

February 28, 2025

via email

Ms. Kate Allan
Director of Corporate Services
City of Owen Sound
808 2nd Avenue East
Owen Sound, ON N4K 2H4

Re: Financing MOU for GSCA Administration Centre Renovations

Kate,

Thank you for your consideration of working with the Grey Sauble Conservation Authority (GSCA) on a memorandum of understanding / financing agreement to support the renovation of GSCA's Administration Centre at 237897 Inglis Fall Road. As per our discussion, please find herein a summary of the project, including the needs, costs, and proposed funding and funding schedule.

Project Summary:

GSCA is proposing to undertake a substantial renovation to the existing Administration Centre (office) located on the Inglis Falls Conservation Area property immediately south of the City of Owen Sound. The renovation will keep the original shell of the building intact but will include removal and replacement of most interior structures and systems, as well as a small (488 square foot) addition to the northeast side of the building that will serve to provide an accessible entrance and improved customer service interface.

The current building was built in the mid-1970's and has been maintained since that time but has not had any substantive restructuring. Since the 1970's, the staff team has grown, and technology, regulations, and the way we do business has changed.

Specific items that need to be addressed include:

- Although structurally sound, the building is tired and is showing its age. Investments are required to bring the building back up to a reasonable standard. This will include complete removal and replacement of all interior walls and systems.
- The building is split level, with stairs or overly steep ramps require to enter and exit the building. The proposed renovation will include making the building accessible through the construction of a small at-grade addition that will provide barrier free access into the structure. Once inside, a lift will be available in the lobby to provide access to the upper and lower floors. Accessible and universal washrooms will also be installed.
- The current space is very open concept and office spaces are poorly laid out. With the advent, persistence, and regularity of virtual meetings, the current design of the office space has become very disruptive. The newly designed space will partition staff areas by department and will include private offices for the senior management team and CAO, as well as a dedicated space for the Board of Directors to meet.
- Major upgrades are also necessary to the HVAC, electrical, and plumbing systems.

Member Municipalities

Municipality of Arran-Elderslie, Town of the Blue Mountains, Township of Chatsworth, Township of Georgian Bluffs, Municipality of Grey Highlands, Municipality of Meaford, City of Owen Sound, Town of South Bruce Peninsula

The work that is proposed is not something that can wait. GSCA has considered other options including both a new build, as well as long-term lease of office space. The new build option is substantially more expensive than the proposed renovation will be. Office space leasing was determined to be between \$240,000 and \$270,000 per year at 2024 rates. This cost would be in perpetuity. The current proposal is expected to cost \$180,000 annually for 15-years.

GSCA has been working through this process for several years and is currently at the tender phase of the project. The tender results are intended to be brought forward to the March 27, 2025, meeting of the GSCA Board of Directors for approval. Construction is anticipated to start in late-April or early-May. Upon approval of the successful bidder, the GSCA Board of Directors will also provide a borrowing resolution.

Estimated Costs, Proposed Funding, and Funding Schedule

As part of the detailed design phase of the project, GSCA had a Class 'B' costing estimate completed. This costing estimate provided an anticipated project cost of \$2.63M, including contingencies. Additionally, GSCA has factored in costs associated with temporarily relocating staff for one-year, professional fees, and furniture/fixtures for the renovated space. The total project cost is currently estimated at \$2.9M.

\$900,000 will be drawn from GSCA's existing reserves. The remaining \$2.0M is proposed to be borrowed with a 15-year amortization period. The principle and amortized interest are proposed to be paid from apportionment payments made by GSCA's eight participating municipalities. Repayment of the \$2.0M plus interest will be at a rate of approximately \$180,000 per year. This amount has been factored into the 2025 capital budget and apportionment cost. The City of Owen Sound's annual contribution to this fund is approximately \$32,000. Any appropriate lump sums or grants that GSCA receives will be used to pay down this loan more quickly.

Proposed Loan and Repayment

Based on our ongoing discussions, GSCA is hopeful that we can work with the City of Owen Sound to finance this project. GSCA is requesting to borrow approximately \$2.0M from the City of Owen Sound to be paid back over a 15-year period, as noted above. It is our understanding that the City may be able to offer this loan at an interest rate of 4.2 percent, subject to Council approval.

This partnership will serve to benefit the City of Owen Sound but will also serve the interests of all eight participating municipalities. It is our understanding that the City of Owen Sound would benefit from the secure and known interest rate over the next 15-year period. Additionally, as this rate is comparable or better than the rate that GSCA can secure from a bank, the total interest payments owing through apportionment are maintained at a lower rate.

I thank you for your consideration of this proposal and hope that we can move forward together to the betterment of all contributing partners.

Regards,



Tim Lanthier
Chief Administrative Officer
Grey Sauble Conservation Authority