million for ongoing maintenance from 2014 to 2048.

Leasing market for suitable and accessible office space in Newmarket is very limited and results in significant additional costs for leasing, leasehold improvements, staff moves and the continued fragmentation of Regional services

Some of the existing leased premises in Newmarket are unsuitable, expensive or problematic for delivering Regional services. The Region leases space at the Tannery Mall (50,549 gsf) , located on Davis Drive, for Community and Health Services, Court Services and IT Training, in which the overall condition of the facility is not conducive to the effective delivery of Regional services. Aside from significant parking challenges staff and clients have experienced numerous issues in this location,. As the Tannery was re-developed as retail space in the 1980s it was never designed for the types of uses or volume of traffic currently in place.

In addition, 6,180 gsf of office space is also leased at the corner of Gorham and Leslie Streets for a portion of the Region's Housing Division of the Community and Health Services Department. While the space is more modern, fragmented Regional services and costly leases are not an effective or efficient service delivery model.

More recently, the Region was required to lease approximately 11,000 sf of space on an interim basis at the Newmarket Civic Centre to meet the pressing needs of IT Services. As the Town plans to utilize this space in the next two to three years for their own requirements the Region will be required to relocate staff once again.

Approximately 17,350 square feet is also leased at the Gates of York Plaza, located immediately north of the Administrative Centre. This space currently houses Environmental Services staff and the Human Resource Services Branch, who moved out of the Administrative Centre because of lack of space. This space also provides limited swing space to assist the Region during transition periods when staff is being relocated.

Most recently, the Property Services Branch has re-located from the Administrative Centre due to lack of space to 11,742 gsf in a renovated former warehouse space at 130 Mulock Drive.

Table 1 summarizes the current inventory of functionally obsolete and leased space.

Table 1
Current Inventory of Obsolete and Leased Space

Location	Gross Square Feet
Functionally Obsolete	
62 Bayview Parkway	20,798
22 Prospect Street	12,000
55 Eagle Street	10,755
Subtotal	43,553
Leased	
465 Davis Drive	50,549
1091 Gorham Street	6,180
17310 Yonge Street	16,908
520 Cane Parkway	13,000

130 Mulock Drive	11,742
395 Mulock Drive	17,576
Subtotal	115,955
TOTAL	**159,508**

The Newmarket leasing market for suitable, AODA compliant and transit accessible office space is very limited. Property Services staff is constantly under pressure to find additional leased space for department program delivery. This current situation not only results in significant additional costs for leasing, leasehold improvements and staff moves, but also for the continued fragmentation of Regional services with associated operational costs. These existing locations are not all readily accessed by YRT/VIVA.

The Administrative Centre (AC) is at triple the original occupancy levels

The Regional Headquarters opened in 1994 and is now over 17 years old. It measures approximately 452,000 gross square feet (gsf) with approximately 222,000 square feet of useable space. Net of public spaces (Council Chambers, atria, etc.) the available office spaces comprises only 170,000 gsf. The building has been intensified by a factor of almost three from its original occupancy levels and houses over 1000 Regional staff, including the Regional Police Headquarters.

A recent space study of the AC, carried out by the McKinnon Group, found it cannot accommodate any additional growth and there is no significant potential to redesign existing floor plates to create additional space. Even with the CSC constructed and operational, the AC will continue to experience growth pressures.

Tannery Courts are at capacity as well

Since July 1999, when the Region accepted responsibility for the administration of the existing *Provincial Offences Act* Court location at the Tannery Mall in Newmarket, workload increases has resulted in two additional courtrooms being added. Now, both space and parking are at capacity and any further courtroom expansion is not possible. Pursuant to an agreement with the Ministry of the Attorney General (MAG) which does not permit the courts to be split or moved out of Newmarket any future growth will have to be accommodated in another leased location within Newmarket, and all courts would have to be transferred to that new location. Court projections suggest that an additional courtroom in Newmarket will be required in approximately three years if the CSC is not constructed.

Court presence to remain at South Services Centre in Richmond Hill

In 2001, when it became apparent that additional courtrooms were needed to handle the growing caseload, Council decided that an additional court location would be opened at the newly leased South Services Centre (SSC) on Yonge Street, north of Hwy 407 in Richmond Hill. Council decided in 2009 that the southern POA courts are to remain in Richmond Hill and will not be consolidated with the proposed CSC facility.

Development of the Region's lands would help set the standard for future city building and be a key catalyst for the development of the Newmarket Urban Growth Centre

The Region's planning consultant concluded the Region should plan for higher densities and multiple uses for the site including office, retail and residential, given the larger site's location in a Regional Urban Growth Centre.

The Region's lands are designated “Yonge-Davis Provincial Urban Growth Centre” in the Newmarket Official Plan and zoned “Provincial Urban Centre (UC-P) which permits a maximum height of 24 metres. However, the existing Zoning By-law is seen as being temporary by the Town of Newmarket pending approval of its new Secondary Plan for the Urban Growth Centre, at which time, a new Zoning By-law will be implemented. The Region will continue to work closely with the Town to ensure that both the Town's and Region's planning goals and objectives are satisfied and the formal planning process for moving forward is established as soon as possible.

With regard to the overall planning rationale for developing the Region's lands next to the Administrative Centre to consolidate Regional services within a new service centre, the project would:

- Eliminate leasing and rehabilitation costs of existing obsolete buildings
- Maximize use of valuable owned lands zoned to permit institutional development
- Provide an excellent opportunity for the Region to show leadership in anchoring the development of Newmarket's Urban Growth Centre with a well designed, multi-use, transit supportive, energy efficient and accessible campus development
- Support Provincial, Regional, and local planning policies and city-building initiatives by locating on a rapid transit corridor on Yonge Street
- Provide excellent opportunities for internal synergies, swing space and overflow parking with its close proximity to the Administrative Centre
- Provide improved customer service and a functional linkage for staff, residents and other clients to more easily conduct Regional business with "one stop shopping"
- Provide public investment as a catalyst for development within the northernmost of the four Regional Urban Growth Centres.

All four building design options compress the building footprint into a small peninsula of tableland as close as possible to the creek's Regional flood line. This ensures that sufficiently sized development parcels are left along the Eagle Street frontage to allow for the potential build-out of the site in the future *(see Attachment 6)* to achieve the Town's density objectives in the Urban Growth Centre. Close proximity to the creek also has the advantage of improving connectivity between the new building and the Administrative Centre by constructing an enclosed pedestrian bridge.

Architectural Design Options

Architectural designs evolved through the development of key design principles

WZMH Architects were retained to develop concept plans for development of the Central Services Centre. The goal was to create a functional service centre that would meet the needs of the Region's clients and complemented rather than emulated the Administrative Centre.

The site plan was designed to ensure the balance of the lands could be developed to their highest and best use in the future to achieve the Town's and Region's future minimum intensification target of 2.5 floor space index (FSI).

