



**City of Kingston  
Report to Council  
Report Number 15-024**

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<b>To:</b>	<b>Mayor and Members of Council</b>
<b>From:</b>	<b>Cynthia Beach, Commissioner, Corporate &amp; Strategic Initiatives</b>
<b>Resource Staff:</b>	<b>Same</b>
<b>Date of Meeting:</b>	<b>December 16, 2014</b>
<b>Subject:</b>	<b>Update - Federal Divestiture of Marine Museum Site</b>

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**Executive Summary:**

In June 2014, staff provided Council with Report 14-198 (see Exhibit A attached hereto) which provided an update respecting the status of negotiations with Public Works and Government Services Canada (PWGSC) regarding the divestiture of the Marine Museum of the Great Lakes (Marine Museum) building, Dry Dock and Union Street Jetties (collectively, the Site). The Site had been declared surplus to the needs of the Federal Government and the City had been given a priority interest to acquire the Site before it is offered on the open market for purchase.

The Site has significant environmental, structural, maintenance and heritage issues, with associated financial costs to stabilize and remediate the Site and wharfs for public land uses (estimated to be up to \$19.1 Million). The Federal Government intends to divest of the Site in its existing condition and indicated it is not able to provide any offsetting grant funding needed by the City to accept divestiture of the Site. As a result, the Report recommended that Council direct staff to take no action to acquire the Site as the potential costs were believed represent an unacceptable transfer of cost and risk to municipal taxpayers.

At its June 3, 2014 meeting, Council passed the following motion:

**“That** Council receive this report and direct staff to take no action to acquire the Marine Museum, Dry Dock and Union Street Jetty site at 55 Ontario Street as the remediation of the site represents an unacceptable transfer of risk and potential costs to the municipal taxpayers without a grant to cover costs from the federal government.

**That** Council direct City staff to assist and work with (from a resource perspective) the Marine Museum of the Great Lakes at Kingston (MMGLK) in its plans to engage Public Works and Government Services Canada (PWGSC) in negotiations to acquire and develop the Marine Museum site, on the condition that the City does not assume risk or ownership of the site.”

Subsequent to the June 3<sup>rd</sup> meeting, Council received communications from Chris West, Chair, the Board of Trustees, The Marine Museum of the Great Lakes at Kingston respecting the Marine Museum Site. The communication related to a proposal whereby the City would take title to the Site, immediately convey it to the Museum Corporation and then a developer would offer to purchase the west pier for residential development with the funds from the Site purchase going into an endowment fund for future maintenance and repairs to the Marine Museum building. Council took no action with respect to these communications.

The City of Kingston is now in receipt of a letter from PWGSC dated November 27, 2014 (See Exhibit B attached hereto) that indicates that the City has been given sufficient time to exercise its priority interest to acquire the Site and that PWGSC has recently received unsolicited offers from the private sector to acquire the Site. PWGSC has indicated that it will proceed to list the Site on the open market as of January 31, 2015 and that the Marine Museum's existing license agreement has been extended to December 31, 2015, subject to conditions. The letter also indicated that PWGSC would evaluate a "firm offer" from the City to acquire the Site at any time before the Site is listed.

In terms of this status update, there have been two significant advancements with respect to the divestiture of the Site. First, a firm date (January 31, 2015) has been identified by PWGSC for listing the Site on the open market for sale. Second, the license agreement with the Marine Museum has been extended until December 31, 2015. The extension of the license agreement affords an opportunity for staff to continue to work with and assist the Marine Museum should it wish to continue to negotiate with PWGSC to acquire the Site as per Council's direction on June 3, 2014. However, it is noted that if the Site is listed on the open market it could be sold and the license agreement transferred to the new owner. Under the terms of the license agreement, the Marine Museum could be given 120 days notice to vacate the Site.

**Recommendation:**

That council direct staff to continue to work with the Marine Museum of the Great Lakes and Public Works and Government Services Canada and report back to Council with an update before January 31, 2015.

**Authorizing Signatures:**

ORIGINAL SIGNED BY COMMISSIONER  
**Cynthia Beach, Commissioner,  
Corporate & Strategic Initiatives**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER  
**Gerard Hunt, Chief Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required
Desiree Kennedy, Chief Financial Officer & City Treasurer	Not required

## Options/Discussion:

### Background

In June 2014, staff provided Council with Report 14-198 (see Exhibit A attached hereto) which provided an update respecting the status of negotiations with Public Works and Government Services Canada (PWGSC) regarding the divestiture of the Marine Museum of the Great Lakes (Marine Museum) building, Dry Dock and Union Street Jetties (collectively, the Site). This report provided Council with a description of the Marine Museum Site, the historical context for the Site, a description of the Marine Museum functions, the land use planning context for the Site, potential opportunities for the buildings and property, costing estimates for necessary site remediation/improvements, and a summary of negotiations respecting the divestiture of the Site.

