TO: Mayor and Council
FROM: Cynthia Beach, Commissioner, Sustainability and Growth
       Hal Linscott, Director, Legal Services
       Speros Kanellos, Director, Real Estate and Construction Services
       Brian McCurdy, Cultural Director
DATE OF MEETING: 2010-03-23
SUBJECT: Project Funding Approval - J.K. Tett Centre and Queen's Performing Arts Centre

EXECUTIVE SUMMARY:

The purpose of this report is to update Council on the joint project between the City and Queens University and to seek final budget approval for the City’s project at 370 King Street, the rehabilitation of the J.K. Tett Centre. The report requests approval from City Council with respect to the project budget as well as seeking direction with regards to the financing component proposed by Queen’s University.

There are three main public policy objectives being achieved with the provision of affordable accommodations for creative groups at the J.K. Tett Building. The first is promoting the cross-development of community and academic resources in a hub that integrates arts, culture and heritage in an incubation setting that promotes knowledge transfer between post-secondary institutions and local enterprises. The second objective is with respect to the repurposing of the heritage building bringing a redundant building back into use. The third objective associated with the project includes the provision of meeting space, gallery space and affordable program space to support to the arts community in Kingston.

The J.K. Tett Building is a 31,195 square foot building owned by the City of Kingston located adjacent to Corrections Canada Lands, Queen’s University, residential area and the Lake Ontario Waterfront. Queen’s University purchased a portion of the property from the City of Kingston and has been working to design and construct a world class performing arts facility. Queen’s approached the City in 2008 to propose an integrated project with the performing arts centre and the rehabilitation of the City-owned J.K. Tett building as part of a campus development and that Queen’s would continue to pursue grant funding for the joint project. At that time, the overall cost estimate for the joint project was $60M, with potential grant funding from other levels of government of up to $40M, if the City was prepared to contribute $6M or 10 percent. On May 13, 2009 infrastructure funding was announced from the federal government and provincial government. The federal and provincial governments are contributing a maximum contribution of $15M each. Final cost estimates are now complete, with the overall project cost at $74.5M (Queens Performing Arts Centre $63M; City J.K. Tett $11.5M).
City Council passed a motion on September 2, 2008:

That Council supports, in principle, the Queen’s University performing arts centre project and the integration of the rehabilitation work of the J.K. Tett building (estimated in the range of $10M - $13.25M) subject to the associated financial plan of the University coming to fruition; and subject to a maximum financial contribution of $6M by the City from the J.K. Tett Reserve Fund in the amount of $2M and the issuance of $4M in long term debt.

On August 24, 2009 the following motion was approved by Council. Staff has been completing the necessary work to bring forward the research and information necessary to complete this report.

THAT the City of Kingston Council authorizes the spending of up to $500,000 of the approved budget to prepare design documents necessary for Council to approve a final scope for the revitalization of the J.K. Tett Building.

THAT prior to approval of construction of the project the following milestones be achieved:

a) The completion of a business plan indicating the ongoing operating costs and revenues projections for the building over the next ten years;

b) The finalization of an agreement with Queen’s on the integrated project scope and the associated construction financing plan in the spirit of the proposal and motion endorsed by Council in August 2008;

c) The finalization of an agreement with Queen’s University to resolve outstanding matters contained in the agreement of purchase and sale to Queen’s;

d) The finalization of an agreement with Queen’s University regarding the site plan layout that will be subject to a re-zoning application and site plan application and heritage approvals for the City of Kingston building; and

THAT City staff be authorized to find temporary accommodations and the relocation of the community organizations currently in the J.K. Tett Building which will be displaced during renovations, in existing City buildings where possible; and,

THAT the Mayor and Clerk be authorized to execute these agreements in a form satisfactory to the Director of Legal Services for temporary accommodations until the new policies are established for the leasing of the J.K. Tett Centre.

As noted above the original joint project high level estimate was approximately $60M. In September 2008, the City’s contribution of $6M towards the joint project was based on an estimate of 10% of the combined project funding. A municipal contribution to the funding was a requirement for the project to qualify for federal and provincial grant funding. At the time there were no grant funding commitments from the provincial or federal government. The report to Council indicated that final approval of the project would be based on the successful grant application and was based only on project cost estimates. The federal/provincial grant was announced, in 2009 at $30M. Final cost estimates based on construction pricing for the joint project is $74.5M, requiring contributions from the parties to proceed. As part of the capital budget deliberations staff had indicated to Council that there may be a requirement to provide additional funding to this joint project, once cost estimates were determined. $3M of the one time provincial funding to the City for infrastructure renewal has been maintained in a reserve fund, unallocated and is the source for the funding that is now recommended to apply to the J.K. Tett Centre project to complete the financing of the City’s project cost share of $11.5M.
RECOMMENDATION:

1. That a final capital project budget for J.K. Tett centre, as part of the joint City/Queen’s project, be established at $11.5M, funded by a contribution from Queen’s of $8.5M and $3.0M from the One Time Infrastructure reserve fund.

