Township of Scugog Staff Report

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Report Number: DEV-2017-036
Prepared by: Kevin Heritage, MCIP, RPP
Director of Development Services
Department: Development Services
Report To: Planning and Community Affairs Committee
Date: November 20, 2017
Reference: Staff Report No.: DEV-2017-007 (Old Mill Status Update and Implementation Strategy)
Staff Report No.: DEV-2017-016 (Request for Expression of Interest and Request for Proposal)
Strategic Direction #2 – Financial Sustainability
Strategic Direction #3 – Economic Development

Report Title: Response to the Expression of Interest to Lease Space in the Old Mill

Recommendation:

1. That Report DEV-2017-036, dated November 20th, 2017, entitled “Response to the Expression of Interest to Lease Space in the Old Mill” be received; and

2. That should Council wish to proceed with the restoration and revitalization of the Old Mill, the proposal submitted by “small – from natural to cultural resources” and the Queen’s Water Beverage Company (QWBC) to establish a cultural hub that would include, among other uses, a craft soda company, heritage market, public washrooms, food service, and
licensed event space in the Old Mill, be approved in principle, subject to the following conditions:

a) that the projects entitled “Old Mill Structural and Building Envelope Improvements” - DEV003 as amended, and “Old Mill Public Square Construction” - DEV004 as amended, contained in the proposed 2018 Capital Budget receive final approval;

b) that staff and the proponents present the proposal to the Waterfront Steering Committee – Phase 2, Heritage and Museum Advisory Committee, the Economic Development and Tourism Advisory Committee, and representatives of the Port Perry Seniors Club that operates from the Latcham Centre, and the general public to obtain their input and recommendations;

c) that staff be authorized to negotiate a tentative leasing arrangement with the proponents for the space in the Old Mill that would include, but not be limited to, such matters as permitted uses, upfront contributions for the structural and building envelope improvements, tenant finishings, payment terms and duration of the lease with renewable provisions, marketing and promotional responsibilities for events, and use of the public square;

d) that staff be authorized to continue to apply for grant funding from various sources to support the rehabilitation of the Old Mill and the construction of the public square;

e) that sufficient grant funding be received to support the two proposals; and

f) that staff report back to Council regarding the results of the consultation process and a recommended leasing arrangement for approval.

1.0 Background:

This report has been prepared to:

- provide Council with an update regarding the submissions received in response to the Township’s request for an Expression of Interest (EOI) to lease space in the Old Mill; and

- seek Council’s, approval in principle, of the proposal submitted by “small – from natural to cultural resources” and the Queen’s Water Beverage Company, subject to several conditions, including the next steps in the process.
Since February 2015, Councillor Kett has proposed several “Old Mill Market Place” concepts. The most recent concept was presented by Councillor Kett to the public at the Latcham Centre in October 2016 which included: the cleaning of the building; demolishing the retail units along the west side; installing an awning on the west side similar to the original awning in 1873; and leasing the interior of the Old Mill. The proposal estimated the total cost to be $248,000. To offset this cost, the proposal included a “buy a brick” campaign which would be used to offset the cost of refurbishment.

On February 13th, 2017, Councillor Kett during the regular meeting of Council, proposed a Notice of Motion regarding the “Old Mill Market Place” as follows:

“THAT the memo to Council entitled “Old Mill Market Place” from Councillor Kett, be received;

THAT the Township of Scugog initiate a RFP for the design, engineering, demolition and construction of the existing western part of the Old Mill, consisting of approximately 4,200 sq. ft. of clear stone base and slate sidewalk as per samples, to be completed before June 30th, 2017;

THAT the RFP be returned to Council on or before April 3rd, 2017; and

THAT the fundraising to start accepting pledges for engraved stones as outlined in the attached report entitled “Old Mill Market Place Concept”, be approved.”

Following the discussion on this Notice of Motion, Council referred the matter to staff for a report to be brought forward to the next Council meeting on March 6th, 2017.

For over a year, the future of the Old Mill has been predicated, in part, on the outcome of the structural assessment undertaken by the Greer Galloway Group Inc. This engineering firm was retained by the Township to provide an opinion as to the structural integrity of the Old Mill, and the approximate costs to upgrade the facility to accommodate occupancy, in compliance with the requirements of the Ontario Building Code. The final report was submitted by the Greer Galloway Group Inc. to the Township on January 31st, 2017.

