

## Staff Report

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**Report To:** Corporate Services Committee  
**Report From:** Bradey Carbert, Manager of Corporate Services  
**Meeting Date:** October 10, 2024  
**Report Code:** CR-24-107  
**Subject:** 2024 Building Condition Assessments Summary

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### Recommendations:

THAT in consideration of Staff Report CR-24-107 respecting the 2024 Building Condition Assessments Summary, the Corporate Services Committee recommends that City Council directs staff to:

1. Use the 2024 Building Condition Assessments Summary Report in the development of the City's asset management program, service delivery review projects, multi-year capital plans and operating budgets; and
2. Include a Business Case for the 2025 operating budget to increase the contribution to the General Capital Reserve by 1% of the prior year tax levy to be utilized for facility-related capital investment.

### Highlights:

- A Building Condition Assessment was completed for 29 facilities in Spring 2024.
- The total replacement value for these facilities is more than \$183 Million.
- The five-year recommended capital investment for these facilities is \$31,440,368, resulting in a significant funding gap over the average annual capital expenditure for these facilities.
- This asset portfolio requires additional funding. To address the current funding gap, an asset management program must be

developed, including levels of service, an asset management strategy, and a financing strategy.

### **Strategic Plan Alignment:**

This report supports the delivery of Core Service.

### **Climate and Environmental Implications:**

This supports the objectives of the City's Corporate Climate Change Adaptation Plan by considering climate adaptation in the development of the City's strategies, plans, and policies.

### **Previous Report/Authority:**

Capital Detail Sheet 23M.3 – Building Condition Assessment Study

### **Background:**

Completing Building Condition Assessments (BCA) was included in the 2023-2028 multi-year capital plan through the Ontario Community Infrastructure Fund (OCIF) Program funding assistance to enhance the Municipality's Asset Management program. The City procured Roth IAMS's services to assess 29 City facilities and provide a summary report of the findings.

The scope of the BCA project included the following tasks:

1. Review of background information, including building component audits, previous capital projects, and a survey of known issues by City staff who maintain and operate out of the various facilities.
2. On-site assessment of facilities by building condition assessment specialists and guided by City staff to provide additional information that was not readily available.
3. Develop an itemized building component database in Unifomat II, including asset ID, description, age, capital needs, and replacement cost.
4. Report to summarize the 29 assessments, plus the Police and Fire Stations completed in 2023 under a separate assignment, to show the overall needs for the assessed building and identify various funding scenarios on the overall condition of all assessed buildings.

The results of the BCA project are included in the analysis section below.

## Analysis:

The combined BCA document, including the summary and individual building reports, is a 3,050-page document. This report will summarize the findings of the tasks described above.

### 2024 Facility Condition Assessments

The on-site assessment included assessing each facility's core elements, including the substructure, shell, interiors, services, special construction, and site work.

Each component assessed was given a condition rating of Very Poor, Poor, Fair, Good, and Very Good. The rating included a criticality description related to life safety and performance and a recommendation for capital investment costs.

The total improvement costs for each building for a five-year period were then divided by the replacement cost for the facility to determine a Facility Condition Index Rating (FCI). The Facility Condition Index Ratings are then grouped into the following categories:

- Good (0 to 10%)
- Fair (11 to 30%)
- Poor (31 to 60%)
- Critical (over 60%)

Below is a summary of the building's five-year needs, replacement value, and FCI.

<b>Asset Name</b>	<b>Replacement Value</b>	<b>Recommended Improvement Costs (2024-2028)</b>	<b>5 Year FCI</b>
Kelso Beach Accessible Washroom	\$ 417,080	\$ -	0.00%
Julie McArthur Regional Recreation Centre	\$ 59,629,343	\$ 43,578	0.07%
City Hall	\$ 11,599,389	\$ 97,156	0.84%
Public Work Storage Building	\$ 1,501,329	\$ 35,623	2.37%
Greenwood Workshop	\$ 2,233,352	\$ 85,299	3.82%
East Side Boat Launch	\$ 387,207	\$ 15,163	3.92%