2. That the City contribute $6M to the Queen’s Performing Arts Centre portion of the project, as a condition of securing the grants from upper levels of government.

3. That the contribution from the City be conditional upon entering into an agreement with Queen’s University in a form satisfactory to the Director of Legal Services setting out the project funding obligations of Queen’s and the City as well as their mutual obligation to work together to ensure that the two sites are constructed to meet ongoing needs for a vibrant cultural cluster comprised of the City’s J.K Tett Centre and the Queen’s Performing Arts Centre.

4. That the Mayor and Clerk be authorized to sign the Agreement with Queen’s University.

5. That funding for the operations of the new arts cluster at the J.K. Tett Centre budgeted in the 2011 operating budget.

AUTHORIZING SIGNATURES:

**ORIGINAL SIGNED BY COMMISSIONER**

Cynthia Beach, Commissioner, Sustainability and Growth

**ORIGINAL SIGNED BY DIRECTOR OF LEGAL SERVICES**

Hal Linscott, Director of Legal Services

**ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER**

Gerard Hunt, Chief Administrative Officer

CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

<table>
<thead>
<tr>
<th>Commissioner Name</th>
<th>Consultation Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acting Commissioner Willing, Community Development Services</td>
<td>N/R</td>
</tr>
<tr>
<td>Commissioner Leger, Corporate Services</td>
<td>√</td>
</tr>
<tr>
<td>Jim Keech, President, Utilities Kingston</td>
<td>N/R</td>
</tr>
</tbody>
</table>

(N/R indicates consultation not required)
OPTIONS/DISCUSSION:

Since the report was approved by Council in August, 2008 a variety of activities have been undertaken to advance the future of the J.K. Tett Centre in a way that provides clarity of the public benefits for this project. The Centre will undergo a transformation that will see the role of the City owned building change substantially. The new activity as a campus location will achieve community benefits and linkage to the activities on the performing arts campus. Report number ARCP-10-020 dated March 3, 2010 entitled Business Plan, JK Tett Centre for Creativity and Learning was presented for the purpose of authorizing the operating program plan for the Centre proposed in this report.

The following information is taken from Council report 09-166 dated August 4, 2009 and provided for reference.

The J.K. Tett Building is a significant heritage site for Kingston and eastern Ontario. It was built in the mid 19th century as a brewery and was altered substantially in 1920 to serve as a military hospital. Many of the features, including the floors, were reconstructed to accommodate the military hospital. Further interior renovations were done in the 1970s leaving much of the interior of the building with no particular heritage significance. When the City of Kingston acquired the site in the 1970s it was converted to accommodate low cost rental space for not for profit groups. Research of historical photographs has been done to recommend renovations that will be sympathetic to the origins of the building while proposing improvements to the space. The final design of the building will be subject to approval of the Kingston Municipal Heritage Committee which will provide their recommendations to Council.

“As set out in the Feasibility Study, prepared by Colbourne & Kembel, Architects Inc.” (attached as an exhibit to the Heritage Committee): “The existing building is in relatively poor shape functionally and aesthetically. The structural elements, including the exterior limestone walls, the concrete floor slabs, and the steel truss and wood plank roof structure are in generally good condition but require some repairs. The exterior envelope requires some restoration of the stonework, roof replacement, new soffits and fascia, repair and restoration of heritage windows, and below grade waterproofing. The interior partitions, ceilings, and finishes are of very poor quality and in poor condition. The interior does not comply with today’s code standards. The existing mechanical and electrical systems have reached the end of their useful life.”

The current building condition results from minimal funding being allocated for the ongoing upkeep of the building partially due to the nominal revenue stream from tenants. No interior finishes in the building have significant heritage value as they were completed in the 1970s and later. Improvements to the building to provide better overall accessibility and to improve the overall quality of the building are being reviewed and costed. Due to the age of the existing mechanical and electrical systems along with the poor quality of existing finishes, it is recommended that the interior portions of the building be replaced. The proposed project will include only basic finishes for the building.