While the design options explore different blocking and stacking, massing, orientation and design expression, they also share a number of common elements:

- Common functional program and user groups
- Common parking and loading requirements
- Common entry point with needed atrium access to CSC functions and POA Courts with two levels of below grade parking under the CSC (450 spaces) and an additional two levels of underground parking (168 spaces) below the future deck structure, which would replace the 203 overflow spaces currently serving the Administrative Centre
- New access road onto Yonge Street creating an internal site driveway linking Yonge and Eagle Streets
- Surface parking located at grade on balance of site with provision for transfer to future parking deck structure to accommodate full site build out at 2.5 FSI
- No change to Doane House and Children’s Aid Society building
- Creation of pedestrian plaza linking future building to corner of Eagle/Yonge and future VIVA station and dedicated bus lane
- Design to respect adjacent Regional floodplain habitat and requirements of Lake Simcoe and Region Conservation Authority with the angle of the floodplain maintaining the existing view corridor from the intersection

- Enclosed, bridge structure linking the new CSC building to existing Administrative Centre
- Pursuant to Council policy, targets a standard of LEED Silver, potentially LEED Gold
- Provision of atrium space for implementation of enhanced customer service delivery model and circulation space between courts and CSC
- Site plan maintains developable parcels along Eagle Street for future intensification
- Court building masks view of a future parking deck structure from Eagle Street.

While Options 1, 2 and 3 are 340,000 gsf, the fourth design option, 2B, consolidates the courts onto the 2nd floor, and adds two additional floors to increase the overall building size from 340,000 to 430,000 gsf.

As well, Options 1, 2 and 2B utilize a 40,000 square foot floor plate; the most efficient floor plate for an office building. In contrast, Design Option 3 uses 18,000 square foot floor plates.

Design Options 1-3 would provide 5 years of staff growth in Newmarket while Option 2B would provide approximately 20 years

Design Options 1-3 would satisfy the immediate office accommodation requirements, plus approximately 5 years of growth, based on a staff growth rate capped at 2.5% per year. Design Option 2B, with its additional 2 floors and 90,000 gsf (70,000 useable), would increase the accommodation of future staff growth from 5 years to 20 years.

The specific design features of each building option are summarized as follows:

Design Option 1
(340,000 gsf - 6 storeys plus mechanical penthouse – typical 40,000 sf floor plates)

The CSC building and POA courts are expressed as separate components linked by a central atrium serving as a main entrance portal to the complex. The six-storey CSC building to the east is programmed with atrium space counters for enhanced customer service and the most publicly accessible departments on the lower two podium floors, which measure 70,000 square feet per floor. Typical floors have centrally located cores with adjacent enclosed areas containing meeting rooms, service and cellular office areas. The perimeter office space is open plan in layout with views to the surrounding floodplain and Yonge Street to the east. The two storey POA Courts to the west contains security, a ticket counter and administrative functions on the ground floor and court rooms, chambers and prosecutor’s offices above.

On entry to the building, visitors have views through the double height transparent atrium to a landscaped courtyard off the cafeteria to the north and floodplain beyond. The space is day lit, open and accessible in order to create a calming and easily navigable environment for visitors.

Design Option 2
(340,000 gsf - 6 storeys plus mechanical penthouse - typical 40,000 sf floor plates)

In Option 2, the CSC and POA courts components are more integrated into a single design form. Main entry to the building is from the southeast corner into a large atrium rising six floors. A large glass wall provides views eastwards across the adjacent floodplain and to Yonge Street beyond. From the atrium, visitors have access to the POA courts to the west or enhanced customer service area and program spaces to the north. The first two podium floors, which measure 70,000 square feet each, are larger in height and area to accommodate the most publicly accessible program elements. Floors four to six above are H-shaped enclosing the larger atrium space rising vertically through the building to the east. Office floor plates are not more than two 30 foot structural bays wide to enhance views and daylight penetration. Similar to other design options, the POA courts contain ticket counters, security and administrative space on the ground floor with courtrooms, chambers and prosecutor’s offices above.

The H-shaped podium floors enclose a landscaped courtyard and adjacent cafeteria to the north. The most public CSC program areas are accessed on lower level floors from around the main atrium space to assist the public in navigating the building. This building's central atrium design was the most energy efficient of all three options and contained the lowest amount of exterior walls.

Design Option 3
(340,000 gsf- 11 storeys plus mechanical penthouse- typical 18,000 sf floor plates)

Option 3 is similar to Option 2 in that it contains two larger podium floors of 70,000 sf each to accommodate the POA courts, enhanced customer service area and most accessible CSC program areas. However it differs from other options in that the remaining floor area is massed into a total of an 11 storey tower with a mechanical penthouse above, for a total of 12 storeys. The narrower 18,000 sf tower floor plate is oriented east-west to receive maximum southern exposure to enhance unobstructed views and daylight penetration to work spaces. Access to the building is from the southeast corner to a three storey central atrium oriented to the east, with views to the floodplain and Yonge Street beyond. From the atrium visitors have access to the POA courts to the west and enhanced customer service area and CSC departments to the north. The C-shaped podium floors enclose a landscaped courtyard and adjacent cafeteria to the north. Departments receiving main public access are located via service counters on lower floors around the main atrium space.

Design Option 2B
(430,000 gsf- 8 storeys plus mechanical penthouse- typical 40,000 sf floor plates)

Option 2 was chosen as the basis for providing a larger building design option because it was the least expensive and most efficient of the 3 original building designs. Option 2B is very similar to Option 2 but with an additional 2 storeys and 90,000 sf. The Courts have been relocated from the ground floor into a much more efficient space plan on the second floor, and additionally, the loading dock has been relocated to the ground floor from the basement, facilitating the creation of additional underground parking spaces and a more efficient parking plan design. Option 2B also has a larger atrium space to help accommodate the Region's future "Access York" model, once it is better defined.

Traffic Study finds no major impacts from development of CSC

The traffic analysis assumed the Viva Rapidways would be in place, reducing new additional site vehicular traffic by 20%, and that potential traffic demand management (TDM) initiatives could reduce site vehicular traffic by an additional 5%, from the current modal split of approximately 1-2%. The findings include:

- For development of 340,000-430,000 gsf, the associated projected traffic increases are not expected to have significant traffic impacts

- The proposed easterly driveway onto Eagle Street is expected to operate at acceptable levels of service for future traffic conditions provided that either a right-out driveway is permitted onto Yonge Street, or a third driveway is created onto Eagle near McCaffrey Road, which is currently precluded as it conflicts with the location of the building occupied by the Children's Aid Society at 85 Eagle Street

A Parking Strategy is proposed for the Central Services Centre and Administrative Centre

Parking has a major influence on future design and development of the Region's lands adjacent to the Administrative Centre. The cost of providing parking has a significant impact on the feasibility of the proposed project. At current construction costs, provision of parking below grade is the most expensive option at approximately $45,000 per space and decked structures are slightly less expensive at approximately $30,000 per space. The least expensive parking option is surface parking at $3,500 per space.

In order for the site to ultimately attain a minimum density of 2.5 FSI in the future, significant parking facilities will eventually be required. However in the potential full build out scenario, it cannot all be provided at grade. A balance of surface, deck and below grade parking will be required to achieve this future density over the course of the site's development. Design analysis demonstrated that the amount of commercial and residential development the site could support was limited by the amount of parking that needed to be provided by zoning and market requirements.

At grade parking is maximized in order to minimize costs

The Town's current temporary zoning by-law, which sets both a minimum and maximum amount of parking at approximately 950 spaces for the project, does not provide or account for the higher volumes of visitor traffic experienced by court facilities and community and health services. Of this 950 requirement, the Courts would require a minimum of 400 spaces to handle its expected 1,500 visitors per day, in addition to the proposed 168 spaces for AC overflow parking. This would only leave 382 spaces for the remainder of the entire CSC building, which would not be sufficient.
While the consultant's parking study indicates the need for approximately 1,134-1,237 parking spaces by opening day and 1,211-1,329 spaces by 2019, the architects propose only 1,168 parking spaces, as it assumed that the implementation of traffic demand management (TDM) measures and a targeted transit modal split of 20%, will reduce this parking requirement. The TDM opportunities will be explored and the zoning requirements for these proposed institutional uses will be analysed with the Town's planning staff in the detailed design phase of the project.