Water Distribution Workshop	\$ 1,661,848	\$ 69,699	4.19%
Kelso Campground Washroom	\$ 344,529	\$ 16,460	4.78%
Kiwanis Soccer Complex Field House	\$ 1,108,301	\$ 60,869	5.49%
Marina Storage and Washrooms	\$ 594,127	\$ 34,090	5.74%
McQuay Tannery	\$ 901,110	\$ 61,854	6.86%
Transit Terminal	\$ 2,110,794	\$ 243,752	11.55%
Harrison Park Senior Centre	\$ 753,940	\$ 89,008	11.81%
Harrison Park Island Washroom	\$ 743,938	\$ 95,237	12.80%
Tom Thomson Memorial Art Gallery	\$ 6,003,004	\$ 779,907	12.99%
Harrison Park Swimming Pool and Change House	\$ 933,953	\$ 137,633	14.74%
Billy Bishop Museum	\$ 2,393,550	\$ 376,248	15.72%
Animal Control Shelter	\$ 1,217,383	\$ 195,852	16.09%
Harrison Park Inn	\$ 1,736,405	\$ 287,219	16.54%
OSNGUPL Library	\$ 9,994,720	\$ 1,701,334	17.02%
Water Treatment Plant	\$ 5,778,736	\$ 998,894	17.29%
Duncan McLelland Washrooms and Field House	\$ 1,373,341	\$ 250,734	18.26%
Harrison Park Workshop	\$ 1,773,360	\$ 355,764	20.06%
Murray McDonald Building	\$ 7,119,031	\$ 1,751,038	24.60%
Bayshore Arena and Community Centre	\$ 47,704,950	\$ 12,023,086	25.20%
Marine Museum and O.N.R. Offices	\$ 2,612,775	\$ 697,561	26.70%
Market Building and Shelter	\$ 4,580,477	\$ 1,334,797	29.14%
Harrison Park Community Centre	\$ 1,322,592	\$ 387,860	29.33%
Greenwood Cemetery Office	\$ 793,555	\$ 324,003	40.83%
Police Station	\$ 8,464,867	\$ 6,417,208	75.81%
Fire Hall	\$ 3,168,227	\$ 2,473,446	78.07%

Based on the Building Condition Assessment completed on the 31 facilities, 12 facilities have FCI ratings within the 'Good' range, 16 facilities in the 'Fair' range, 1 facility in the "Poor" Range, and 2 facilities in the "Critical" Range.

The summary report identifies that 67% of the required work over the next five years is related to the building envelope (windows, doors, exterior cladding), heating, ventilation and air conditioning (HVAC), and electrical work. These items and any items considered life-safety improvements will receive greater priority in developing the City's multi-year capital plan updates because they significantly impact increased operating costs.

### **2025 Building Condition Assessments**

Through the continued use of OCIF funds, an additional 25 facilities, consisting of smaller operational, support, and washroom buildings, will be assessed in 2025. The results from the 2025 assessments will be incorporated into the City's asset management program, service delivery review projects, multi-year capital plans, and operating budgets alongside the 2024 assessments so that staff will have a more detailed facility database.

### **Desired Levels of Service Analysis, Asset Management Strategy, and Financing Strategy**

Upon completing the 2025 Building Condition Assessments, the City will better understand the state of its facilities' infrastructure. Following best practices for asset management plan development, the next step for this project will be to develop desired levels of service, an asset management strategy, and a financing strategy for this asset class.

The City's 2024 Asset Management Plan (AMP) will include non-core assets such as facilities in it. O.Reg. 588/17 – Asset Management Planning for Municipal Infrastructure requires the City to report on its current levels of service for these assets. For the 2024 AMP, staff will only identify the percentage of buildings in various conditions (i.e., good, fair, poor) as the City has not previously identified other facility-related levels of service. Staff will work with Council to develop levels of service that can focus on additional considerations such as building availability, overall accessibility, location within the City, etc. Staff will also be able to define key performance indicators (KPIs) such as annual revenue, number of bookings, or operating hours to support annual business decisions and user fees.

It will be difficult to compare all the buildings in the City's facilities portfolio against each other to determine where capital funds should be directed to. The levels of service exercise will seek to divide the buildings into different classes so that different objectives can be established for each class. Target FCI's can then be assigned to these classes, rather than against all facility types. An example of the different classes are as follows:

- Administrative
- Cultural
- Recreational
- Support

Once the level of service for City facilities has been determined, staff will be able to finalize asset management strategies (maintenance, renewal, and replacement activities) to maintain the desired levels of service and extend the useful life of building assets. The costs associated with the asset management strategies will require funding from the annual operating budget and the multi-year capital plan.