Building and site evaluations have been completed to determine costs related to the renovations including:

- Structural work necessary in accordance with the Building Code
- Accessibility upgrades for the renovated building which now has only limited access on the first floor
- An assessment of LEED for certification of the renovations
- Stonework and external envelope assessment for the rehabilitation of the heritage features
- Mechanical, electrical and fire protection to bring the building to code compliance after the renovation
- Evaluation of designated materials that will require removal or other treatment during renovations
- Site survey (legal; and topographic)
- Stage 2 Archaeology Work
- Heritage Impact Statement
The City will have to complete a Re-zoning Application and prepare a Site Plan Application for the project after Council has approved the project scope. Closure of Morton St. and registration of the appropriate access and service agreements in favour of the public, tenants, Utilities Kingston and the neighbouring land owners will be a part of this process.

Approval for demolition of the Tercentennial Lodge was included as part of the Agreement of Purchase and Sale with Queen’s and was granted to Queen’s. Approval for the method of demolition and for addressing heritage issues was the subject of an application before the Kingston Municipal Heritage Committee on July 6, 2009. Applications have been brought by both Queen’s and the City for the demolition and have been endorsed by the Heritage Committee and Council.

Integration of Community Programming with Queen’s University

The J. K. Tett Centre exists as an important asset for the City of Kingston. The property’s heritage significance, outstanding lakeside location and co-location with the Queen’s University Performing Arts Centre combine to create a unique opportunity for investment in the restoration of the heritage building and in the arts and cultural sector in the City. Over the past several years the City of Kingston has worked with the arts, culture and wider community to develop a new vision for the J. K. Tett Centre.

The following direction was provided from Council regarding the completion of a business plan in August 2009.

a) The completion of a business plan indicating the ongoing operating costs and revenues projections for the building over the next ten years;

A business plan model for the City owned building has been developed and recommended to Council by the Arts Recreation and Community Policies Committee. The following is summary only and a full description of the business model recommended can be read in the report to the Arts Recreation and Community Policies Committee report ARCP-10-020:

The criteria used to assess tenants for the building includes the following:

- Nurture the arts among a wide range of Kingston residents through learning, skills development, production, and presentation
- Develop leading-edge artistic endeavours and forms of participation
- Foster interdisciplinary collaboration and new partnerships through innovative approaches to co-operation and engagement
- Contribute to community vitality and social inclusivity by cultivating diverse membership and public participation
- Contribute to the distinctive character of the JKTC

The rejuvenation of the J.K. Tett Centre will address a number of strategic directions of the Kingston Integrated Community Sustainability Plan (ICSP) including cultural vitality, economic health, environmental responsibility and social equity as the dimensions of sustainability. Relevant goals that have been drafted in the Sustainable Kingston Plan include:

- Recognizing and enhancing the social value, economic potential, and community vitality of arts, creativity and entertainment
- Nurturing, broadening and enhancing established and emerging arts
• Ensuring that the community’s cultural vitality is sustainable through secure financial support and infrastructure
• Encouraging people to be creators of and participants in diverse cultural activities
• Encouraging initiatives that ensure that the plans and priorities of the arts community are effectively integrated and represented by ‘umbrella’ arts organizations
• Conserving, respecting and protecting Kingston’s tangible cultural assets represented by its natural, built and cultural heritages that have contributed to Kingston’s uniqueness, identity and sense of place
• Support a ‘creative cities’ approach/strategy for community economic development
• Building local identity through an appreciation of Kingston’s non-tangible cultural assets represented in indigenous knowledge, shared experiences, oral history, traditional practices and skills, and local sense of place
• Fostering entrepreneurial growth and small business development

The business plan for the J.K. Tett Building outlines the future operating mode for the building and includes a number of principles including the following:

City owned facility/Not for Profit Managed

- Property ownership of the J.K. Tett Building will be retained by the City of Kingston with the property leased to a single leaseholder.
- A not for profit organization will have the overall accountability for programming the common areas, overseeing the sub-leasers and maintaining the space in a clean presentable manner
- Not for profit organization will also work cooperatively with the tenants in the building to provide an overall revenue stream and deal with ongoing property management issues
- The City will be responsible for the ongoing maintenance of the building envelope along with major HVAC and life support systems.
- A municipal capital facilities agreement will be finalized for the building.

Tenant Advisory Committee (during construction phase)

Cultural Services will co-ordinate a Tenant Advisory Committee be struck to include representatives of all Centre Tenants to:

- Ensure effective communication between tenants and Cultural Services
- To create a forum to support effective collaboration between Tenants
- Advise on operational policies
- Review operational budgets
- Actively foster & support the promotion and marketing of the J.K.Tett Cultural Centre concept to the public through the use of common marketing materials and images.