In an effort to preserve as much land for future development as possible, the architects incorporated 450-640 underground spaces on two levels below the CSC and an additional 168 underground spaces on two levels (to replace the existing 203 overflow spaces) below where the future parking deck would have to be constructed on the west side of the CSC building.

Business Case includes modest provision to collect parking revenues

As part of the detailed design phase, the Region will explore the issue of paid parking for courts visitors, health services visitors and Regional staff. Revenue from parking is assumed in the business case. The parking policy will require further study by the Region to reflect Canada Revenue Agency requirements.

Servicing Study finds development of the site is feasible

Consultants undertook a servicing study to consider water supply, sanitary sewerage, storm drainage and grading for the proposed CSC design options. Site servicing requirements would consist of water and sanitary sewer connections, storm water management controls and facilities, earthworks, and improvements to the existing Yonge Street culvert. The servicing report concludes that development of the site is feasible and the lands could be developed and serviced in accordance with the Town of Newmarket's standards.

Detailed Landscaping Plan will protect and enhance the site's natural features for use by the public

Consultants were retained to develop a detailed landscaping plan that protects and enhances the site's natural features. The plan protects, respects and enhances the natural features of the site and incorporates numerous pedestrian trails, bike paths and furniture to provide a welcoming public space. Further discussions will be held with Town staff at the detailed design stage to look at incorporating public art and an appropriate civic plaza at the intersection of Yonge and Eagle Streets. All design options complement the Administrative Centre and it will continue to be the architectural focal point of the area.

Current market conditions are favourable to build

The Region's project team has analysed numerous variables related to developing the Central Services Centre and have concluded that now is a favourable time to build for the following reasons:

- A construction boom is not currently underway
- Interest rates are low
- It is believed a competitive tender process will be favourable as there has been a wind down of projects related to government spending initiatives leaving some capacity in the construction market

5. FINANCIAL IMPLICATIONS

The Region had a Business case model developed by an external consultant

The Region contracted with KPMG to construct a detailed business model to examine the option of continuing to rent or build/develop several options with assumptions supplied by Property Services staff. The key assumptions in the model were developed by a number of other consultants. KPMG and Finance staff have examined the assumptions used in the model. Finance staff has worked with Corporate Services staff to identify the due diligence performed to support the assumptions.

Each of the 4 design options considered has been completed and a summary of findings is shown on Table 2:

Table 2
Comparative Project Costs - $ Millions

	Option 1 (340,000 sf)	Option 2 (340,000 sf)	Option 3 (340,000 sf)	Option 2B (430,000 sf)	Comments
Building Costs	$128.4	$126.9	$136.9	$155.0	
Contingencies	$17.4	$17.2	$18.6	$21.0	Design 5% Escalation 5% Construction 3%
Future Deck Underground Parking	$6.9	$6.9	$6.9	Included	168 spaces under future deck
Sub-Total	$152.7	$151.0	$162.4	$176.0	
Soft Costs	$16.9	$16.9	$16.9	$19.6	Design, permits, Fees, FFE
Total Costs	**$169.6**	**$167.9**	**$179.3**	**$195.6**	
Difference +	**$1.7**	**Base Cost**	**$11.4**	**$27.7**	

The Business Case is based on a 35 year amortization period to align with industry standards

As the CSC would normally be amortized over 30-40 years, a 35 year time horizon was chosen for the business case analysis. The financial consultant also based the business case on a 20 year financing term. The business case analysis has factored in a number of variables including operating costs, capital repair and renovation costs, depreciation of asset values and inflation.

The Business Case analysed the status quo and three development scenarios

Scenario 1 - Status Quo ($268.5M NPV)

This scenario would see the Region remain in its existing owned facilities and leased space. It also would result in the Region spending millions of dollars in maintenance, renovations and lease-hold improvements and having to find new leased space to meet program requirements and for displaced staff from the Newmarket Civic Centre in three years time. Building condition audits of 62 Bayview Parkway, 22 Prospect and 55 Eagle, conclude that a minimum of $12.5 million will have to be spent to rehabilitate these obsolete buildings over the next 35 years. Additional leasing costs would also continue to be paid for the Tannery on Davis Drive, 1091 Gorham Street, and 130 Mulock Drive. The business case concludes that the Status Quo cost Net Present Value (NPV) at a 5% discount rate would be $268.5 million (NPV) over the next 35 years.

Scenario 2 - Developer-Build/Lease ($320M NPV)

This scenario would have a developer design and build a facility for the Region and the Region would then lease the facility. The business case concludes that this option, which includes a developer's costs and profit margin, is the most expensive as it would cost the Region approximately $320 million (NPV) over the next 35 years, and thereafter, the Region would still continue to pay rent.

Scenario 3 - Region-Build/Own (Options 1 or 2 - $199.2M NPV)

Under this scenario, the Region would act as the developer and would contract with architects, engineers and other professionals to construct a Central Services Centre and POA Court facility. The Region can maximize the use of its own landholdings adjacent to the Administrative Centre and use this as both a catalyst and economic stimulus for the development of Newmarket Centre. The business case concludes that these design options would cost approximately $199.2 million (NPV) (Options 1 or 2). Design Option 3 would cost an additional $11.4 million ($210.6 million NPV) over the same time period, mainly due to higher construction costs.

Scenario 4 - Region-Build/Own (Option 2B- $203.3M NPV)

Option 2B is a larger building of 430,000 gsf and therefore, it is difficult to make a direct business case comparison with the original three designs at 340,000 gsf. We have engaged the services of an external consultant to prepare the business case and it is shown below in Tables 3 and 4. Design Option 2B would cost approximately $203.3 million (NPV). Some conclusions may be drawn on a cost per square foot basis and overall cost, but it must be noted that while the larger structure is slightly more costly, it provides for a longer period of staff growth, which would need to be accommodated in leased premises at a higher cost compared to owned space over the next 35 years. In all scenarios, the business case, no value was placed on the land that the CSC will be constructed on.

Table 3
2011 Business Case for 340,000 gsf over 35 years

	NPV Variances (millions)
Status Quo Scenario:	$268.5
Region-Build Scenario (Options 1 or 2):	$199.2 **(-$69.3)**
Region-Build (Option 3):	$210.6 **(-$57.9)**
Developer-Build/Lease Scenario:	$320**(+$51.5)**

Notes/Assumptions:
- Savings of $69.3 million NPV supporting Region-Build/Own Option 1 or 2
- Utilizing a Debenture Rate of 6% with a 20 year term
- Discount Rate of 5%

Table 4
2011 Business Case for 430,000 gsf over 35 years

	NPV Variances (millions)
Status Quo Scenario:	$268.5
Region-Build Scenario (Option 2B):	$203.3 **(-$65.2)**

Notes/Assumptions:
- Savings of $65.2 million NPV supporting Region-Build/Own Option 2B
- Utilizing a Debenture Rate of 6% with a 20 year term
- Discount Rate of 5%

Infrastructure Ontario project management option to be explored

Infrastructure Ontario offers a service whereby they manage the project and effectively guarantee price and delivery. Their model is referred to as “Design-Build-Finance” wherein they issue an RFP to prequalified bidders, who in turn secure external sources of funding and assume all the risk for construction delivery. According to information supplied by their staff, they have a strong track record of on-time, on budget delivery. They have not incurred any legal costs post delivery on more than $20 billion in projects, and there are virtually no change orders or surprises on price. However, it should be noted that the costs for project management and financing are expected to be higher than what the Region might secure. Property Services staff together with Finance staff will explore this option to develop a cost model to determine if this in fact is a financially competitive option before finalizing the design of the preferred option and proceeding to tender.