The Site had been declared surplus to the needs of the Federal Government and, in accordance with normal Federal processes, the City had been given a priority interest to acquire the Site before it would be made available on the open market for purchase. At the time of the writing of Report 14-198, PWGSC had not established a firm timeline for listing the Site for sale. Also, the lease of the Site to the Marine Museum was scheduled to expire at the end of 2014.

As noted in Council Report 14-198, the Site has significant environmental, structural, maintenance and heritage issues, as well as associated financial costs. The Federal Government intends to provide the Site in its existing condition and indicated they are not able to provide any offsetting grant funding needed by the City to accept divestiture of the Site. The City retained an independent engineering firm to prepare a very preliminary estimate of probable estimated costs associated with rehabilitating the Site and enhancing the Site to serviceable conditions, in order to assist Council in its consideration of the divestiture of the Marine Museum Site. The preliminary estimate of costs was \$19.1 Million.

The Report recommended that Council direct staff to take no action to acquire the Site as the remediation of the Site represents an unacceptable transfer of risk and potential costs to the taxpayers without a grant to cover costs from the Federal Government.

At its June 3, 2014 meeting, Council passed the following motion:

**“That** Council receive this report and direct staff to take no action to acquire the Marine Museum, Dry Dock and Union Street Jetty site at 55 Ontario Street as the remediation of the site represents an unacceptable transfer of risk and potential costs to the municipal taxpayers without a grant to cover costs from the federal government.

**That** Council direct City staff to assist and work with (from a resource perspective) the Marine Museum of the Great Lakes at Kingston (MMGLK) in its plans to engage Public Works and Government Services Canada (PWGSC) in negotiations to acquire and develop the Marine Museum site, on the condition that the City does not assume risk or ownership of the site.”

Given the costs associated with the condition of the property, any prospective development of the Site would require a business plan that should be expected to rely on some level of subsidy. None have been identified to date. In particular, the Site is not within an approved Brownfields Community Improvement Plan Area and therefore would not be eligible for property tax benefits to fund environmental remediation expenditures incurred by a private developer of the Site.

## **Status Update**

Subsequent to the June 3<sup>rd</sup> meeting, Council received two (2) communications at its October 7<sup>th</sup> meeting respecting the Marine Museum. The first communication (29-537) was from Britton Smith, Q.C., Homestead Land Holdings Limited (Homestead), encouraging the City to reverse its decision and take title to the Site and immediately convey it to the Museum Corporation. The letter outlined Homestead's intent to offer to purchase the west pier at market value (subject to re-zoning approval) for residential development with the funds from the Site purchase going into an endowment fund, revenue from which would be used for future maintenance and repairs to the Marine Museum building. A schematic development plan was attached to the letter.

The second communication (29-538) was from Chris West, Chair, the Board of Trustees, The Marine Museum of the Great Lakes at Kingston related to a proposed letter of intent to be provided by the City to PWGSC. The purpose of the letter was to request Council consider taking title to the Site if certain prerequisites and conditions were fulfilled to the City's satisfaction to mitigate the risk associated with the Site ownership.

City staff have been communicating with PWGSC to determine if a process that met federal government and municipal process and regulatory requirements that would permit the City to have a developer acquire the Site while maintain the public interest in preserving the heritage site and accommodating a long term location for the Marine Museum. The Marine Museum does not have a priority interest in the Site as it is not owned by the City and would have to compete on the open market for the ownership of the Site. Also, the federal divestiture process does not take into account the same criteria for remediation and redevelopment as used under the City's Brownfield program where the developers must provide information about how they will remediate the Site as well as securities to ensure the public benefits of site remediation, heritage preservation, public green space or affordable housing are incorporated into the development.

Should the City purchase the Site through the divestiture process proposed by PWGSC, the municipality would have not protections from future environmental orders at the federal or provincial level. Furthermore, remediation of the Site cannot take place without undertaking reconstruction of the wharf structures to stabilize shoreline areas.

The City of Kingston is now in receipt of a letter from PWGSC dated November 27, 2014 (See Exhibit B attached hereto) that indicates the following:

- That the City has been given sufficient time by PWGSC to exercise its priority interest to acquire the Site;

- That PWGSC has recently received unsolicited offers from the private sector to acquire the Site;
- That PWGSC will proceed to list the Site on the open market as of January 31, 2015;
- That PWGSC would evaluate a “firm offer” from the City to acquire the Site at any time before the Site is listed;
- That the Marine Museum’s existing license agreement has been extended to December 31, 2015 subject to provisions that the agreement could be assigned to a new owner and the provision of 120 days notice to vacate the Site.

At the time that Report 14-198 was prepared, PWGSC was not clear regarding their next steps other than they would be proceeding to sell the Site to the private sector. There had been discussions regarding the aspect of P3 (public-private project development) but PWGSC did not offer to prepare such an approach and that position does not appear to have changed. If the City of Kingston would like to pursue the partnership options, they will have to take ownership of the Site or, as part of the future open marketplace sale of the land by PWGSC, Council could also undertake a process to partner with developers or to provide specific incentives to developers who may want to purchase the Site and could accommodate the public interests identified by City Council. If Council would like to consider this option, a staff report will have to be completed for the first meeting in January to determine the criteria for partnership. The City, when undertaking this process, will have to consider the long term financial viability of the Marine Museum.

