

## **Municipality Of Chatham-Kent**

### **Chief Administrative Office**

**To:** Mayor and Members of Council  
**From:** Michael Duben, Chief Administrative Officer  
**Date:** August 2, 2023  
**Subject:** Update Report on the Imagine Chatham-Kent Proposal

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### **Recommendations**

It is recommended that:

1. Further consultation be undertaken regarding the various options presented in this report.
2. Administration prepare a report for the October 30, 2023 Council Meeting that will provide the following:
  - a. A summary of the advantages and disadvantages for each option; and
  - b. A summary of the stakeholder and public consultation.

### **Background**

In spring 2021 it was announced that a group of local investors (the “Investor Group”) had purchased the Downtown Chatham Centre (“DCC”) mall property. On June 28, 2021, Council directed administration “to prepare a report regarding options for relocation or redevelopment of municipal assets including, but not limited to, the Civic Centre as part of the plans to redevelop the Downtown Chatham Centre property”. Shortly afterwards, administration issued a survey on behalf of the Investment Group soliciting ideas from the public as to how the DCC site could be redeveloped.

On June 13, 2022, administration brought a report to Council regarding the Investor Groups’ “Imagine Chatham-Kent” proposal. This proposal included the following concepts:

1. Phase 1 - Redevelopment by the Investor Group of the former Sears portion of the DCC into a Community Hub co-locating various municipal facilities. The proposed design saw the balance of the current mall being demolished, with the former Sears portion being redeveloped as a new location for Civic Centre employees, as well as the new site of the Chatham Library branch, the Thames Art Gallery, the CK Museum, and a fully accessible Council Chambers. The Community Hub, a new promenade, and the repaired parking garage would be

sold to the Municipality upon completion of the redevelopment. While the former Sears building is approximately 40 years old, Phase 1 would be a completely new refurbishment of the building. Cost savings should be realized since all of the underground infrastructure is in place and elements of the structure could be reused such as the foundation and other components of the structure.

2. A guaranteed minimum purchase price for the three existing municipal buildings (Civic Centre, Chatham Library branch, and CK Museum/Thames Art Gallery) expected to be made redundant with the creation of the Community Hub. The Municipality would still retain the right to sell these buildings on the open market, but the minimum purchase price from the Investor Group would ensure that these buildings could be purchased by the Investor Group and removed from the Municipality's responsibility in a timely manner.
3. Phase 2 - Redevelopment of portions of the DCC by the Investor Group for the purpose of constructing an Entertainment Complex to hold 4,000 seats and a single ice surface. The Entertainment Complex would be sold to the Municipality for ongoing management upon completion of the redevelopment.
4. Phase 3 - Retention of remaining lands on the DCC site by the Investor Group for potential future private sector commercial and residential development. This aspect of the proposal was referred to as Phase 3.

Upon review of the Imagine Chatham-Kent proposal, Council approved recommendations to conduct further public consultation on the project and for administration to perform necessary due diligence, including retaining external consultants.

On August 8, 2022, administration brought an update report to Council on the Imagine Chatham-Kent proposal. At that meeting, Council approved recommendations to proceed with investigating the feasibility and suitability of purchasing part of the DCC property. The recommendations included obtaining a certified appraisal and engineering report for the DCC property proposed to be transferred to the Municipality, and that an external firm be retained to conduct public consultation and a business case assessment on the proposal. Accordingly, Council awarded the RFP for Project Management and Development Services to Nustadia Recreation Inc. in October 2022. Nustadia worked with administration to perform some stakeholder engagement and to produce a detailed timeline for the Municipality's potential transaction with the Investor Group, including developing an initial draft RFP framework for a potential design-build process.