Business Case Summary

To summarize the business case findings, continuing with the status quo option is not an economically practical option. The buildings to be consolidated do not meet various corporate standards including AODA, LEED, and health and safety. Tables 3 and 4 summarize the impacts of the various scenarios relative to the status quo. It will cost the Region approximately $69.3 million NPV to continue as is, rather than build Options 1 or 2. The latest business case for Design Option 2B concludes that the Region would save approximately $65.2 million NPV over 35 years. Option 2B proposes an additional 90,000 gsf on two additional floors which would extend the growth accommodation of Options 1 or 2 from 5 to approximately 20 years, if the rate of staff growth was 2.5% per year over this entire time period. In a similar method to that of the new York Regional Police facility in Aurora, the additional 2 floors would be built as shell construction only until it is determined that the space is required to be fully fitted out. Finishing costs of $60 per square foot for Option 2 B's floors 7 and 8 have been incorporated into the business case.

The Region’s Debt Limit will be affected by the building of the Central Services Centre

Based on the information presented in the Business Case, it is expected that the Region will be reducing its leasing costs by approximately $5.4 million in 2014. If the Region decides to pursue the Region build large option, it is projected that financing costs would be about $15.7 million, assuming a 5% interest rate over a 20 year term. This difference of $10.3 million equates to approximately $130 million of the Region’s debt room.

6. LOCAL MUNICIPAL IMPACT

Development of a new Central Services Centre within Newmarket's Urban Growth Centre will consolidate existing Regional services to much better serve the Region's central and northern citizens. It will also serve to provide an investment anchor and assist in leading the way to provide transit supportive, energy efficient, accessible, and higher density development along Newmarket's Yonge Street corridor. This Regional investment will also benefit the Town's local economy.

The project will act as a catalyst for developing Newmarket's Urban Growth Centre and support both the Region's and Town’s Official Plans by developing a well-planned, sustainable, transit supportive centre, that creates a place of civic pride within this institutional node. It further positions the site for long term intensification in support of Provincial legislation and intensification guidelines. In the event that future commercial and residential development occurs on the site, the CSC development will not encumber any future development that will be planned for the site in the coming decades to achieve the Town's ultimate intensification targets. The Region will continue to work closely with the Town of Newmarket to ensure the site plan and building's design consider all local planning and building requirements.

Town of Newmarket supports proposal in principle

Town staff have been consulted and have advised they are in support of the project in principle, pending the approval of a specific building design by Council. Town staff have provided preliminary comments on the proposed options and will provide more detailed comments once a design is chosen and specific detailed design plans and applications are submitted for review.

Town Planning staff have indicated that based on the issues with parking related to the current Administrative Centre, care must be given when constructing parking and pedestrian connections to the site with a view to discouraging parking on nearby residential streets. They further note that urban growth centres are to be planned and designed to provide high quality public open spaces with site design and urban design standards that create attractive and vibrant places., Given this project could act as a catalyst for other developments in the urban centre, Town Planning staff recommend the lands at the corner of Yonge Street and Eagle Street be designed as a public open space with public art and other pedestrian amenities.

The Town is currently undertaking a Secondary Plan for their urban centre, which will then be followed by a new implementing zoning by-law. Town staff has advised they are discussing the prospect of a joint Town/Region transportation study which would move the adoption of a Secondary Plan to 2012. The Town has indicated they are willing to work with the Region to process the required site specific applications as quickly as possible given the likelihood the new zoning by-law will not be completed in time.

7. CONCLUSION

A new Central Services Centre provides savings of up to $69.3M over 35 years over the option to maintain the status quo

The decision to design and construct a Region-owned service centre on Region-owned lands adjacent to the Administrative Centre is based on a business case that verifies the opportunity for the Region to save taxpayers $69.3 million NPV for Options 1 or 2, or $65.2 million NPV for the larger Option 2B over 35 years. In addition, the new CSC facility is expected to have a lifecycle of at least 60 years, meaning that the Region will capture savings well beyond the 35 year timeframe analysed in the business case.

This strategy is contrary to continuing to expand the Region's leasing portfolio and its associated leasehold improvements, as well as the expensive and limited option of rehabilitating the Region's 50+ year old owned facilities in Newmarket. It also provides the opportunity to demonstrate leadership in contributing to higher, more sustainable densities in the Newmarket Urban Growth Centre along the Yonge Street corridor, while facilitating enhanced customer service, accessibility and energy efficiency and supporting a number of other corporate objectives. Development of the CSC would consolidate Regional services to one location and provide excellent functional linkages with the Administrative Centre, resulting in both internal and external synergies resulting in increased time efficiencies for staff.

Southern Tier Master Accommodation Strategy Nearing Completion

Property Services staff are also continuing to work with an external consultant on the update to the 2005 Master Accommodation Plan and will be bringing forward a Regional accommodation strategy for the rest of the Region over the next year.

The growth experienced by the Region over the last 25-30 years has left it with a challenging accommodation model, bridged between the obsolete buildings of its County days in the 1950’s and 1960’s, to its modern, high-tech facilities and larger, more complex service delivery requirements of the present day. The "do nothing" option is neither a sound financial or program delivery option and development of the Central Services Centre, incorporating a new Court facility and IT Data Centre, would establish a much more efficient and sustainable service delivery model for the Newmarket area, while saving significant taxpayer dollars.

For more information on this report, please contact Barry Crowe, Director of Property Services at Extension 1684.

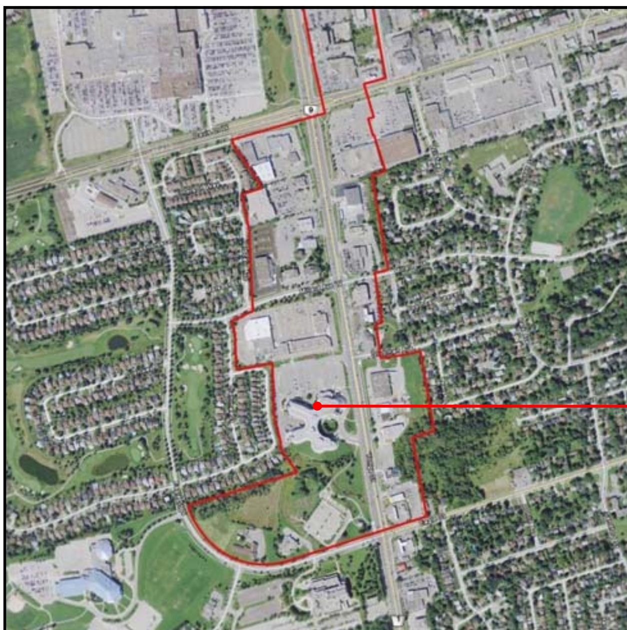
(The six attachments referred to in this clause are attached to this report.)

