4
CENTRAL SERVICES CENTRE CONSOLIDATION

The Finance and Administration Committee recommends:

1. **receipt of the presentation from Jim Davidson, Commissioner, Corporate Services and Barry Crowe, Director, Property Services; and,**

2. **adoption of recommendations 1, 2 and 4 in the following report dated February 17, 2009, from the Commissioner of Corporate Services;**

3. **amendment of the report from the Commissioner of Corporate Services as follows:**

   a. **deletion of Recommendation 3 and replacement with the following:**

      3. **The Commissioner of Corporate Services review options for consolidating the two existing Regional Court facilities either in Newmarket or in the southern part of York Region, or for retaining two separate court facilities in the north and south of the Region and report back when the Request for Proposal results are received.**

4. **the Commissioner of Corporate Services make a further presentation to Council on March 26, 2009, including more details pertaining to the Region's facilities and the financial comparisons of the various lease or build options.**

1. RECOMMENDATIONS

It is recommended that:

1. Council authorize staff to proceed with an RFP to retain an architect and consulting team to determine a preferred architectural design and finalize all required studies and contract documents for the construction of a Central Services Centre on Regionally-owned lands adjacent to the Administrative Centre in the Town of Newmarket.

2. Staff report back to Council with architectural design options and a full cost estimate for the first phase of the Central Services Centre project before tendering.

3. Council confirm the recommendation to consolidate the two existing Regional Court facilities in Newmarket and Richmond Hill to the new Central Services Centre, or nearby Provincial Court lands, as recommended by the recently completed study by PSGT Consulting.

4. Staff review potential options for vacated facilities and continue to work with the Town of Newmarket to develop strategies and options for planning future phases of development to facilitate additional intensification of the site.

2. PURPOSE

The report requests authorization for staff to proceed with an RFP for retaining an architectural firm and consulting team to undertake all required studies and produce specific design options for the phased development of a Central Services Centre (CSC), adjacent to the Administrative Centre, in the Town of Newmarket.

The CSC would consolidate existing and functionally obsolete, owned and leased office facilities in Newmarket, which deliver Regional programs that serve the Region's northern municipalities. Inherent in this purpose, is the simultaneous formulation of a long term planning vision for the site to ensure conformity with Provincial, Regional and local planning policies and requirements, given the site's key location adjacent to a major corridor within a Regional Centre.

This report further requests Council to confirm staff's recommendation to consolidate the Region's two existing court operations, currently located in the Tannery in Newmarket and the South Services Centre in Richmond Hill, to a new court facility in Newmarket, to centralize court operations and facilitate maximum efficiencies.

3. BACKGROUND

Council approved Strategic Accommodation Plan

In 2005, Regional Council adopted a Strategic Accommodation Plan (SAP) to address its short and medium term accommodation requirements. It identified, as a Phase 1 priority, the urgent need for consolidation of a number of older, expensive and functionally obsolete, owned facilities and leased space in Newmarket, to a new office facility to be constructed on Regionally-owned lands adjacent to the Administrative Centre. This new consolidated service facility would more effectively and efficiently serve residents located in the Region's central and northern communities. Council directed staff to proceed with consultant studies, conceptual plans, and a financial analysis for the project.

Additional Regional services and facilities are needed in the south end of the Region

In addition to this new Central Services Centre in Newmarket, the SAP established a Phase 2 strategy to develop service delivery centres in the Region's southern tier. Given that the Region established a South Services Centre in Richmond Hill in 2001, the Plan does not place the same urgency on providing additional accommodation in the southern tier in comparison to the state of the 50 year old Newmarket accommodations. However, recognizing the important need for additional Regional services in the south end, staff have held preliminary discussions with the Town of Markham and the City of Vaughan on their municipality's service requirements. Preliminary work will continue in an effort to explore various options to establish a consolidated Regional presence in both the southeast and southwest, once the Central Services Centre project is approved and underway.