On March 6th, 2017 staff forwarded a report to Council entitled “Old Mill Status Update and Implementation Strategy” that outlined the recent history of the Old Mill and discussed the following:
• a summary of the Port Perry Downtown Development Strategy, and the Port Perry Downtown Waterfront Revitalization Project - Phase One;

• a status update of the Port Perry Downtown Waterfront Revitalization Project – Phase Two;

• a summary of the results of the report entitled “Port Perry Grain Elevator Structural Condition Assessment” dated January 31, 2017 as prepared by The Greer Galloway Group Inc.;

• a summary and review of Councillor Kett's Old Mill Concept's and Notice of Motion; and

• a design and tender process for the development of a public square along the western portion of the original grain elevator should Council wish to proceed prior to the Port Perry Downtown Waterfront Revitalization Project – Phase Two Steering Committee preparing land use concepts for the Study Area lands for staff, public and agency consultation, and Council's approval.

Staff's recommendation included, among other matters, the following:

• that the Port Perry Downtown Waterfront Revitalization Project – Phase Two Steering Committee be authorized to continue their review and prepare land use concepts for the Study Area lands for staff, public and agency consultation, and Council’s approval, prior to any further development occurring within the Study Area; and

• that a portion of the funds allocated to the Design of a Public Square for the Old Mill be redirected to retain a consultant to assist the Port Perry Downtown Waterfront Revitalization Project - Phase 2 Steering Committee to prepare land use concepts for the Study Area lands.

Rather than preparing a comprehensive plan for the Waterfront Revitalization Project – Phase 2 Study Area following the completion of the Old Mill Structural Assessment, Council passed a resolution that included, among other provisions, the following in order to expedite the remediation of the Old Mill including the design and construction of a public square:

• that the report entitled “Port Perry Grain Elevator Structural Condition Assessment” dated January 31, 2017 as prepared by The Greer Galloway Group Inc.; and the
concepts entitled “Granary Market Place”, “Old Mill Market Place”, and “Old Mill Market Place” update prepared by Councillor Kett be received;

- that subject to future budget approval, the Old Mill be retained and upgraded to meet the requirements of Part 4 of the 2012 Ontario Building Code for the intended occupancy of the ground floor level that includes, but not limited to, the following improvements:
  
  a. that the existing ground floor framing and interior column pier foundations be removed and replaced, and that the interior out-of-plumb columns be made plumb;

  b. that masonry repairs to the rubble foundation be completed, where warranted;

  c. that the roof framing of the original grain elevator and the garage addition be reinforced to support the code specified snow loads;

- that staff be directed to prepare a Request for Proposal (RFP) to prepare a design for a public square along the western portion of the original grain elevator including the removal of the existing retail units, and require the submission of site plan drawings and elevations, landscaping, engineering/grading, utility drawings, building permit/demolition permit drawings and a schedule outlining the costs of construction;

- that the design and building elevations be vetted through a public consultation process including the Port Perry Downtown Waterfront Revitalization Project – Phase Two Steering Committee, Heritage and Museum Advisory Committee, Economic Development Advisory Committee and the general public;

- that the RFP be forwarded to Council for approval on or before April 24, 2017;

- that the work to be undertaken and described in the RFP, including a schedule outlining the costs of demolition/construction, be finalized in early Fall 2017 in order to inform the 2018 budget;

- that the tender documents be prepared in the Fall 2017, and a construction contract be awarded in early 2018, pending budget approval, with construction to be completed in 2018;
- that a fundraising program to accept pledges for engraved stones be considered once the final design for the western portion of the original grain elevator has been approved by Council;

- that staff be directed to prepare an Expression of Interest (EOI) to invite parties to make submissions to the Township that are interested in leasing the main floor of the Old Mill, or a portion thereof, to establish tourist related uses such as a retail store, restaurant, craft brewery or winery to provide an anchor to the Queen Street retail area and a focus for waterfront related activities; and

- that the “Old Mill Status Update and Implementation Strategy” report be circulated for information to the Port Perry Downtown Waterfront Revitalization Project - Phase Two Steering Committee, Heritage and Museum Advisory Committee, Healthy Lake Scugog Advisory Committee, and the Economic Development Advisory Committee.

On April 24, 2017, Council approved the RFP for the public square and the EOI to seek parties interested in leasing the main floor of the Old Mill. Shortly thereafter, both documents were posted to the Township’s website with a submission deadline of June 30, 2017.

The Township received two submissions in response to the public square RFP including ERA Architects and Shift Landscape Architecture. Based on the quotations for the contract, qualifications and experience, staff awarded the project to ERA Architects during Council’s summer recess. Staff reported on this award to Council in September, 2017.