Purpose of Presentation

As directed by Council in 2009, the following work is being presented regarding the development of a Central Services Centre (CSC) in Newmarket:

- 3 Original Architectural Design Options (1, 2 and 3) at 6 to 11 stories
- 1 Additional Architectural Design Option (2B) at 8 stories
- Supporting studies on traffic, parking, servicing, floodplain etc.
- Longer-term planning strategy/development potential of remainder of site
- Project cost estimates and business case

PLANNING CONTEXT



- Newmarket Urban Growth Centre
- Secondary Plan Timing

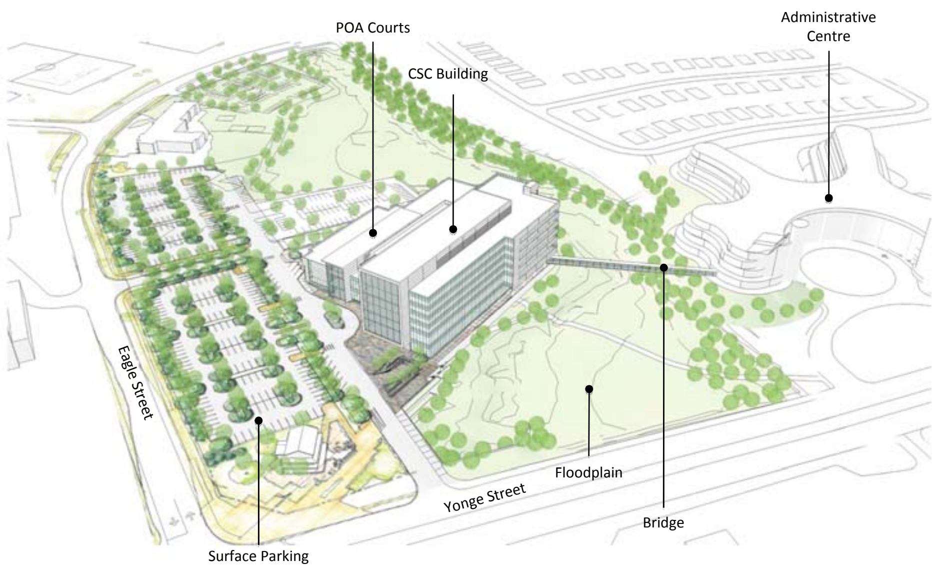
SITE


Administrative Centre
Property line
Doane House
AC Overflow Parking
Children's Aid Society
Provincial Courts
Community and Health Services
Regional Flood line

SITE PLANNING

SITE ANALYSIS

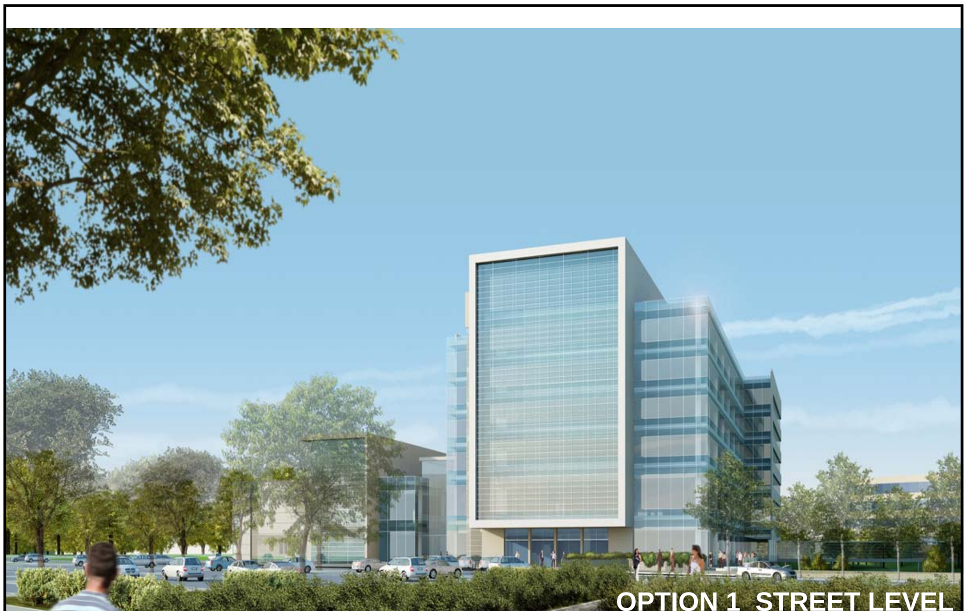
ARCHITECTURAL DESIGN OPTIONS



OPTION 1 – AERIAL VIEW LOOKING NW

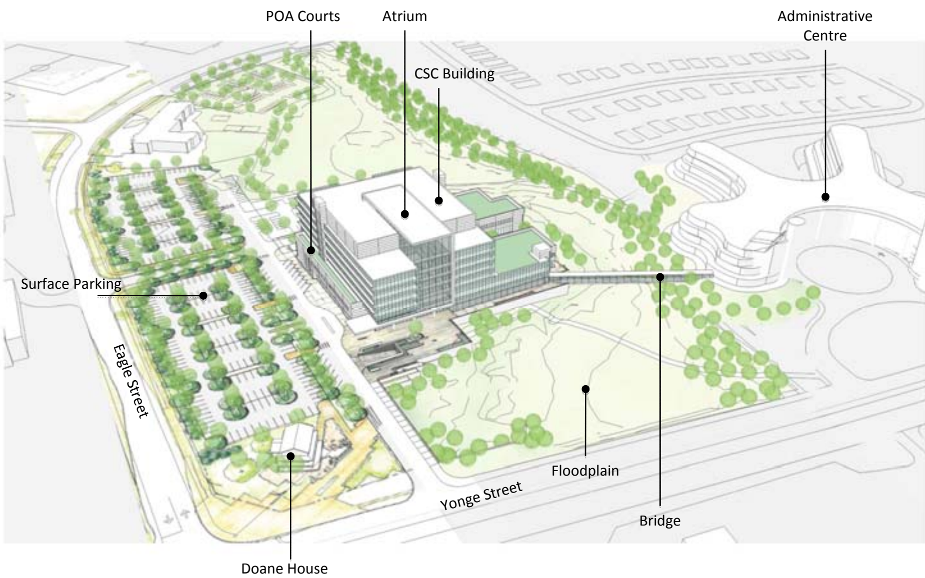
York Region | CENTRAL SERVICES CENTRE
Finance and Administration Committee Presentation • February 2, 2012