Initial concept plans, traffic and servicing studies are now complete

Preliminary planning, environmental, geotechnical, stormwater, traffic, servicing, business cases and architectural concepts have now been completed on the CSC site. Property Services Branch staff assembled and led a project team consisting of staff from both the Regional and Town of Newmarket Planning departments, Rapidco, and various consulting firms to examine all project issues and concepts and worked together to develop a planning vision for the site and to find innovative, sustainable and practical solutions for the short, medium and long term build out of the site. The result of all work is illustrated in the architect's conceptual plans attached to and forming part of this report.

Children's Aid Society building and Doane House not impacted in Phase 1

At present, the Children’s Aid Society (CAS) has a long term ground lease for the building they own at 85 Eagle Street. There would be no need for relocation in Phase 1, but it would be required once the remaining lands are developed. In addition, the Doane House Hospice is located on the southeast corner of the Region's property. It would also eventually have to be relocated prior to construction of any Phase 2 plans. Dialogue with CAS, Doane House and the Town of Newmarket will continue as site development work advances.

4. ANALYSIS AND OPTIONS

4.1 Consolidation of Owned Office Facilities

Owned space in Newmarket is functionally obsolete and in need of expensive rehabilitation/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 were recently completed on these facilities.

The 62 Bayview Parkway building was constructed in 1957 and houses the Region's Community Services staff. While it served as the original Regional Headquarters from 1971 to 1993, the building had already been in existence for many years prior. This building is in constant need of maintenance and current and projected rehabilitation costs are estimated to be approximately $2.85 million over the next 20 years.

The 22 Prospect Street building is home to the Region’s Dental and Nutrition programs, where dental care is 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 44 years old and is also functionally obsolete by modern government standards. Current and projected rehabilitation costs are estimated to be approximately $2.6 million over the next 20 years.

The 55 Eagle Street building provides services through the Early Intervention Service program. It was constructed in 1972 and the building is in need of constant maintenance and renovations. Current and projected rehabilitation costs are estimated to be approximately $1.61 million over the next 20 years.

The Administrative Centre is at full capacity

The Regional Headquarters opened in 1993 and is now over 15 years old. It measures approximately 450,000 gross square feet, with 250,000 square feet being usable space. The building houses over 1000 staff, including the Regional Police Headquarters, and throughout the course of its history, the building has been intensified by a factor of three from its original occupancy. At present, it cannot accommodate any additional growth and there is no potential to redesign floor plates in its open areas to create additional space. The proposed Central Services Centre will provide space to accommodate 10 years of projected growth at the Administrative Centre.

Leasing market for suitable government space in Newmarket is limited

Some of the existing leased premises in Newmarket have been identified by the Region's consultants as being unsuitable, expensive or problematic for delivering Regional services. The Tannery is located on Davis Drive, where the Region leases space for Health Services, an IT Training Centre, and Court services. The overall condition of the facility is not conducive to the effective delivery of Regional services. Staff has experienced constant issues in this location, which was most recently developed as retail space. This site poses significant parking challenges, for clients and staff alike, as it was never designed for the types of uses or volume of traffic it currently experiences.

In addition, a small 6,300 square foot 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 space on an interim basis at the Newmarket Civic Centre to meet the pressing needs of the IT Branch. The Town plans to utilize this space in 3 years for their own space needs and therefore the Region will be required to relocate staff once again.

Space is also leased at the Gates of York Plaza, located immediately north of the Administrative Centre. This space currently houses the Human Resource Services Branch and some Environmental Services staff, and currently provides some swing space to assist the Region during transition periods when staff is being relocated.

The Newmarket leasing market for suitable government space is very limited. The Region is constantly under pressure to find additional, suitable leased space for departmental program delivery and this current situation not only results in significant additional costs for leasing space and moving staff, but the continued fragmentation of Regional services.