Based on the foregoing, there have been two significant advancements with respect to the divestiture of this Site as it relates to the City’s assistance to the Marine Museum:

1. According to the letter from PWGSC, they have a mandate to dispose of this Site. There have been discussions with the City over a number of years and it is the position of PWGSC that the City has had sufficient time to exercise its priority interest to acquire the Site. So the first advancement in the process is that the decision to begin the process to list the Site for sale on the open market and solicit bids has been made. PWGSC appears to have established January 31, 2015 as the date for listing the Site on the open market for sale. As noted in the letter, PWGSC would evaluate a “firm offer” from the City to acquire the Site at any time before the Site is listed.
2. The second advancement in the process is that the license agreement with the Marine Museum has been extended until December 31, 2015. However, it is noted that if the Site is listed on the open market it could be sold and the license agreement transferred to the new owner. Depending on the new owner’s plans for the Site, under the terms of the license agreement, the Marine Museum could be given 120 days notice to vacate the Site.

These recent advancements afford an opportunity for the City to continue to work with and assist the Marine Museum should it wish to continue to negotiate with PWGSC to acquire the Site. As per Council’s direction on June 3, 2014, City staff would be willing to pursue strategies with the Marine Museum on how best to support their continued operations, on this Site or

elsewhere, provided the City of Kingston does not become the owner of the Site or become responsible for the risks associated with the remediation of the Site. However, in order for staff to proceed with recommending any approach that assists the Marine Museum in maintaining their operations on the Site, a long term sustainable plan would have to be developed that provides the prospect of protecting the City of financial risks associated with:

- environmental conditions;
- structural conditions;
- heritage and archaeological obligations; and
- Marine Museum operations and capital upgrades.

Any potential recommendation by staff to proceed with such a plan would need to be presented to City Council early in January 2015 in order to comply with PWGSC's intention to tender the Site for sale by January 31, 2015.

**Existing Policy/By-Law:**

Please refer to the discussion in Council Report 14-198 attached hereto as Exhibit A.

**Notice Provisions:**

None

**Accessibility Considerations:**

None

**Financial Considerations:**

As outlined in Council Report 14-198, there are significant financial implications associated with ownership and/or operational control of the Site. At this time the environmental risks and costs to remediate and repair the Marine Museum of the Great Lakes Building, Dry Dock and Union Street Jetty outweigh the public benefits for the City of Kingston to take on the ownership of the Site. There are currently no funds budgeted in the 10 year capital budget to repair the infrastructure as the City does not currently own the Site. The City does not own the Marine Museum who are an independent not for profit corporation. The City's support for the Museum has included ongoing operating funding of \$65,000 annually with some additional contributions being made for both capital and operating costs. If the City of Kingston were to take on the Site in its existing condition and without funding from the federal government to rehabilitate the Site, a significant amount of time would have to be spent by staff to prepare the due diligence necessary for the long term ownership of the Site. Without a development plan for the Site, there would be limited opportunities for revenue.

A detailed pro forma for development has not been completed by the City for development of the Site. The City may be asked to fund the remediation of the Site through its Brownfield's program. The Site is not a project area in the Community Improvement Plan and the City has

not yet funded the remediation of any federal properties through the municipal tax base. It is not known what density of development will be required on the Site to fund remediation with or without the Brownfields funding.

**Contacts:**

Cynthia Beach, Commissioner, Corporate and Strategic Initiatives, 613-546-4291 ext. 1150

**Other City of Kingston Staff Consulted:**

Paul MacLatchy, Director, Environment & Sustainable Initiatives

Susan Nicholson, City Solicitor

Alan McLeod, Senior Legal Counsel

**Exhibits Attached:**

Exhibit A – Council Report 14-198

Exhibit B – Letter from Malcolm Leong, Portfolio Director, Engineering Assets Strategy Sector, Public Works and Government Services Canada, dated November 27, 2014



**City of Kingston  
Report to Council  
Report Number 14-198**

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<b>To:</b>	<b>Mayor and Members of Council</b>
<b>From:</b>	<b>Cynthia Beach, Commissioner, Corporate and Strategic Initiatives</b>
<b>Resource Staff:</b>	<b>Same</b>
<b>Date of Meeting:</b>	<b>June 3, 2014</b>
<b>Subject:</b>	<b>Federal Divestiture Negotiations Update</b>

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**Executive Summary:**

Public Works and Government Services Canada (PWGSC) has declared the Marine Museum of the Great Lakes (Marine Museum) building, Dry Dock and Union Street Jetties (collectively, the Site) to be surplus to its needs and offered the property to the City of Kingston.