WZMH ARCHITECTS

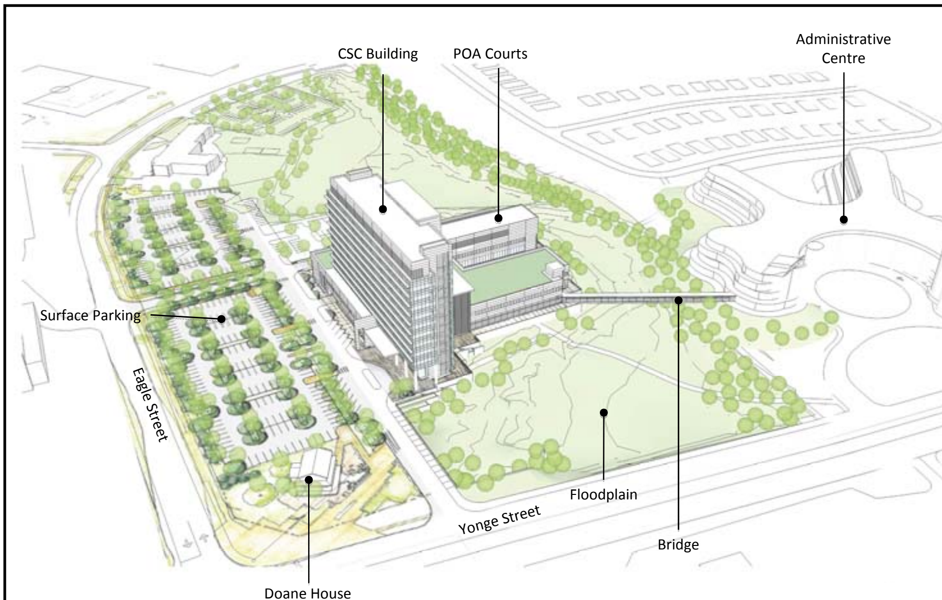


York Region | CENTRAL SERVICES CENTRE
Finance and Administration Committee Presentation • February 2, 2012