Programming and Partnership Advisory Committee (Development Phase and Long Term)

Cultural Services will co-ordinate a Programming and Partnership Advisory Committee involving tenants of the J.K. Tett Centre as well as representatives from key arts departments at Queen’s University and representatives from the Queen’s University Performing Arts Centre to:
- Develop and sustain a vision for the Centre’s programming;
- Communicate on programming choices and polices;
- Coordinate where necessary and maximize synergies between the programs of J.K. Tett Centre tenants and the Queen’s University Performing Arts Centre;
- Look at joint marketing opportunities; and
- Communication on scheduling of events.

**Description of the Proposed Project Costing for the J.K. Tett Building**

The following table provides a summary of the joint project costs with proposed funding.

<table>
<thead>
<tr>
<th>Cost ($M)</th>
<th>Estimate Project Costs</th>
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<tbody>
<tr>
<td>Queen’s Performing Arts Centre</td>
<td>63.0</td>
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<tr>
<td>City JK Tett Centre</td>
<td>11.5</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$74.5</strong></td>
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<table>
<thead>
<tr>
<th>Funding ($M)</th>
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</thead>
<tbody>
<tr>
<td>Grants – Federal and Provincial</td>
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<tr>
<td>City of Kingston Contribution ($6M + $3M)</td>
<td>9.0</td>
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<tr>
<td>Queen’s University Contribution</td>
<td>35.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$74.5</strong></td>
</tr>
</tbody>
</table>

Staff, along with tenant representatives, Ad Hoc Committee members and the design team has been working together over the last several months to further develop the conceptual design for the building. The following description provides an overview of the components included in the project.

The scope of the renovations and site improvements includes the following:

- a. Removal of all interior walls, ceilings, finishes and mechanical and electrical components,
- b. Retention of exterior stone walls, concrete floor slabs, structural steel beams, columns and roof trusses
- c. Provide a fully accessible building with a new, at grade, entrance including a new elevator, accessible doorways, corridors and washrooms.
- d. Provide an accessible drop off at the new entrance and nearby accessible parking stalls,
- e. Provide a modern glass and steel entry enclosure that provides a modern and dramatic contrast with the massive limestone appearance of the existing building located so the original building is visible from the King St. approach.
- f. The new lobby and corridor walls are to provide opportunities for the City to provide heritage interpretative displays and for the tenants and arts community to provide exhibition and display space. The entrance lobby is to respond to the need for a reception and waiting area for tenants and visitors.
- g. Due to the need for a split level entrance for accessibility the lobby is to encourage visitors to move between floors by providing visually open connections to the floors above and below.
h. Service spaces are to be located in the basement portions of the existing and new construction to make the best possible use of basement level floor areas, while retaining walls, light wells and windows are to provide as much natural light as possible to tenant spaces on the lower levels.

i. Maximize the leasable area and functionality of the building by providing a single loaded corridor down the west side of the building thereby maximizing the dimensions of tenant spaces.

j. The demising walls between the corridor and the tenant spaces will be partially glazed (with privacy coverings) to encourage visibility into the various spaces and thereby maximizing the interaction between tenants and visitors.

k. Develop a new shared exhibition and special event space that can contribute to the viability of the building through rental to both tenants and the public by creating a modern evocation of the original malt drying tower on the upper level lakeside end of the building. Create the tower of modern materials and design in the form of the original tower to dramatically complement the new accessible entrance and create an immediately recognizable and marketable image for the J.K.Tett Centre.

l. Connect the building to the waterfront walkway with a public entrance at the lower level south end of the building.

m. Provide accessible public washrooms on all levels.

n. Provide new mechanical (plumbing, ventilation, sprinklers) and electrical systems (power lighting and distribution, fire alarm, emergency lighting, data and communications) that can support the needs of the proposed list of tenants and that have inherent flexibility to be adaptable to other types of users. Building services will be installed in an exposed industrial fashion to make modification simple and understandable.

o. Select interior wall floor and ceiling finishes reflecting the original construction, industrial function and modified nature of the building (exposed limestone and brick, plaster, sealed concrete floors and exposed painted out ceiling structure). Finishes will be minimal in keeping with the need to maintain tight budgetary control, reduce maintenance costs in keeping with sustainable targets and to maintain the artistic industrial atmosphere.

p. Modify the existing steel trusses and provide the required clear headroom required by upper floor tenants.

q. Accommodate special tenant needs such as the flue for the pottery kiln and ensure acoustic separation where required.