In July 2011, staff provided Council with [Report 11-160, Marine Museum of the Great Lakes – Status Report/Next Steps](#). Since that report was brought to Council, there was little activity from PWGSC until the fall of 2013 when negotiations resumed. There have been long gaps in time where City of Kingston staff was waiting to receive information on the next steps from PWGSC. In December 2013, PWGSC representatives indicated they would no longer undertake any further repairs to the Site and that the City of Kingston must prepare an offer to purchase the Site. The purpose of this report is to update Council on the status of negotiations since that time with PWGSC with respect to the divestiture of the Site.

The Site has significant environmental, structural, maintenance and heritage issues, as well as associated financial costs that were addressed as part of the lengthy divestiture discussions between staff and PWGSC. In attempt to accept divestiture of the Site, the City requested funding from PWGSC in order to address these issues.

In April 2013, PWGSC indicated they are not able to provide offsetting grant funding needed by the City to accept divestiture of the Site, a response that has effectively ceased negotiations with the PWGSC for divestiture of this property. Without minimum grant funding, the City of Kingston does not have the financial resources in its capital or operating budget to remediate the property.

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The crumbling wharfs located along the waterfront represent an unacceptable risk to the municipal taxpayer for the City to accept divestiture of the property. As the federal government has made it clear it intends to provide the Site in its existing condition, it is beyond the financial scope for the municipal taxpayers to take on the remediation associated with the Site.

**Recommendation:**

**That** Council receive this report and direct staff to take no action to acquire the Marine Museum, Dry Dock and Union Street Jetty site at 55 Ontario Street as the remediation of the site represents an unacceptable transfer of risk and potential costs to the municipal taxpayers without a grant to cover costs from the federal government.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY COMMISSIONER

**Cynthia Beach, Commissioner,  
Corporate and Strategic  
Initiatives**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Gerard Hunt, Chief Administrative Officer**

**Consultation with the following Commissioners:**

Lanie Hurdle, Community Services

Not required

Denis Leger, Transportation, Facilities & Emergency Services

ORIGINAL SIGNED BY COMMISSIONER

Jim Keech, President and CEO, Utilities Kingston

Not required

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**Options/Discussion:****Property Description**

The Marine Museum of the Great Lakes is located at 55 Ontario Street, between Gore Street to the north and Lower Union Street on the south. The land and water areas associated with the Site comprise approximately 1.5 hectares (3.8 acres). The buildings on the Site occupy approximately 13,000 square feet with some second storey portions. The Site includes the original 1892 limestone dry dock and a 1929 concrete extension, as well as the Union Street jetty and associated water lots, including the decommissioned Alexander Henry ship. Portions of the property are used for surface parking for the Marine Museum.

The Marine Museum building houses both permanent and temporary exhibits as well as an extensive collection of books, ship plans, images and artefacts relating to the Great Lakes marine industry. Much of the collection dates back to the early 19th century and has been designated as Canadian Cultural Property. It is Canada's only museum solely dedicated to the collection, preservation and display of historical and archival materials related to the marine history of the Great Lakes.

PWGSC stopped operating the Site for commercial ship building in the last century and the property stood in disrepair for a long period of time. The wharfs were already past their useful life in the 1970s. In 1976, the City made a request to exchange lands with PWGSC to accommodate the construction of a private apartment building by a developer. At the time, PWGSC would only exchange property with the developer if the City would lease the entire Site in a 30 year lease and sublease the property to the Marine Museum of the Great Lakes. The Marine Museum, a not for profit organization brought the building into a useable condition using volunteer labour, philanthropic gifts and grants from provincial and municipal government.

That lease was in place for the 30 year period that expired in 2007. At that time the City could not continue to lease the Site due to the poor condition of the wharfs and PWGSC also indicated it could not access funding to address the existing health and safety issues if the City leased the property. The City was very concerned with the condition of the dry dock and wharfs and could not continue the lease given the poor state of the Site. PWGSC indicated that they would approach the City for the divestiture once health & safety issues were addressed while the lease with the Marine Museum was extended for 10 years.

After the lease expired, PWGSC has made a number of investments to repair the dry dock and to bring the building to meet health and safety requirements. There have been many internal improvements to the building, removal of hazardous materials and upgrading of the HVAC and building systems. The wharfs have not been maintained or rehabilitated and are fenced as there are sinkholes and failures along the waterfront that make them unsafe to access and allow erosion of potentially contaminated soil and fill materials to the lake.

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## Historical Context

The Marine Museum has played an important part of Kingston's waterfront, cultural life and heritage for many years. The dry dock and limestone engine/pump house were constructed between 1889 and 1892 on a site where shipbuilding has been undertaken by private firms since the 1830s.

Built out of local limestone, the dry dock was officially opened in 1891 and for the next 77 years was a key component of the local marine infrastructure that secured Kingston's importance as a major transshipment port. The Engine Gallery, built in 1889, houses its original steam engines and pumps used to remove water from the dry dock and for operating the gate. Following the lease of the Site to the Kingston Shipbuilding Company in 1910, the other buildings on the Site were constructed between 1915 and 1918 to support ship building activities (a metal clad machine shop and forge to the north of the pump house, the small concrete block building as a storehouse for paint and sand, and the rectangular wood truss building linking the concrete and metal clad buildings).