WZMH ARCHITECTS



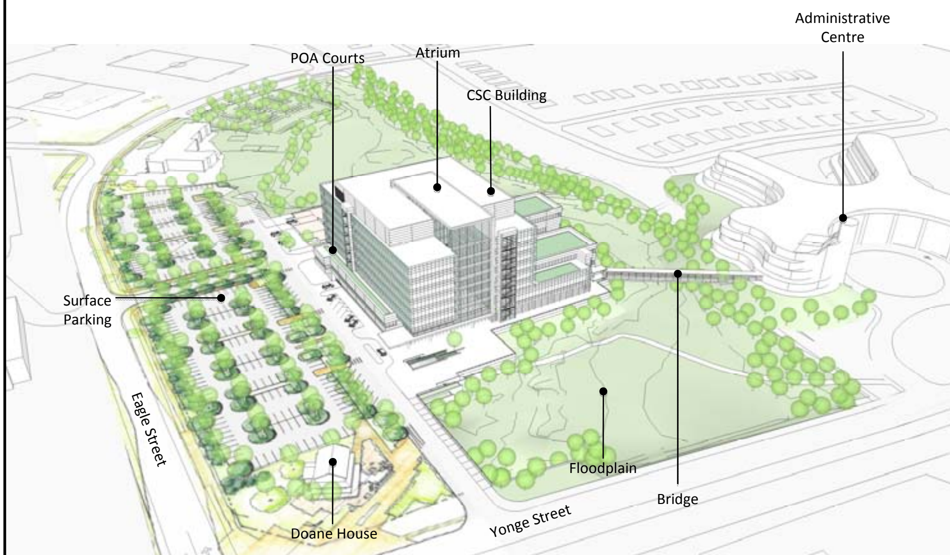
OPTION 2 – AERIAL VIEW LOOKING NW



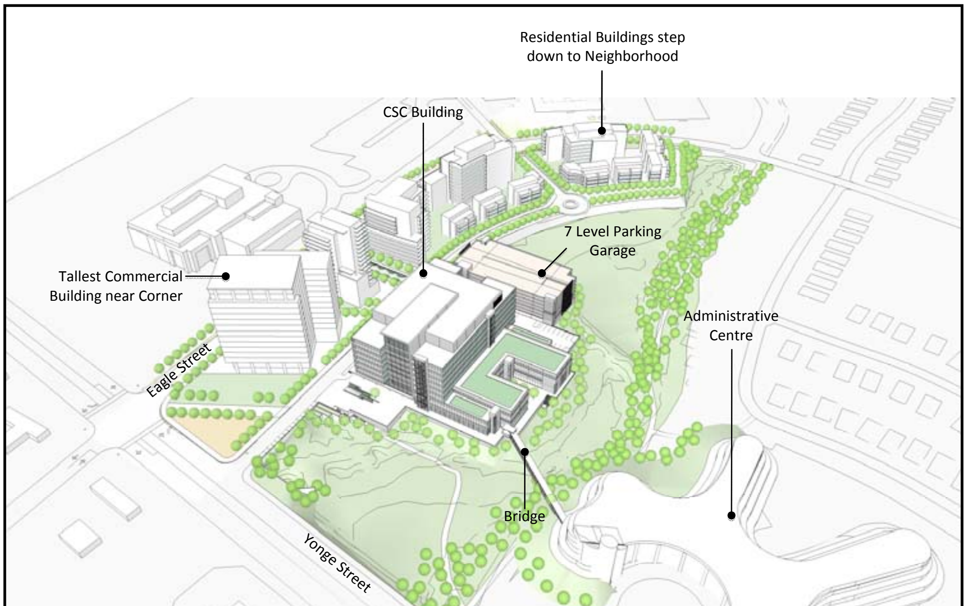
OPTION 3 – AERIAL VIEW LOOKING NW


OPTION 3 AERIAL


OPTION 3 STREET LEVEL



OPTION 2B – AERIAL VIEW LOOKING NW



OPTION 2B: POTENTIAL FUTURE BUILD-OUT: AERIAL VIEW LOOKING SW


OPTION 2B AERIAL


OPTION 2B STREET LEVEL

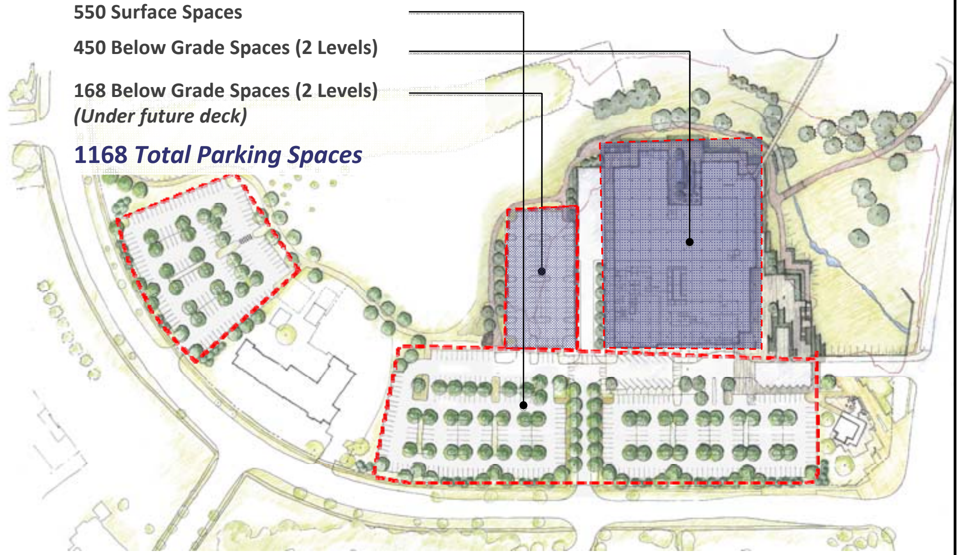
PARKING

550 Surface Spaces

450 Below Grade Spaces (2 Levels)

168 Below Grade Spaces (2 Levels)
(Under future deck)

1168 *Total Parking Spaces*



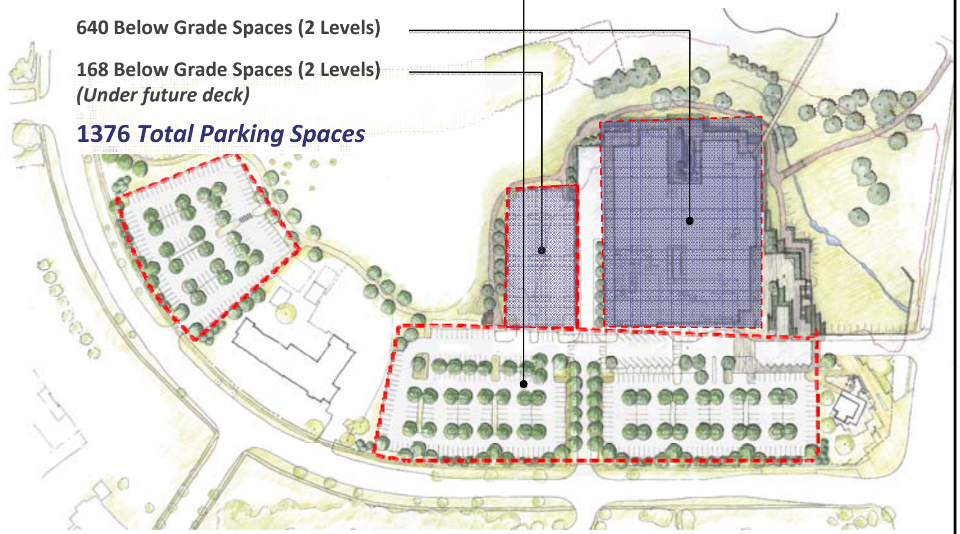
REQUIRED PARKING: OPTIONS 1 - 3

568 Surface Spaces

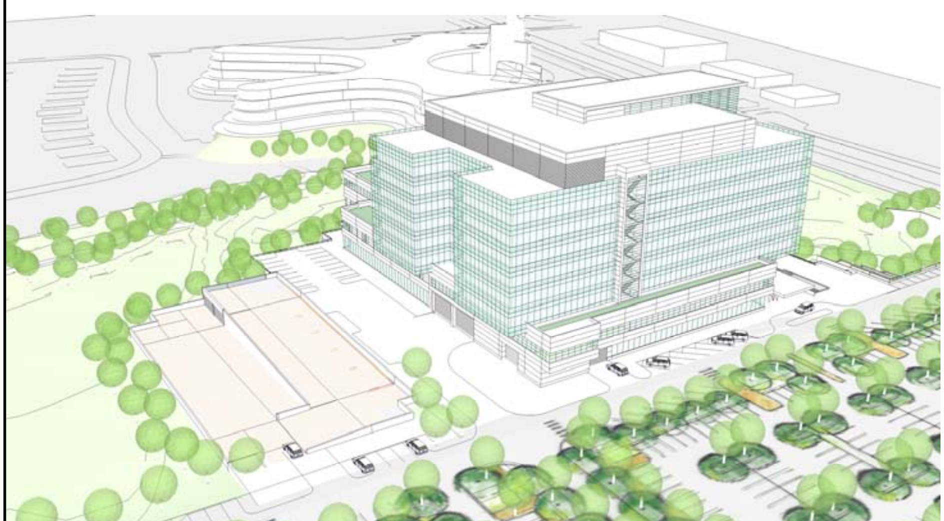
640 Below Grade Spaces (2 Levels)

168 Below Grade Spaces (2 Levels)
(Under future deck)

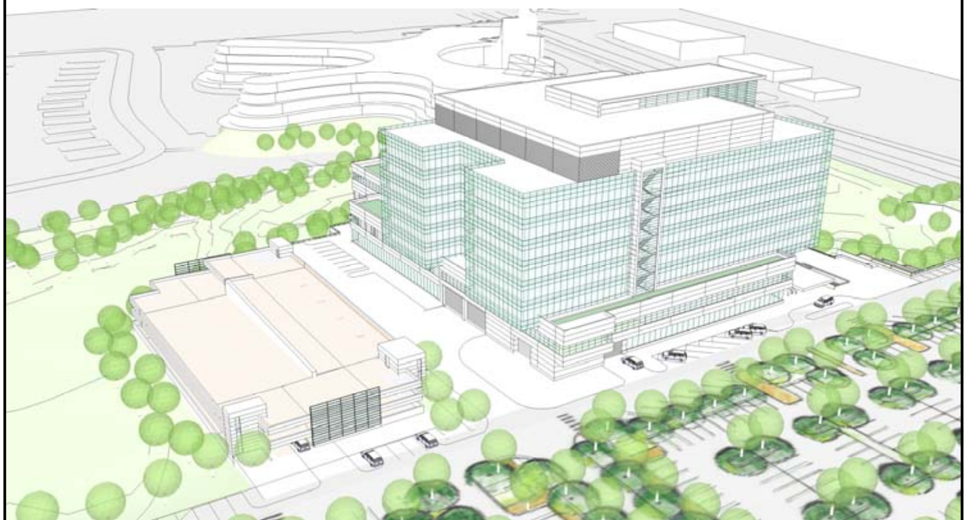
1376 *Total Parking Spaces*



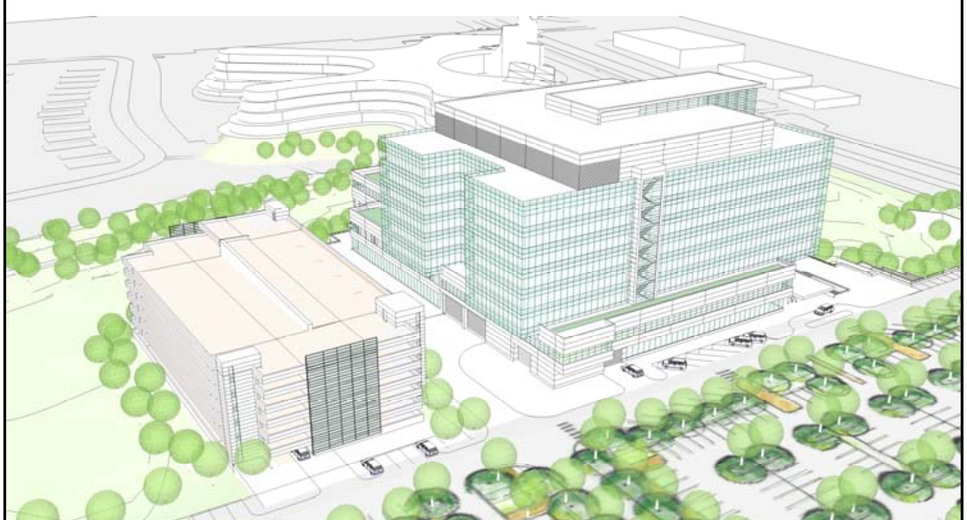
REQUIRED PARKING: OPTION 2B



OPTION 2B – 2 LEVELS OF UNDERGROUND PARKING BELOW FUTURE DECK



OPTION 2B – POTENTIAL PARKING DECK WITH 2 LEVELS ABOVE GRADE



OPTION 2B – POTENTIAL PARKING DECK WITH 7 LEVELS ABOVE GRADE

	 OPTION 1	 OPTION 2	 OPTION 3	 OPTION 2B
Building Height	6 Storeys	6 Storeys	11 Storeys	8 Storeys
Floor Plate Sizes	Ground -2: 70,000ft² 3-6: 40,000ft²	Ground -2: 70,000ft² 3-6: 40,000ft²	Ground-2: 70,000ft² 3-11: 18,000ft²	Ground -2: 70,000ft² 3: 60,000ft² 4-8: 40,000ft²
Building Size and Efficiency	**340,000 ft²** Efficient fit into larger floor plates	**340,000 ft²** Efficient fit into larger floor plates	**340,000 ft²** – Inefficient as small floor plates split department branches and teams	**430,000 ft²** Efficient fit and room for future departmental expansion
Site Footprint	120,000 square feet	Same	Same	Same
Design Features	Split CSC and POA, joined by 2 storey atrium	Full Height Atrium Space	Taller building, south facing office floor plates, 2 storey atrium	Full Height Atrium Space POA Courts on 2nd floor
Urban Design	Angled relationship to Yonge Street	Large face and good relationship to Yonge Street	Side view relationship to Yonge Street	Largest face and best relationship to Yonge Street
Annual Energy Cost	Highest	Lower	Moderate	Lower
Total Project Cost	$169.6M	$167.9M	$179.3M	$195.6M