Administration also continued to negotiate with the Investor Group for several months after these reports were brought to Council. Legal Services produced a detailed legal agreement to specify the terms of the property acquisition, which was provided to the Investor Groups' lawyer for review. On January 16, 2023, a direct appointment for appraisal services was awarded to Robson Associates Inc. to determine the value of the portions of the DCC property proposed to be transferred to the Municipality. An initial indication of value produced by Robson Associates Inc. for the lands, building and parking garage provided an appraised value of \$3,500,000. A formal appraisal report is

being produced by Robson Associates Inc., and all indications are that it will be approximately this same appraised value.

After providing the appraised value and the Municipality's draft legal agreement to the Investor Group, the parties have met numerous times to negotiate key terms and resolve areas of disagreement. These negotiations have since produced a revised draft agreement, as described below.

The new terms of the agreement are proposed to include the following concepts:

1. The former Sears portion of the DCC mall property, the existing 580 space parking garage structure and a portion of the surface parking immediately east of the parking garage, which contains approximately 60 spaces, would be transferred as-is to the Municipality. The Municipality could still relocate part of its municipal service operations to the property, but it would be refurbished for these purposes by the Municipality directly. A sketch depicting the latest proposal is attached as Appendix A.
2. All conditions of the real estate transaction must be waived by November 3, 2023, meaning the obligation to purchase these portions of the mall property will be binding.
3. Slightly less land would also be transferred to the Municipality than in the original design where an outdoor promenade area was featured. This is due to the new plan for the Investor Group to maintain the remainder of the mall.
4. The Municipality would still obtain the parking garage structure as in the original proposal, but the parking garage would also be transferred as-is without any prior repairs being done by the Investor Group.
5. The Municipality will pay for the out-of-pocket costs for the design drawings to date.
6. No obligation for the Investor Group to redevelop the other portions of the DCC, including no redevelopment for an Entertainment Complex.
7. No guaranteed bid for the three existing municipal buildings expected to be made redundant with the redevelopment of the DCC portions of property (Civic Centre, Chatham Library branch, and CK Museum/Thames Art Gallery).
8. If the Municipality does not re-develop the property for municipal service operations, the Municipality must offer it back to the Investor Group for the purchase price and any hard costs incurred by the Municipality (e.g. infrastructure repair). If the Investor Group does not wish to re-purchase the property, the Municipality can redevelop it for other purposes or sell it.

To summarize, the new proposal is very similar to what was proposed in the original proposal for the Phase 1 aspect. The major difference is that Phase 2, the Entertainment Complex, is not proceeding forward as the Investor Group intends on maintaining and refurbishing the remainder of the mall. The Investor Group has indicated that with an appraisal price of \$3,500,000, they do not see the feasibility for the creation of the Entertainment Complex. The Entertainment Complex was a

significant aspect of the Imagine Chatham-Kent proposal which garnered some public interest; however, this element of the Imagine Chatham-Kent proposal will not be proceeding. Administration has been advised that the Investor Group is currently seeking long term leases for the mall tenants in an attempt to revitalize the mall. The Investor Group has recently secured some longer leases, so it seems unlikely that a redevelopment of the mall for other purposes is imminent as the Investor group has advised they want the DCC to be a top tier mall.

The Investor Groups' updated proposal is conditional until November 3, 2023, and the Investor Group is asking for approval from the Municipality to complete a purchase of the property before that date. However, this does not bind Council to actually proceed with a full re-development of property as the necessary analysis, approvals and decisions needed to relocate municipal operations to the former Sears building have not yet been completed.

Administration, in conjunction with Nustadia Inc., have been undertaking a business case assessment of service level impacts. Nustadia's assessment of the Phase I development to date was based on what was depicted in the conceptual design and floorplans originally provided by the Investor Group, as well as municipal administration's communicated understanding of the overall proposal. While some targeted interviews and consultations with key stakeholders including municipal staff and specific user groups have been undertaken, further engagement with the general public and work on the business case assessment were deferred by administration given the changes to the proposal and based on what was previously communicated to the public.