4.2 Courts Operations

Centralized Court operations will provide better service at less cost

In July 1999, the Region accepted responsibility for court administration at the existing *Provincial Offences Act* Court location in the Tannery Mall, Newmarket. When it became apparent that additional courtrooms were needed to handle growing caseload, it was decided that an additional court location would be opened at the new South Services Centre in Richmond Hill in 2002. The additional courtrooms provided useful extra capacity at the time, but the splitting of court resources between two separate locations has created a number of ongoing operational challenges. Further, while the Richmond Hill location was originally thought to offer better service to Regional residents, it is now documented that over 40% of charges do not involve Regional residents.

Further workload increases in subsequent years have resulted in two further courtrooms being added at the Newmarket site. Space and parking are now at a premium at both sites and any further courtroom expansion would be difficult and costly. In 2008, independent consultants (PSTG Consulting Inc.) were asked to conduct a detailed review and make recommendations regarding the impact of geographic location on program efficiency and effectiveness. The consultants' report (dated November 10, 2008) concluded that while “the Region’s court operations are operating at or better than the MAG standards and comparable jurisdictions” there would be significant benefits to centralizing operations at a single site. The consultants determined that “current court facilities are inadequate and do not meet many York Region and MAG operating standards” and that “a single site would be more efficient for POA operations”. The proposed court consolidation on Eagle Street will also provide synergies with the existing Provincial Courts.

4.3 Long Term Planning Vision and Site Rationale

2008 urban planning analysis calls for multiple uses at higher densities

In January 2008, the Region's planning consultant for the project, Malone Given Parsons, completed an analysis which concluded that the Region should consider much higher densities and multiple uses for the site including office, retail, and residential, given the site's location in a Regional Centre, based on new Provincial planning legislation, as well as Regional transit, centres and corridors and sustainability initiatives. Part of the rationale also stemmed from the analysis of parking space requirements and costs, which could be reduced by incorporating a multiple-use development.

The Region's lands are designated and zoned "Institutional" which permits buildings at a maximum height of six stories at the current time. The Region will continue working closely with the Town of Newmarket to ensure both the Town's and the Region's visions and requirements are met and the planning process for moving forward is established early in the project.

Development of the Region's lands represents an exciting opportunity to act as a catalyst for the build out of Newmarket Centre by establishing the standard of what all future city building should seek to achieve within the Region's centres and corridors.

With regard to the rationale for developing the Region's site next to the Administrative Centre and the consolidation of Regional office space to a new Central Services Centre, there are a number of substantial reasons to recommend this strategy as follows:

- Business case concludes the Region could save taxpayers approximately $35 million over 20 years.
- Provides an exciting opportunity for the Region to show leadership in helping Newmarket develop its Regional Centre with a well designed, multi-use, transit supportive, energy efficient and accessible campus development.
- Provides public investment as an anchor and catalyst for Newmarket Centre.

- Maximizes the use of valuable owned lands zoned to permit institutional development.
- Eliminates current leasing and rehabilitation costs of older owned buildings.
- Transit orientated corridor location is sustainable and conforms to Regional and local planning policy and Provincial city building guidelines.
- Proximity to Administrative Centre creates opportunities for internal synergies and swing space and additional parking.
- Provides improved customer service and a functional linkage for staff, residents and the private sector to more easily conduct Regional business with "one stop shopping".
- Site development with proper stormwater management techniques will help alleviate Newmarket's flooding issues downstream to the east.

Architectural concepts evolved through complex analysis and expertise

WZMH Architects were retained to develop phased conceptual plans for development of the Central Services Centre. Together with the project team, various plans were developed, analysed and revised, which eventually evolved into the two phased concept plans recommended for the site. While the immediate office accommodation needs of the Region are illustrated in the Phase 1 Concept Plan, the intent of the study was to also to ensure that the balance of the lands could be developed to their highest and best use at full build-out, to at least achieve the Town's and Region's intensification target for the site of 2.5 FSI over the coming decades.