The Township also received two submissions in response to the EOI including the firm “small – from natural to cultural resources”, which is a subsidiary of ERA Architects, and Jack Doak on behalf of the Queen’s Water Beverage Company (QWBC).

“Small’s” proposal emphasizes their ability to facilitate the adaptive reuse of landscapes, communities and buildings to support diversified, localized cultural economies. Small’s focus is to take the lead in sourcing grant funding, provide discounted rates for building permit drawings, and facilitate community engagement opportunities such as workshops and open houses.

The QWBC proposal includes a craft soda company as the primary tenant and leaseholder of the Old Mill. In addition, this proposal includes a heritage market to be established under the restored Water Street canopy to comprise six to eight cart stands made available for rent to local businesses to sell such items as bread, cheese, meat pies, local honey, maple syrup, fresh produce, crafts, vintage clothing, and fresh roasted coffee. Further, the remainder of
the Old Mill is proposed to be developed as a Multi-Use Social Engagement Hub (MUSE) to include: public washrooms, a coffee house, a licensed event space, craft soda; food service; presentation and A/V equipment, wifi; professional theatre; and all-ages programming.

On July 19, 2017, the Waterfront Steering Committee considered “small’s” proposal and endorsed Jack Doak’s verbal presentation in principle, subject to the submission of a paper version of his presentation to the Committee.

In September, 2017, Jack Doak submitted his written proposal to the Township for review and approval.

On September 29, 2017 a Rural Economic Development (RED) Grant was prepared by the Region, on the Township’s behalf, and submitted to the Ontario Ministry of Agriculture Food and Rural Affairs (OMAFRA) seeking funding to prepare a Community Improvement Plan (CIP) for downtown Port Perry. A CIP for downtown Port Perry will provide the Township with an opportunity to apply for Regional Revitalization Funds to assist with, among other
matters, the revitalization of the Old Mill. It is anticipated that OMAFRA will respond to the Township’s grant application early in the new year.

Over the past several months, staff has facilitated discussions between both “small” and the QWBC. These discussions have resulted in a shared vision among the two parties for the Old Mill. As part of the normal consultation process, staff in conjunction with the proponents intended to present the proposal to three Advisory Committees including the Waterfront Steering Committee, Heritage and Museum Advisory Committee, and the Economic Development and Tourism Advisory Committee to seek their input, prior to proceeding to Council with a recommendation and conditions. To date, only one presentation has been delivered to the Waterfront Steering Committee where four of the seven Council members were in attendance.

On November 6, 2017, a draft Capital Budget for 2018 was presented to Council that included, among other matters, the structural and building envelope improvements for the Old Mill and public square construction, the hiring of a consultant for a waterfront strategy review, and the preparation of a downtown community improvement plan. The draft capital budget proposed cost for the structural and building envelope improvements for the Old Mill is estimated to be $600,000 that is to be equally split between the Township’s contribution ($200,000), grants ($200,000) and private contributions ($200,000). The public square construction is estimated to cost $500,000 which is to be funded through grants ($100,000), Township’s contribution ($150,000) and private contributions ($250,000) over a two year period.

Notwithstanding the above, the Township has received a revised estimate from ERA Architects for the building envelope improvements for the Old Mill. The original estimate of $600,000 has been increased to $766,440. Consequently, the additional $166,440 is being added to the Township’s portion of the budget and the capital budget sheet will be adjusted accordingly.

2.0 Discussion:

The Council approved EOI indicated that the lease will require the lessee to upgrade the building to comply with the occupancy requirements of the Ontario Building Code and incorporate any tenant finishing. In addition, the long term lease to be considered will be commensurate with the current commercial market lease rates in the area minus the costs incurred to upgrade the building, and such lease will be negotiable between the lessee and the Township.
Although the proponents submission only covers a portion of the building renovation costs, the proposal will establish a significant cultural hub within the Old Mill combining tourism, economic development, heritage conservation, and recreational activities that will:

- provide an anchor to the Queen Street retail area and a focus for waterfront related activities;
- support tourism; and
- support localized economic growth.

The subject proposal will provide a significant benefit for Port Perry as well as a portion of the required funding to rehabilitate the Old Mill structure and building envelope. The Township’s portion to rehabilitate the Old Mill and the public square construction is proposed to be funded through the Hydro Reserve. This is the Reserve that was used to finance the purchase of the Old Mill. The lease revenue will be used to replenish the reserve. Any additional grant funding or fundraising will be used to offset the municipal contribution. No portion of the general tax levy is used to fund this account.

If no responses had been received to the EOI, the Township would be solely responsible for the costs to renovate the Old Mill to prevent further degradation of the structure as well as to comply with the provisions of the Ontario Building Code to accommodate occupancy.