Should Council decide to move forward with the purchase in the future, the Municipality would have full control to retain the necessary experts for design and refurbishment of the former Sears building and will follow its purchasing processes for the design/build process. Administration will be able to ensure the contractors performing the work are skilled in the necessary areas and arrange for the Municipality's detailed legal agreements to be entered into with those procured for the project. Council and administration will also have oversight over decision making and cost spending on the project and be able to be in direct communication with the contractors.

Concerns regarding a lack of public engagement on the design of the overall project, as well as expedient timeframes requested by the Investor Group, could be partially mitigated through a future Design-Build contract model. A detailed design phase following a potential acquisition of the property would permit the Municipality greater time and flexibility in determining the types of services provided and the space allocated to each service within the Phase I development. Additional time would also allow Administration the opportunity to pursue potential senior level funding options for the projects.

## **Comments**

As has been reported in the past, significant renovations are required to the existing Civic Centre in order to address various deficiencies. The building was originally built in 1977 and is in need of significant upgrades to ensure continued operations for the foreseeable future. The purchase of a portion of the DCC property to relocate the Civic Centre, along with the opportunity for the relocation and/or expansion of other community assets is one option that could potentially address this issue; however, there are other options that could be considered including:

### **Option 1 – Do Nothing/Address Requirements on an As-needed Basis**

Council's current direction on Civic Centre lifecycle is to address requirements on an as-needed basis. Windows within the atrium are overdue for replacement. It is also anticipated exterior requirements such as painting, addressing through-wall water penetration issues, and HVAC repairs will be required over the next 2-3 years. Just recently emergency repairs were necessary due to the recent damage caused by the flooding incident in early July 2023. At the time of writing, work was still in progress and final costs are yet to be determined. In order to better inform future requirements and cost estimates for the Civic Centre, a full Building Condition Assessment is being undertaken and is expected to be completed by early October 2023. A full Building Condition Assessment will provide a better understanding on what requirements will be needed over the short and long-term for the Civic Centre. Based on this assessment, it might be determined that "Do Nothing" is not a viable option for much longer. Depending on the nature of the work that is required, it may trigger a major systems renovation under the Ontario Building Code.

Upcoming lifecycle requirements within the Cultural Centre include exterior walls and flashing, new roof top units, lobby windows, and museum lighting. Exterior stairs have been repaired in recent years; however, a total replacement is now required.

In February 2020 Council approved a \$177,000 budget to improve seating at the Kiwanis Theatre. Responses to a subsequent Request for Proposal issued in 2021 came in at a low bid of \$450,000, so the work did not proceed at that time.

Upcoming lifecycle requirements within the Chatham Branch of the Library includes interior painting, window replacement, and replacement of HVAC controls. Excluded from this estimate are accessibility concerns reported by management regarding the exterior ramp. The ramp is currently in acceptable condition meeting previous accessibility code. However, a complete replacement will be required to meet current code should conditions deteriorate, or if Council chooses to address those concerns.

It is important to note only 50% of lifecycle requirements for all municipal buildings are funded in the base budget. Each municipal building does not have a fixed lifecycle budget allocation. Approximately \$3.5M is available for 115 buildings (\$3/sq. ft./yr) and allocated on a priority basis.

Given the anticipated ongoing growth of the Municipality, this option would not address the identified need for additional library space nor the space constraints for additional storage at the Cultural Centre.

### Option 2 – Renovate the Existing Civic Centre

Building	Item	Cost Estimate
Civic Centre	Major systems renovation	\$30,000,000-\$35,000,000

The necessity for Civic Centre renovations was last outlined to Council in January 2020 and primarily concerned the end of life of the HVAC system and its replacement implications on major structural, electrical, lighting, flooring, and plumbing infrastructure. The last estimate was calculated in 2019 dollars in conjunction with structural, mechanical, and electrical consultants. This current cost estimate has been calculated based on known escalations in related building projects managed by administration. Current cost escalations estimate this project could be within the \$30-35M range (considering current market conditions and inflation rates) if not initiated within 2-4 years.