ESTIMATED PROJECT COSTS

Estimated Comparative Project Costs ($ Millions)

		Option 1 6 storey (340,000gsf)	Option 2 6 storey (340,000gsf)	Option 3 11 storey (340,000gsf)	Option 2B 8 storey (430,000gsf)	Comments
1	**Building Costs**	$128.4	$126.9	$136.9	$155.0	
2	**Contingencies**	$17.4	$17.2	$18.6	$21.0	Design 5%, Escalation 5%, Construction 3%
4	**Deck- Below Grade**	$6.9	$6.9	$6.9	Included	168 spaces under future deck
5	**Sub-Total**	$152.7	$151.0	$162.4	$176.0	
6	**Soft Costs**	$16.9	$16.9	$16.9	$19.6	Design, Permits, Fees, FFE,
7	**Total Costs**	$169.6	$167.9	$179.3	$195.6	
8	**Difference +**	**$1.7**	**Base Cost**	**$11.4**	**$27.7**	

BUSINESS CASE

CSC Business Case Summary - 35 Years

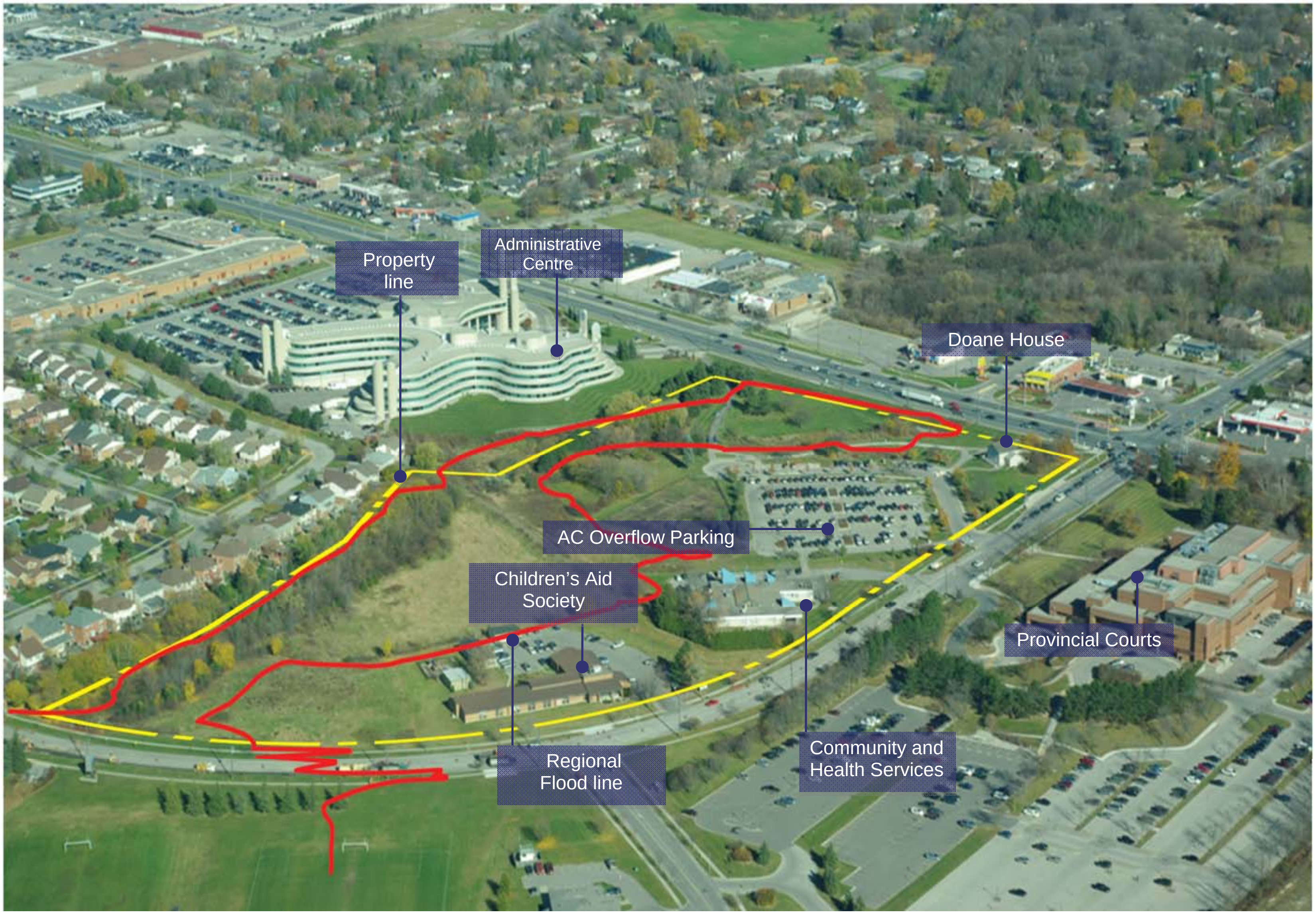
	Net Present Value (NPV) ($ millions)
Status-Quo	$268.5
Region-Build (Options 1 or 2)	$199.2 **(-$69.3)**
Region-Build (Option 2B)	$203.3 **(-$65.2)**
Region-Build (Option 3)	$210.6 **(-$57.9)**
Developer-Build/Lease	$320.0 **(+$51.5)**

- Savings of $69.3 million NPV supporting Region-Build Options 1 or 2
- Utilizing a Debenture Rate of 6% with a 20 Year Term
- Discount Rate of 5%

CONCLUSION

Rationale for Region-Build

- “Do Nothing Option” is not a practical option
- Savings of $65M NPV to year 35 for recommended Option 2b
- Significantly reduces leasing and rehabilitation costs
- Centralized, sustainable, transit supportive location
- Enhanced customer service
- Functional efficiencies with the Administrative Centre
- Solves Court’s current issues and provides for 10 years of growth
- Provides Data Centre for the Region’s expanding technology needs
- Opportunity for public investment to serve as catalyst in developing the Newmarket Urban Growth Centre



COUNCIL ATTACHMENT 1 – SITE MAP

COUNCIL ATTACHMENT 2 - DESIGN OPTION 1

COUNCIL ATTACHMENT 3 - DESIGN OPTION 2

COUNCIL ATTACHMENT 4 - DESIGN OPTION 3

COUNCIL ATTACHMENT 5 - DESIGN OPTION 2B

COUNCIL ATTACHMENT 6 –
OPTION 2B MASTER PLAN - POTENTIAL BUILD-OUT