The Phase 1 Concept Plan proposes a 230,000 square foot office facility, linked by an atrium to a 40,000 square foot court facility. The Plan incorporates two levels of underground parking under the CSC and one level under the Court facility. Some of the detailed rationale for the Phase 1 Concept Plan includes:

- The CSC and Courts may be constructed individually or together, but each facility maintains an independent identity.
- The lobby would be a public hub with opportunities for adjacent retail and services.
- The CSC is proposed on the edge of the floodplain boundary and gives the building a visual prominence from the intersection, with easy pedestrian links from a future VIVA station.
- Maintains adequate space on the corner and overall site for future intensification.
- The angle of the floodplain boundary maintains the existing view corridor from the intersection to the Administrative Centre.
- The location of the Courts building masks a future parking structure, behind which will increase in height as the build out progresses.

- The provision of large amounts of surface parking, which will be treed and landscaped to provide a buffer to Eagle Street, instead of decked or underground parking, significantly reduces initial construction costs.

The Full Build-Out Concept Plan incorporates commercial and residential buildings at much higher densities, ranging in height and type. All surface parking is transferred to underground and deck structures. A further description of this concept plan follows:

- The final phase of the plan demonstrates how the site may be developed to 2.5 FSI, but may be phased as per market demand, Regional needs and required infrastructure upgrades.
- The Doane House would be relocated to another more suitable site, and the Children’s Aid building would be demolished, provided lease issues can be resolved.
- An 11 storey office building is proposed at the corner of Yonge and Eagle Street, with its primary location maintaining views and pedestrian links to the CSC Building and POA Courts.
- The balance of the site is proposed as residential development ranging in height from 3 to 19 storeys with parking located below grade. Residential buildings are lowest at their interface with stable residential neighbourhoods and the floodplain, rising to their highest along Eagle Street.

Traffic Study finds no major traffic issues for Phase 1 Plan

The Region retained IBI Group to undertake a traffic analysis of both the Phase 1 Concept Plan and the Full Build-out Concept Plan. In carrying out the traffic analysis, IBI assumed that the VIVA transit system rapidways would be in place for Phase 1 and that ridership would gradually increase over time, gradually reaching a modal split of 30% of the trips in the area. New traffic counts were carried out and traffic impacts were analysed for 5 time periods from the present to 20 years.

For the Phase 1 Plan, IBI concluded that this level of development is feasible if a new right-in-right-out access to the site is provided just north of the VIVA station on Yonge Street and the VIVA system rapidways are in place. The main impact will be an increase in the northbound left turn movements at Yonge and Eagle streets during the AM peak period, but the volumes are acceptable. From a capacity perspective, IBI concludes that there will not be significant impacts along Eagle Street for this development phase.

With regard to future phases of development beyond the 270,000 square feet of office development, a new signalized intersection in front of the Administrative Centre would be required at 10 years, the widening of Eagle Street from Yonge to McCaffrey at 15 years and additional intersection improvements at Yonge and widening along Eagle to Davis Drive will likely be required at the full 20 year build out to achieve a target of 2.5 FSI.

Surface parking is a cheaper, short term solution

Parking has a major influence on the site's future design and development. The cost of parking has significant impact on feasibility of proposed institutional/commercial development, yet in residential development, parking costs are absorbed into unit pricing. At current construction costs, provision of parking below grade is the most expensive option and decked structures are slightly less expensive, as excavation and mechanical systems are reduced. The least expensive parking option is surface parking.

In order to develop the full build-out concept plan to achieve a target of 2.5 FSI or higher, significant amounts of parking will be required. However in the full build out scenario, it cannot all be provided at grade. A balance of surface, decked and below grade parking is required at various phases of the site's development. Design analysis demonstrated that the amount of commercial development the site could support was limited by the amount of parking that needed to be provided by required zoning restrictions and market requirements.