Civic Centre renovations were also expected to address identified deficiencies related to public and employee security, accessibility and age friendliness, energy efficiency, floor space utilization, and public accommodation.

Like Option 1, given the anticipated ongoing growth of the Municipality, this option would not address the identified need for additional library space nor the space constraints for additional storage at the Cultural Centre.

### Option 3 – Renovate the Existing Civic Centre/Library Expansion/Cultural Centre

Building	Item	Cost Estimate
Civic Centre	Major systems renovation	\$30,000,000-\$35,000,000
Cultural Centre	Kiwanis Theatre seating/Lifecycle	\$700,000-\$800,000
Chatham Library	Master Plan expansion/Lifecycle	\$8,000,000-\$10,000,000
<b>Total</b>		<b>\$38,700,000-45,800,000</b>

Option 2 does not include any improvements to the Chatham Library or costs related to the Cultural Centre. The Library Master Plan (2008) recommended an expansion of the Chatham Branch to 35,000 sq. ft. in order to address accessibility, industry standards, community usage, and new service opportunities. No commitments have been made by Council to facilitate this expansion at the current location. The estimate provided is a standard estimate for a 10,000 sq. ft. addition; however, it does not factor into the complex challenges of the current location which may warrant property acquisition or the construction of an additional floor.

Option 3 takes into account major renovations to the existing Civic Centre, the Cultural Centre improvements identified in Option 1 and an expansion plus lifecycle

improvements to the existing Chatham Library. It would not necessarily address the space constraints for additional storage at the Cultural Centre.

#### Option 4 – Build a New Civic Centre at a New Location

Building	Item	Cost Estimate
Civic Centre	New location	\$70,000,000-\$80,000,000

In 2020, an option to build a new Civic Centre at a different location was provided at an estimated cost of \$56,000,000. When considering land costs and inflation over the past few years, a more realistic cost estimate to build a new Civic Centre at a new location would be in the \$70,000,000-\$80,000,000 range; however, a detailed analysis of this option has not been undertaken to date. Some costs could be reduced if a new Civic Centre is constructed on land that the municipality already owns, but land costs would be a fraction of the costs.

#### Option 5 – Purchase a Portion of Downtown Chatham Centre & Relocate

Item	Cost Estimates
Construction Cost Estimate	\$45,500,000.00
Land Costs/Design Drawings	\$3,643,400.00
Parking Garage repairs	\$1,500,000.00
Potential sale of Civic Centre	(\$6,600,000.00)
Potential sale of Library	(\$1,656,000.00)
<b>Total</b>	<b>\$42,387,400.00</b>

Under this Option, there is the potential to maintain all current service levels and leverage new opportunities to achieve Council-directed strategic objectives. Specifically, there is the potential to retain the Chatham Cultural Centre and leverage as much of the former Sears building as possible to support a new Civic Centre, an expanded new library and an additional museum/gallery exhibition footprint necessary to alleviate current storage issues at the Cultural Centre. The current Civic Centre and Chatham Library branch could be divested or repurposed with no impact to service levels. In terms of downtown parking, this Option would also be a potential opportunity for a strategic municipal acquisition of over 600 public parking spaces in the downtown core. There is no guarantee that this parking will be available in the future and none of the other options would address this potential future downtown parking issue.

As noted, the current initial indication of value for the property is \$3,500,000 and the out-of-pocket costs for the design drawings that have been completed to date are \$143,400. There is some value to the Municipality in obtaining rights to the drawings as owning these drawings ensures the Municipality has the right to use any of the existing designs for the redevelopment.