The detailed design of the J.K. Tett Centre renovation and addition will follow the City of Kingston Enhanced Municipal Green Building Policy. A preliminary screening of the project using the criteria provided in the LEED Canada-NC Version 1.0 binder suggests that a Silver level of certification is achievable using an energy efficient approach to design and construction.

A detailed Class D construction cost estimate has been prepared for this project by a professional quantity surveyor. The current construction estimate includes a base construction budget in addition contingencies, professional fees and site development costs. Also included is a contingency of 10 per cent for unknown conditions that may be found during design, and an allowance for inflation to the anticipated tender date of fall 2010. Adding in other project soft costs including, fees and permits, and other costs not directly associated with the building construction contract, the current anticipated project cost is $11.5M.

Project Governance

This is a complicated project, given that two project teams need to coordinate and plan simultaneously different component parts of the integrated project. It is essential that project management protocols be established for the direction of the project as the construction of the project will be very complicated due to small site and timelines for the City and Queen’s University. In addition, it will be necessary for the City to interact with the future tenants of the building and Queen’s University to ensure that the two sites are constructed to meet ongoing needs for a vibrant cultural cluster well into the future. In accordance with project
best practices, a project Steering Committee will be established with representations from City of Kingston and Queen’s University to oversee the risk management of the project. As well, the major components of the project such as the scope, the schedule and the budget will be monitored by this oversight committee who will provide quarterly Council updates.

**Next Steps:**

If Council approves the recommendations in this report, City staff will proceed to complete the following next steps:

1. Staff will follow up with the remaining items in the motion approved by Council in August, 2009
   
   b) The finalization of an agreement with Queen’s on the integrated project scope and the associated construction financing plan in the spirit of the proposal and motion endorsed by Council in August 2008;
   
   c) The finalization of an agreement with Queen’s University to resolve outstanding matters contained in the agreement of purchase and sale to Queen’s;
   
   d) The finalization of an agreement with Queen’s University regarding the site plan layout that will be subject to a re-zoning application and site plan application and heritage approvals for the City of Kingston building; and

2. City staff will proceed to complete the zoning applications and site plan applications to complete the approvals for the project prior to construction

3. A detailed design process will proceed along with further site investigation to ensure the construction documents include the necessary detail.

4. The project advisory committees will be set up with the overall Steering Committee for the City project to report back on a quarterly basis on the progress of the project.

5. City staff will proceed based on the business plan to finalize the governance and leasing structures with the J. K. Tett Centre.

**EXISTING POLICY/BY LAW:**

Not applicable.

**NOTICE PROVISIONS:**

There are no notice provisions with this report.

**ACCESSIBILITY CONSIDERATIONS:**

Renovations of the J.K. Tett Centre will bring the building up to an acceptable modern standard for tenants, users and the public. Cost estimates for the capital construction have been prepared using the City of London 2007 Facility Accessibility Design Standards. As accessibility will be a key consideration, a modern elevator to provide access to each of the floors will be included and accessible washrooms will be provided on each level. Detailed designs will be developed with the involvement of
designated members of the Municipal Accessibility Advisory Committee and will be reviewed in detail at the Site Plan Review stage. Detailed design will be prepared according the 2009 City of Kingston Facility Accessibility Design Standards.

FINANCIAL CONSIDERATIONS:

The costs associated with the joint project are outlined in the body of the report. The capital cost associated with the rehabilitation of the JK Tett centre is estimated at $11.5M, of that amount the outlay of funds by the City will include a total of $9M. Of this amount the City has $2M in reserve funds from the original sale to Queens and $3M in reserve funds remaining from the one-time provincial funding earmarked for infrastructure renewal. The balance of $4M has been set aside as part of the forecasted debt financing plans approved in previous capital budget estimates.

CONTACTS:

Cynthia Beach, Commissioner, Sustainability and Growth ext. 1150
Hal Linscott, Director of Legal Services ext. 1296
Speros Kanellos, Director of Real Estate and Construction Services ext. 3133
Brian McCurdy, Cultural Director ext. 1354

OTHER CITY OF KINGSTON STAFF CONSULTED:

Rob Crothers, Project Manager, Real Estate and Construction Services
Alan Mcleod, Senior Legal Counsel, Legal Services Group

EXHIBITS ATTACHED:

Exhibit A – Site Plan
Exhibit B – Building Elevations