The site also needs to accommodate the 250 overflow parking spaces currently on the site for the Administrative Centre, plus additional parking for the new CSC Building and POA Court, and future parking for commercial development. For this reason, a large part of the additional density provided in the concept plans was assigned to residential uses, as the required parking could be provided below grade and absorbed in the price of units to purchasers. In order to reduce initial costs of implementing the CSC Building and POA Courts in Phase 1, as much parking as possible has been proposed at grade. As the phases of development proceed and site is parcelized, the surface parking is to be transferred to parking deck structures. While parking requirements have been based on existing zoning requirements, in all likelihood, these will decrease as the Town and the Region adopt reduced and maximum parking ratios.

Servicing Study identifies infrastructure requirements for Phase 1

The Region retained Cole Engineering to undertake a servicing study to consider water supply, sanitary sewerage, storm drainage and grading for the proposed CSC concept plans. 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.

Now is the time to build

The Region's project team has analysed numerous variables related to developing a Central Services Centre facility and have concluded that now is the time to build. Given that it will take approximately 3 years to complete all studies and design work and complete the construction and move-in phases, it is essential to move ahead with the project as quickly as possible.

With current economic and market conditions, project costs will likely continue to fall as the price of steel and labour are reduced. It is believed that a more competitive tender process and construction market will also evolve, and the project would also serve as a major economic stimulus for the Newmarket and Regional economy.

Lastly, with current leases due to expire in 3 years, Property Services staff is aware of the timing challenges of existing current space and relocating to the new facility, while having as little negative impact to service delivery and staff as possible.

4.4 Remaining studies and next steps

To summarize, if Council authorizes staff to move forward, the Region will initiate the Phase 1 development process by retaining a Project Manager and issuing an RFP to retain an architect to complete detailed designs. A consulting team would then be assembled to undertake all required final studies including:

- Planning (Town consultation, Zoning/Site Plan process)
- Storm Water, Servicing, Geotechnical/Environmental
- LEED/Energy Study
- Traffic and Transit Studies
- Accessibility (AODA)
- Courts
- Updated Business Case

The objective would be to report back to Council in early 2010 with design options and study findings to obtain approval to go to tender for construction. The high level goal at this point in time is to hit the spring 2010 construction schedule.

5. FINANCIAL IMPLICATIONS

Business Case analysed options and supports Region-Build/Own

Option 1 – Region-Build/Own

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 this option would be least expensive at a cost of approximately $125 million over 20 years.

Option 2 - Status Quo

This option 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. It would also result in the Region having to find new leased space to meet program requirements and for displaced staff from the Newmarket Civic Centre in 3 years time. Building condition audits of 62 Bayview Parkway, 22 Prospect and 55 Eagle, conclude that a minimum of $7.1 million will have to be spent to rehabilitate these old and unsuitable buildings over the next 20 years.

The Tannery is home to one of two Provincial Offences Courts in York Region, and is currently at capacity. The other court operation is located in the South Services Centre in Richmond Hill. One court has been added in the Tannery since it was downloaded by the Province in 1999. An additional court room is also needed in 2009 and as the volume of charges continue to increase, another courtroom will likely be required in the next 3-4 years. These courts intrinsically generate huge volumes of traffic for attendees consisting of defendants, witnesses, friends, relatives and agents.

Additional leasing costs would also continue to be paid for the 6,300 square feet leased at 1091 Gorham Street, which is approximately $70,000 annually. The 2008 business case concludes the cost will be approximately $160 million over 20 years.

Option 3 - Developer-Build/Lease

This option would have a developer design and build a facility for the Region and the Region would then lease the facility. This option is the most expensive, as a developer's land and financing costs and profit margin must be built into the analysis. The business case concludes that this option is the most expensive as it would cost the Region approximately $213 million over 20 years, and after 20 years, the Region would still continue to pay rent.