Should Council wish to proceed with the restoration and revitalization of the Old Mill over the next two years, staff recommend the following:

a) that the projects entitled “Old Mill Structural and Building Envelope Improvements” - DEV003 as amended, and “Old Mill Public Square Construction” - DEV004, as amended, contained in the proposed 2018 Capital Budget receive final approval;

b) that staff and the proponents present the proposal to the Waterfront Steering Committee – Phase 2, Heritage and Museum Advisory Committee, the Economic Development and Tourism Advisory Committee, and representatives of the Port Perry Seniors Club that operates from the Latcham Centre, and the general public to obtain their input and recommendations;

c) that staff be authorized to negotiate a tentative leasing arrangement with the proponents for the space in the Old Mill that would include, but not be limited to, such matters as permitted uses, upfront contributions for the structural and building envelope improvements, tenant finishings, payment terms and duration of the lease with renewable provisions, marketing and promotional responsibilities for events, and use of the public square;
d) that staff be authorized to continue to apply for grant funding from various sources to support the rehabilitation of the Old Mill and the construction of the public square;

e) that sufficient grant funding be received to support the two proposals; and

f) that staff report back to Council regarding the results of the consultation process and a recommended leasing arrangement for approval.

3.0 Financial Implications:

The proposed 2018 Capital Budget contains, among other matters, the projects entitled “Old Mill Structural and Building Envelope Improvements” - DEV003 and “Old Mill Public Square Construction” - DEV004. Council’s approval of these two projects is required in order to proceed with the proposed renovation of the Old Mill and the public square construction.

1. Old Mill Structural and Building Envelope Improvements

   Estimated Costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Structural Repairs for Occupancy</td>
<td>$516,440</td>
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<tr>
<td>Building Envelope Upgrades for Year Round Occupancy (Updated estimate proposed by ERA Architects)</td>
<td>$250,000</td>
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<td></td>
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<tr>
<td></td>
<td>$766,440</td>
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   Funding Breakdown:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>Township (Hydro Reserve)</td>
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<tr>
<td>Grants</td>
<td>$200,000</td>
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<tr>
<td>Tenant Contributions</td>
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<tr>
<td></td>
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</table>
2. Old Mill Public Square Construction

Funding Breakdown:

<table>
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<td>Township (Hydro Reserve)</td>
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<td>Grants</td>
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<td>“Buy a Brick” Fundraiser</td>
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Total: $500,000

Summary of Costs:

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<tbody>
<tr>
<td>Total Township Contribution</td>
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<tr>
<td>Total Grants</td>
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<td>Other Contributions</td>
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<td><strong>Total</strong></td>
<td><strong>$1,266,440</strong></td>
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Hydro Reserve

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<tr>
<td>2018 Uncommitted Opening Balance</td>
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<tr>
<td>Less</td>
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<tr>
<td>Old Mill Structural &amp; Building Envelope</td>
<td>$366,440</td>
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<tr>
<td>Old Mill Public Square</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$416,440</strong></td>
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<tr>
<td>2018 Estimated Closing Balance</td>
<td>$1,138,260</td>
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*It is anticipated that the additional funding of $100,000 required for the Public Square construction will be drawn from the Hydro Reserve in 2019.

The lease revenue will be used to replenish the Hydro Reserve. Should additional grant funding or fundraising revenues be received, they would be used to offset the municipal contribution. This would reduce the amount of funds removed from the Hydro Reserve.
4.0 Communication Considerations:

The public consultation process will include extensive dialogue with the applicable Advisory Committees, the Port Perry Seniors Club, and the general public.

5.0 Conclusion:

The combined proposal as submitted by both “small” and the QWBC to establish a cultural hub within and abutting the Old Mill will provide a significant catalyst as a “people place” or a gathering place along the Township’s waterfront. In addition, the proposal will fulfill the Township’s goals for the Old Mill by providing an anchor to the Queen Street retail area and a focus for waterfront related activities, as well as support tourism and localized economic growth.

Based on the anticipated funding arrangement, the proposal will effectively be a joint venture between the proponents and the Township. The proposed development is predicated on Council’s approval of the subject proposal and funding, and receiving the appropriate grant money from various sources. Should Council adopt staff’s recommendation, staff will report back to Council regarding the results of the consultation process and a recommended leasing arrangement for approval.

Respectfully Submitted: 

Kevin Heritage, MCIP, RPP
Director of Development Services

Reviewed By: 

Paul Allore, MCIP, RPP
Chief Administrative Officer