The Site is a significant heritage landmark and is recognized as "the most complete example on the Lakes of a dry dock and engine house with steam engines in situ". The large 90 foot high chimney is a physical landmark that can be seen from some distance. The dry dock complex also serves as a reminder of Kingston's marine-industrial heritage. The dry dock is a National Historic Site in recognition of its significance as a remarkable Canadian engineering achievement (designated in 1978 and plaqued in 1986) and the building that houses the Marine Museum has been identified as a "Recognized Building" by the Federal Heritage Building Review Office (FHBRO). The property was also designated under Part IV of the Ontario Heritage Act in 1984 (By-Law No. 84-65) to recognize its architectural and historic significance. The reasons for designation refer to the stone building and the Dry Dock and its association with Sir John A. Macdonald, who laid the cornerstone in June, 1890.

In addition, archaeological investigations conducted prior to development of Block 'D' (Mississauga Point) indicated that this area was the site of a First Nations camp and military fortifications. The extent of any archaeological significance of the Marine Museum property is not been fully defined and an archaeological assessment would be required prior to any construction or remediation on the Site. Limestone bedrock is close to the surface on portions of the Site, the existing wharfs were constructed using imported fill and the building foundations are on original limestone bedrock, so the potential to discover archaeological artefacts may be low. However, the property may be of potential First Nations interest which is distinct from its industrial heritage. A large portion of the Site was originally a water lot that has been filled with environmentally compromised material that would have been acceptable in years past but that do not meet current federal or provincial regulations.

The two wharf structures on the Site were built using wood crib construction that is no longer used along the waterfront. If the commercial and marine activities had continued along the waterfront, these structures would have needed to be repaired long ago as they were already beyond their useful life when the City leased the property from PWGSC more than 37 years ago. There have been many cost estimates prepared over the years to investigate the extent of

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repair needed, however, it has been determined by both the federal government and the municipal government that the associated costs could not be recovered through public uses on the site and were beyond the financial ability of taxpayers to finance. The wharfs would never be replaced using the historic wood crib construction as the cost is prohibitive. Photographs of the perimeter of the site where wharf structures have failed are found in Exhibit B, attached to this Report. Sink holes are evident on the wharfs where wood cribs have failed. The City is not aware of any Site Specific Risk Assessment information that identifies the risk associated with the release of the fill material on the site into the water lots or onto adjacent properties.

Currently, the lease of the property to the Marine Museum expires at the end of 2014 as PWGSC has not provided a ten year lease with the Museum as was originally presented to Council in 2007 by PWGSC.

### **Marine Museum Functions**

The Marine Museum, located at its current site since July 1, 1975, boasts the largest single collection of Great Lakes historic material in Canada. It now functions as the archivist for the Canada Steamship Lines (CSL) and houses five permanent galleries plus a temporary gallery with changing exhibits. The Museum's holdings are extensive and include 3000 artefacts (the largest of which is the Alexander Henry), 11,000 books, 40,000 ship's plans, 15,000 images and 3,500 boxes of archival material. Dating back to the early 19th century, this is one of the most significant marine history collections in Canada and provides insight into the historical development of our country and many of the collections have been designated as Canadian Cultural Property. The Audrey Rushbrook Library and Archives, and the Gordon C. Shaw Study Centre are important aspects of the Museum, widely utilized by students, scholars and the public in pursuit of maritime history. The Museum is considered a pre-eminent source of scholarly and professional archival research on maritime life and transportation on the Great Lakes and is Canada's only museum solely dedicated to the collection, preservation and display of historical and archival materials related to the marine history of the Great Lakes.

The decommissioned Canadian Coast Guard light icebreaker and buoy tender Alexander Henry, moored in the dry dock, was retired in 1985 after 25 years of service on the Great Lakes. In 2007, the Alexander Henry was moved 65 meters from the Museum's outer dock to the dry dock. Safety and security projects, including the reconfiguration of the ship's electrical supply, were undertaken along with additional remediation work in more recent years. The ship has been open annually to the public as a museum exhibit and has been a highly visible landmark on the Kingston waterfront since it first arrived.

The Marine Museum is funded, in part, by the Ministry of Culture through the Community Museum Operating Grant program it administers. As a result, it meets the professional standards set by the Province that includes having a full-time curator on staff. In addition, a combination of volunteer researchers and paid staff has been engaged in collections management tasks, particularly in relation to updating their storage facilities and updating location files. In May 2011, the Museum Board hired a part-time manager to lead the process of implementing a new Business Plan required by the City, including forging new relationships with

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community organizations, volunteers, staff and funding agencies as well as revising the programming and marketing needed to achieve the goals outlined in the Plan.