Business Case Summary

To summarize the business case findings, continuing with the status quo is not an option. It will cost the Region approximately $35 million more to continue as is, rather than build its own new facility, and approximately $88 million more to have a developer build the facility, rather than the Region build the facility itself. After discussions with the Region's Finance department, the consultant based the business case on a 20 year financing term, rather than a 10 year term. This decision to use a 20 year term was based on the fact that it is more reflective of the deals that might occur with the development industry and a benefit to the Region is that the cash flow obligation over the 20 year term is longer, thereby reducing the first 10 year cash outlay.

Table 1: 2008 Business Case for 270,000 square feet

Option 1 - Region-Build/Own:	$125 million
Option 2 - Status Quo:	$ 160 million
Option 3 - Developer-Build/Lease:	$213 million

Notes:
- Savings of $35 million over 20 years
- Utilizing a Debenture Rate of 6% with a 20 year term
- Calculated using a net present value of 6%

Value added benefits of proposed option

In accordance with Council’s leadership and corporate policies on sustainable buildings, the Region would pursue construction to a minimum of LEED Silver. This ultimately will reduce energy consumption and operating costs by approximately 25-30% over the life cycle of the facility. This building will set the standard for all future development within the Regional Centre. In addition, research has shown conclusively that employees are more productive in healthy, well-planned facilities. Even a modest productivity gain can generate cost savings and improve the output and quality of service delivery.

The project is included in the 2009 capital budget, with the potential for construction commencing in 2010-2011.

6. LOCAL MUNICIPAL IMPACT

The development of a new Central Services Centre in Newmarket will significantly enhance the delivery of Regional services and programs in the Town, and surrounding communities, by consolidating a number of fragmented facilities to a centralized, modern, and efficient services centre, located on the Yonge Street corridor in Newmarket Centre. It will serve as a catalyst for developing Newmarket Centre and support both the

Region's and Town’s Official Plans by developing a well-planned, sustainable, transit supportive centre, that creates a sense of civic place and pride. It positions the site for long term intensification in support of Provincial legislation and intensification guidelines. It will offer both residents and the private sector, improved access to Regional services in one centralized location via Regional rapid transit. The Region will continue to work closely with the Town on traffic planning and mitigation.

7. CONCLUSION

The development of a Central Services Centre, on Regionally-owned lands located adjacent to the Administrative Centre, would save taxpayers approximately $35 million over 20 years, while providing enhanced customer service and supporting a number of corporate objectives. The phased architectural concepts support Provincial legislation and city-building requirements, and both the Region’s and Town's Official Plan policies regarding the development of Centres and Corridors. The planning vision is built on a sustainable framework of Regional rapid transit, LEED policies to achieve maximum energy efficiency, and the Region's 10 guiding principles for the development of Centres and Corridors. Development of the CSC would consolidate Regional services onto one site for improved public access and provide internal synergies and functional linkages with the Administrative Centre.

In the event that Council directs future commercial and residential development to the site, the proposed Phase 1 development will not encumber any future development that may be planned for the site in the coming decades to achieve the Town's ultimate intensification targets. It will take approximately 3 years from Council approval to finalize all studies, architectural designs, drawings and site plans, construct the facility and complete staff moves. A final business case will also be undertaken once the exact number, size, and type of buildings are chosen by Council, along with required underground, deck and surface parking.

While capital costs can seem daunting, it is time for the Region to look toward its current and future needs by building suitable, well-planned and efficient facilities that will achieve better efficiencies, customer service and program service delivery.

The Region is at a watershed mark in its history in relation to managing its second largest asset of land and facilities, after its employees. The tremendous growth experienced by the Region over the last 25 years has left it with a challenging accommodation model, bridged between the obsolete buildings of its County days in the 1950’s and 60’s, to its modern, high-tech facilities and complex service delivery requirements of the present day. The "do nothing" option is not a sound financial option.

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

The Senior Management Group has reviewed this report.

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