The cost to renovate the former Sears building are not fully known at this time and will not be fully known until completion of a competitive bid process for this work. In the August 8, 2022 report to Council, Administration noted a cost estimate of \$53,000,000 for the Phase 1 aspect. This was based on a detailed cost breakdown compiled by a third-party construction management firm submitted by the Investor Group of approximately \$35,000,000 excluding HST for the general construction of Phase I. Administration's project estimate of \$53,000,000 also included taxes less rebate, land purchase price, architectural and engineering consultation, contract administration, 15% contingency, and 15% material and labour escalation factoring inflation. As part of their due diligence work, Nustadia followed up with a Class "D" estimate provided by Hanscomb Quantity Surveyors Limited on the same original Phase 1 design provided by the Community Partners. It noted that construction costs are estimated to have risen 20% since estimates were originally provided by the Investor Group in mid-2022. However, the project costs still remain within Administration's estimate range considering the contingencies that were originally included.

In the original Imagine Chatham-Kent proposal, the Investor Group was responsible for repairing the parking garage structure before it was transferred into the Municipality's ownership. The new proposal would see the parking garage transferred to the Municipality in its current condition. The Municipality would therefore be obligated to repair the parking garage in order to bring it into safety compliance prior to it being used by staff and the public. A structural engineering firm has been retained by the Municipality to determine the costs of such necessary repairs. The report is not yet complete; however, a preliminary estimate has been provided by the structural engineering consultants, which suggests \$1,243,300 will be required to repair the parking garage. With contingencies and related engineering costs, administration believes at least \$1,500,000 will be required to repair the parking garage.

If this project proceeds, the Municipality could potentially obtain the sale proceeds of the Civic Centre and Chatham Library branch should Council wish to divest these properties, although it should first be considered if they could have any merit for future affordable housing opportunities. The appraised values for those properties are \$6,600,000 million for the Civic Centre and \$1,656,000 for the Library.

### **Next Steps**

Over the next couple of months, Administration is proposing to undertake a more detailed review and analysis of the various advantages and disadvantages for each of the 5 options identified above and to undertake further public consultation as detailed in the Communication Section below and that a report would be prepared for the October 30, 2023, Council Meeting.

### **Areas of Strategic Focus**

The recommendations in this report support the following areas of strategic focus:

### **Consultation**



			
<b>Economic Prosperity</b>	<b>Healthy &amp; Safe Community</b>	<b>People &amp; Culture</b>	<b>Environmental Sustainability</b>
1.1, 1.3	2.3	3.1	4.2

Between June 14 and July 17, 2022 administration invited public comment on the original Imagine Chatham-Kent proposal as presented to Council on June 13, 2022. The primary forum for public comment was [www.letstalkchatham-kent.ca](http://www.letstalkchatham-kent.ca) with hard copy comment sheets also available at municipal centres and libraries.

108 submissions were received by members of the public and reviewed by administration. Online comments and hard copy sheets required registration or personal identification however information presented on the Let's Talk page was openly accessible. This page was visited 2,260 times. Submissions were descriptive in nature with many individuals qualifying statements of support or opposition with specific concerns, further ideas, or outstanding questions.

Identified themes of support are as follows:

- Desire for downtown revitalization / revitalization of DCC property
- Desire for modern facilities comparable with other municipalities
- Desire for greater family activity options to attract and retain residents

Identified themes of concern/outstanding questions are as follows:

- Transparency in overall costs to taxpayers
- Adequate downtown parking or other transportation options
- Potential loss of current buildings including Cultural Centre, Library, or Memorial Arena
- Uncertain impacts to museum storage, local theatre programming, and current sports groups

Identified themes of opposition are as follows:

- Preference for an arena solution involving a twin pad
- Perceived lack of stakeholder engagement and expedited timeframe
- Prioritization of other municipal issues
- Concerns of any ongoing "rental" / financial arrangement with the Community Partners and value received by the Municipality.

Some questions posed by the public were addressed in a series of Frequently Asked Questions on the Let's Talk page and included in the August 8, 2022 report to Council "[Update on Imagine Chatham-Kent Consultation and Due Diligence](#)". Additional questions were also addressed in the same report and responses to a series of questions posed by the CK Arts & Culture Network are provided in Appendix B. Remaining questions were intended to be addressed through further due diligence work at a later date.