The Marine Museum has continued to improve their exhibits and programming offering events and new exhibits that provide opportunities to discover the history of the Great Lakes. The Business Plan prepared by the Marine Museum has increased participation and they have been successful in increasing donations to support programming. The Marine Museum continues to function as a not-for-profit corporation benefiting from a diversified funding base but depends on an annual operating grant provided by the City to remain viable.

### **Land Use Planning Context**

A number of land use planning documents recognize the importance and value of cultural resources, such as the Marine Museum, to the City's cultural vitality, tourism potential and quality of life. The City's Official Plan designates the Marine Museum property as a Harbour Area. The policies for Harbour Areas (Section 3.9.A) recognize the sense of identity in these areas, that they have historic significance related to their marine use, and specifically permit uses such as a dry dock, marine museum, tourism services and related services. The Tourism policies (Section 2.9.3) recognize the City's many cultural heritage resources and indicate support for initiatives designed to expand the City's tourism potential, including fostering the City's reputation as a centre for heritage in North America through conservation and enhancement of cultural heritage resources and enhancing water-related facilities and the gateway to the Rideau Canal UNESCO World Heritage Site. The City's goal respecting Cultural Heritage Resources (Section 7.1) is to conserve and enhance such resources so that they may be experienced and appreciated by both residents and visitors and to lead the community in the management of its cultural heritage resources. With respect to acquisition of waterfront and shoreline properties (Section 9.9.5), the City intends to acquire waterfront lands and shoreline properties, where feasible.

The newly established City of Kingston Heritage Fund includes an initial investment of \$100,000, provided on an annual basis in the form of project and operating grants, to support museums, heritage projects, cultural groups and historical societies to improve how Kingston's stories are told locally and to the world. The Cultural Services Department works jointly with the Kingston Association of Museums, Art Galleries and Historic Sites (KAM) to support initiatives that align with the City's strategic objectives and the promotion of cultural heritage and cultural vitality. Though not insignificant, the funding available to support these initiatives is not sufficient to cover the cost required to remediate the Site even if all the funding was diverted to the one museum.

### **Opportunities**

There is a great deal of material that has been collected at the Marine Museum related to the industrial past of Kingston and the history of the Great Lakes. Further strategies could be developed to address how to make the programming and collections at the Marine Museum more relevant and accessible to both the local community and visitors to the City. The depth of the collections, combined with the subject matter and the Site, could contribute to an overall

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cultural and economic development plan for the region. As noted in the Kingston Culture Plan, investment in museums and heritage sites is endorsed as principal drivers of cultural and heritage tourism.

Additionally, the location of the Marine Museum is significant as the building and wharfs exist as an important node located along Kingston's waterfront. There is an opportunity to provide a broader narrative about Kingston's history and heritage through linkages to the City-owned Pump House Steam Museum (at one time managed by the Marine Museum) and the Rideau Canal and Kingston Fortifications UNESCO World Heritage Site. The City of Kingston currently owns and must maintain many federally and provincially designated sites. However, the decision to assume ownership of this Site must correspond with the City's ability to finance its rehabilitation along with the capacity to find ways to recover these costs, at least in part. An estimate of costs was prepared to analyze this option.

The opportunity exists to achieve a number of the City's stated goals and objectives, including: acquisition of waterfront properties, where feasible; conservation, enhancement and management of cultural heritage resources; improvement of public access to the waterfront; developing and promoting additional attractions and events that support re-use of heritage resources; and, enhancing the gateway for the Rideau Canal UNESCO World Heritage Site. While these objectives are important, the relative costs must be weighed against these benefits.

### **Property Disposition**

In a divesture process with the federal government, Council must determine if the benefits associated with owning this Site meet community objectives and is viable within the City of Kingston's existing financial plans. There are no funds budgeted in the long range capital plans to remediate the property as the City does not own the property. If the property were in reasonable condition, the financial pressures may not be as significant but a costing has been prepared to provide Council with an indication of the investment required in the short term to remediate the property. These estimates have been prepared independently of any information provided by the federal government and are based on visual site inspections only without any detailed intrusive testing or a complete analysis of the regulatory requirements and detailed design. If Council were considering ownership of the property, an amount of funding would have to be budgeted immediately to undertake further analysis of the Site and to develop a remediation plan. Staff resources would also have to be allocated to the project, which would require an immediate increase of operating and capital costs if the City of Kingston were to consider assuming ownership this property.

### **Estimate of Probable Costs**

A very preliminary level costing has been prepared by a consultant for the City of Kingston to assess the long term costs of owning the Site. These costs are estimates based on a visual inspection of the site and cannot be considered any more accurate than Class D estimates for costs.