The financing strategy will form the final part of the AMP for facilities. Based on the 2024 BCA project results and the anticipated results of the 2025 assessments, a significant funding gap is expected. Council and staff will need to develop a proposed level of service to lessen this funding gap. Methods to reduce the funding gap can include additional tax levy increases, increased user fees, third-party contributions, and the reduction of overall costs through facility rationalization.

As identified above, Staff and Council will need to work together to develop a solution that will meet the desired levels of service of both Council and the community, while being affordable in relation to the needs of the other asset portfolios.

### **Financial Implications:**

The five-year average tax-supported funding for the facilities included in the 2024 Building Condition Assessment project is \$537,650. This does not include one-time reserve, third-party, or other grant funding received over this period. The recommended capital investment for the next five years is \$31,440,368. If the City continues to invest the same amount as the prior five-year average annually, it results in an annual funding gap of \$5,750,423.

It is important to note that the recommended investment in the report is for replacing existing components and does not include renovating or expanding any of the included buildings.

The 2024 Building Condition Assessment project included three funding scenarios to show the impact on the average FCI score through various investments in City facilities over a five-year period. The funding scenarios are identified below:

### **Scenario 1 – Average Annual Funding**

The continued average annual funding of \$537,650 will increase the FCI to 53.32% or an average condition rating of Poor for all facilities.

### **Scenario 2 – Best Practice Average Annual Funding**

Asset management best practices recommend annual average funding for asset values of between one and two percent of the total replacement value of the asset class. For this report, the Consultant has provided a scenario of 1.5% (\$2,752,249) of the current replacement value of the facilities assessed in 2024.

The increase from the average annual funding amount of \$537,650 to the 1.5% scenario is \$2,214,599 and will increase the average FCI to 36.88%, which is on the lower end of the Poor condition threshold. While this will produce a more favourable result than Scenario 1, it would result in a one-time tax increase of 6.15%. It will only address the facility portfolio needs and not consider the other asset classes.

### **Scenario 3 – Average Annual Investment Plus 1% Annual Tax Levy Increase**

This scenario builds on the average annual investment but adds 1% of the prior year's tax levy (approximately \$360,000) toward the facility asset portfolio to reduce the funding gap. The annual increase will increase the annual funding in 2025 to \$897,650, and to \$3,377,650 at the end of the ten years. The amount in year ten will fall between 1-2% of the total replacement value of City facilities at that time and will increase the average FCI funding to 40.63%.

### **Recommended Funding for 2025**

Despite the need to complete the work identified above, including determining levels of service and developing an asset management and financing strategy, staff recommends that additional funding for City facilities

be included in the 2025 operating budget. Adding 1% of the prior year's tax levy is approximately \$360,000 and will reduce the funding gap listed above. These funds will be allocated to the 2026-2030 Multi-year Capital Plan in June 2025 and will be supported by the development of the asset management program for facilities.

If Council approves this report's recommendations, staff will prepare a business case for inclusion in the 2025 operating budget deliberations.

### **Communication Strategy:**

Community feedback for the development of desired levels of service for all City assets will be a vital component of the 2025 Asset Management Plan. The levels and types of involvement will be provided in the 2024 Asset Management Plan report.

### **Consultation:**

Facility managers/operators were involved by providing historical information or accompanying the Consultant through the on-site assessments. This includes third-party operators such as the YMCA, Billy Bishop Museum, Boat Launch Operator, Animal Control Shelter, Harrison Park Inn, and OSNGUPL Library.

### **Attachments:**

Attachment 1 – City of Owen Sound 2024 Building Condition Assessment Summary Report

### **Recommended by:**

Kate Allan, Director of Corporate Services  
Bradey Carbert, Manager of Corporate Services

### **Submission approved by:**

Tim Simmonds, City Manager

For more information on this report, please contact Bradey Carbert, Manager of Corporate Services, at [bcarbert@owensound.ca](mailto:bcarbert@owensound.ca) or 519-376-4440 ext. 1240.