While some targeted interviews and consultations with key stakeholders including municipal staff and specific user groups have been undertaken by Nustadia, further engagement with the general public and work on the business case assessment were deferred by administration given the changes to the proposal and based on what was previously communicated to the public. A summary of the consultation to date is provided in Appendix C.

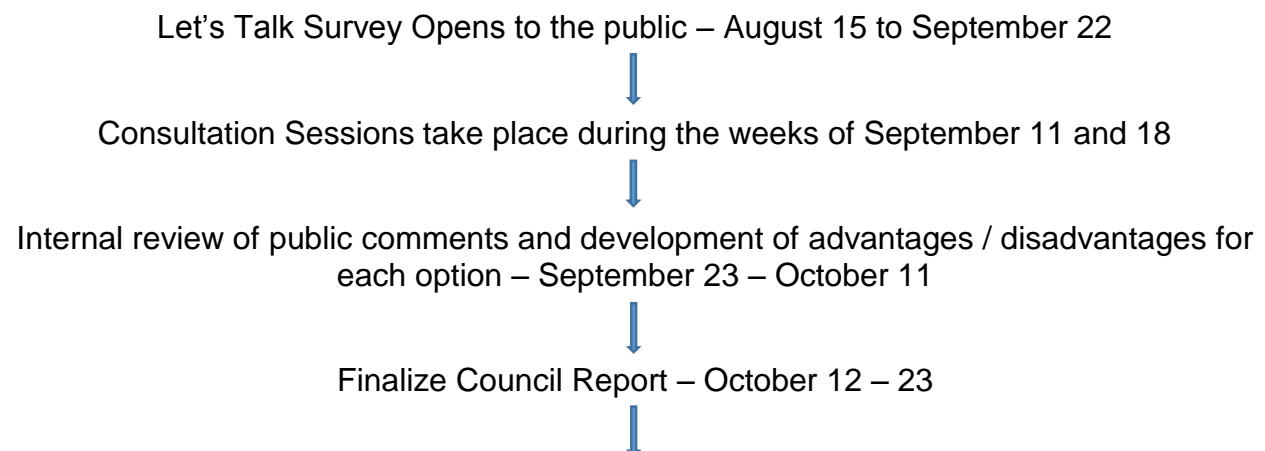
### **Communication**

Considering feedback from the initial round of public consultation and the new information pertaining to the project, an updated Let's Talk page will be available on August 15, which will contain updated information and the opportunity for the public to participate in a new survey. This survey is designed to allow public input on, and gauge public sentiment for, important elements of the project. Proposed questions to be featured in the survey are provided in Appendix D.

The survey will remain open until September 22, 2023 and will be shared through Municipal social media accounts to ensure adequate public engagement throughout the municipality.

There will be two public consultation sessions. One will be with the specific stakeholder groups (Chatham-Kent Public Library and Chatham-Kent Arts & Culture Network) and the other with the general public. These consultation sessions are being scheduled during the weeks of September 11 and 18. Specific details regarding time and locations will be provided soon.

The following is a proposed timeline:



Council Report Posted Publicly – October 26



Council Meeting – October 30

### **Diversity, Equity, Inclusion and Justice (DEIJ)**

As with all major renovation projects, accessibility will be a factor in design and construction.

### **Financial Implications**

In August 2022, Council approved up to \$2,000,000 for further due diligence related to Nustadia, external legal costs, appraisals, and external engineering consultants. Additional costs will be incurred if this project proceeds. To date, approximately \$310,000 has been spent on due diligence work.

A detailed financing plan would be required for options 2, 3, 4 and 5, which would all include a combination of use of existing reserves, a long-term debenture and benefit of energy efficiencies as a result of new system upgrades.

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Appendix A – Sketch of Revised Imagine CK Proposal

Appendix B – Response to CK Arts and Network Letter to Council

Appendix C – Nustadia Summary of Stakeholder Consultation

Appendix D – Let's Talk Survey Questions