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**Summary of Costs: Table 1**

Category:	Estimate:
<b>1.0 Design &amp; Regulatory</b>	<b>\$2.4M</b>
<b>2.0 Construction Work</b>	
2.11 Site Remediation/Public Safety Work	\$0.5M
2.12 Environmental Remediation Work	\$4.1M
2.20 East & West Wharfs	\$5.4M
2.30 Dry Dock	\$1.4M
2.40 Marine Museum/Dry Dock Pump House	\$0.75M
<b>3.0 Operating Costs</b>	<b>\$0.2M</b>
<b>4.0 Contingency</b>	<b>\$4.4M</b>
<b>5.0 TOTAL</b>	<b>\$19.1M</b>
<b>6.0 Option with Maritime Heritage Centre and Tour Boat Docking Facility</b>	<b>\$3.0M</b>
<b>7.0 REVISED TOTAL</b>	<b>\$22.1 M</b>

**Overview and Assumptions for the Costing**

Based on the reports provided and the site walkthrough conducted with the City, PMX Inc., an independent engineering firm has assembled a preliminary level estimate of probable costs to provide a baseline for the rehabilitation and enhancement of the Marine Museum property. At this stage, this estimate of probable costs is intended to provide a general sense of the expenditures required.

The intent of this estimate is to provide more information of the costs associated with rehabilitating the property and enhancing the site to serviceable conditions, in order that the City may make an informed decision with regards to the divestiture of the Marine Museum property.

This memorandum is intended to clarify the scope of work included, and detail the assumptions followed in prescribing the values contained within the estimate of probable costs. As there is currently no master plan in place to provide clear guidance on the scope of work to be included within this estimate, PMX Inc. has coordinated with City staff and developed an approximate scope of work to be covered.

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Certain governing assumptions made in this estimate include:

1. Dry Dock extension work has been completed in its entirety and requires no further allocation for work.
2. Dry Dock area will not be dewatered.
3. Dry Dock retaining wall repairs are complete.
4. Alexander Henry will not be relocated and is not included in the scope of work.
5. Existing Cofferdam is considered a temporary structure, and must be replaced with a permanent system.
6. Conditions of the site have not substantially deteriorated such that the estimates provided in reports dated September 2007-December 2013 have been materially affected beyond estimated annual inflation.
7. A new Mooring Facility could be placed adjacent to the west wharf (*De Curtis, 2009*).
8. Infrastructure related to the Mooring Facility has not been determined and requires further studies.
9. Scope for expansion of the Marine Museum facility or other existing buildings has not been included.
10. Building costs are only associated with general repairs to rehabilitate the building; additional costs associated with updating the heritage building to modern standards have not been included.
11. Construction costs are escalated to 2015 values, in CAD.
12. No estimate of costs has been included for Archaeology mitigation for significant archaeological deposits, Indigenous settlements or burial sites.
13. Until design is complete, regulatory requirements may have an impact on costs.
14. No estimate of costs has been included for the evaluation and potential need to control flow of contaminated groundwater to the lake or adjacent property. There is no information available about the flow of groundwater to the lake or the adjacent properties and the City would have to consider the risk and costs associated with this issue by doing due diligence testing on the site prior to taking ownership as it would with any property acquisition.
15. The wood crib wharfs will be stabilized by surrounding the perimeter with steel pilings and the wharfs filled with clean fill to permit public access.
16. There is a large quantity of information available publically regarding the construction of the wharfs, the type of building practices undertaken during the construction and industrial sites that were built in this era including from sources like the National Archives. There has not been a specific design prepared for this site and the estimate of construction costs would have to be updated with detailed engineering site planning and design.

Based on all of these assumptions, it is unlikely the City could keep ownership of the Site and maintain it as a fully accessible site for less than the probable costs shown in Table 1 of \$19.1M. Any enhancements to the site to improve public amenities would cost considerably more and there would have to be additional analysis regarding any revenue potential as there have not been business cases developed that could recover the costs of this infrastructure. If the City

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were to maintain the ownership of the site, there would be no revenues or tax incremental financing to offset these costs.

### **Negotiations Regarding the Value of the Property**

In order for the City of Kingston to take on the ownership of the site, Council must agree to a purchase price for the property. The gap between the federal government estimates of the value of the lands and the value of the lands to the municipal government is significant. At this time, the federal government has not been clear regarding their next steps other than they will be proceeding to sell the property to the private sector. They have discussed the aspect of P3 (public-private project development) but have not offered to prepare this approach and have not provided the time for the City to prepare this analysis by extending the lease with the Marine Museum. The Marine Museum Board has been attempting to lead these discussions but have not been provided with the technical information needed to assist them in preparing an approach.

At the time of writing this report, staff was aware that the Marine Museum Board would be approaching Council with a request for assistance for them to pursue discussions with PWGSC to find a solution that would allow them to continue to occupy the site beyond the end of 2014. Options being evaluated by the Museum include making a request from the federal government to assist with the remediation of the site so that the Marine Museum Board and a developer could stabilize the site, remediate the property and maintain the use of the property as a nationally recognized designated site. City staff would be willing to pursue strategies with the Marine Museum on how best to support their continued operations, on this site or elsewhere, provided the City of Kingston does not become the owner of the site or become responsible for the risks associated with the remediation of the site.

### **Existing Policy/By-Law:**

A number of strategic planning documents recognize the importance and value of cultural resources, such as the Marine Museum, to the City's cultural vitality, tourism potential and quality of life. The City of Kingston can decline the acquisition of properties that do not meet a reasonable standard of structural stability or if environmental conditions on the site would cause financial or other risks to stabilize and maintain the property. To purchase a property, Council must determine that the purchase represents a good value for the investment of municipal tax payer funding.

If the site is not purchased by the City of Kingston, the land use policies would apply to any future redevelopment of the site. The Marine Museum is located within the Outer Harbour Area as shown on Schedule 3-A to the Official Plan. Section 3.9.A of the Official Plan indicates Council's intent "To support the important role that Harbour Areas play in the City's recreational and commercial shipping, while recognizing the sense of identity in these places". The permitted uses within Harbour Areas include water-related activities such as dry docks, mooring facilities and seasonal docking as well as land-based uses such as interpretive centres, a marine museum and tourism services (Section 3.9.A.2). Other policies applicable to the Harbour Areas indicate that:

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Any use proposed within a Harbour Area will be assessed in the context of specific environmental factors and compatibility with adjacent areas, including impacts on navigation, impacts on the natural heritage system, and interference with identified view corridors (Section 3.9.A.3);

The City will prepare concept plans for City-owned land and water activities in Harbour Areas to address such matters as users and their service requirements, opportunities for improvement of public facilities, measures to improve public access to the water, secure access rights over private property or bring private lands into public ownership, and prepare development guidelines (Section 3.9.A.4);

An environmental impact statement will be required for any in-water works (Section 3.9.A.5);

The City supports the continued marina, dry dock and marine service functions of the harbour Areas (Section 3.9.A.6);

The Outer Harbour has historic significance related to its marine use and any development proposal must maintain or enhance linkages to the surrounding area and complement or enhance architectural themes and cultural heritage characteristics of the immediate area (Section 3.9.A.7).

With respect to Tourism, Section 2.9.3 recognizes the City's many cultural heritage resources that attract tourists to the City and indicates Council's intent to support a range of initiatives designed to expand the City's tourism potential, including:

- Fostering the City's reputation as a centre for heritage in North America through support for the cultural heritage resources of the City including specific conservation and enhancement programs or projects;
- Enhancing water-related facilities and the continued acquisition and development of waterfront pathways and regional trail linkages;
- Developing and promoting additional attractions and events that support re-use of heritage resources; and
- Enhancing the gateway for the Rideau Canal UNESCO World Heritage Site.

The City's goal respecting Cultural Heritage Resources, as stated in Section 7.1 of the Official Plan, is: "To conserve and enhance recognized cultural heritage resources within the City so that they may be experienced and appreciated by both residents and visitors, and retained in an appropriate manner and setting, as a valued public trust held for future generations". Should the City become the owner of the Marine Museum property, Section 7.2.1 of the Official Plan indicates that the City "must lead the community in the management of its cultural heritage resources by providing good examples of proper heritage stewardship", that the City "protect and maintain all City-owned cultural heritage resources in accordance with a high standard of heritage conservation", and that "City-owned built heritage resources be integrated into the community and put to adaptive reuse, where feasible".

With respect to acquisition of waterfront and shoreline properties, Section 9.9.5 states:

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“The City intends to acquire waterfront lands and shoreline properties, where feasible, by purchasing them, acquiring easements or entering into agreements in order to provide for public access to the waterfront, to provide for the establishment of waterfront parklands and pathways, and to provide for shoreline and ecological protection measures. As the opportunity arises, the City intends to assist in acquisition of waterfront lands and shoreline properties with such agencies as the Federal and Provincial governments, land trusts and the Cataraqui Region Conservation Authority”.

The Marine Museum property is zoned Harbour (HR) and a site specific HR-6 Harbour Zone in Zoning By-Law No. 96-259 (Downtown and Harbour Zoning By-Law). Uses permitted within the Harbour Zone include a tourist use and related land based facilities, a dry dock, a public use, tourism information and interpretation facility, and waterfront docks, piers and landing places. The Site Specific HR-6 Zone specifically permits a bed and breakfast use within the Alexander Henry and provides for the parking for the bed and breakfast use to be located on site or on a lot within 60 metres of the lot on which the Alexander Henry is located. Regulations for the HR Zone require a maximum building height of two storeys, maximum lot coverage of 50%, building setbacks from the water's edge of 10 metres (33 feet) and a minimum width for waterfront pathways of 10 metres (33 feet).

The property was also designated under Part IV of the Ontario Heritage Act in 1984 (By-Law No. 84-65) to recognize its architectural and historic significance. The reasons for designation refer to the stone building and the Dry Dock and its association with Sir John A. Macdonald, who laid the cornerstone in June, 1890. When the property is no longer owned by the federal government, an alteration or demolition must have to be approved by Council or if minor in nature under delegated authority by City staff.

The Site is not a project area within the City's Brownfield program. If the City were to own the site, there would be no incremental tax financing on the site to pay for any remediation costs. For the site to be eligible for Brownfield's funding, an application must be submitted to add the site as a project area which must be approved by Council.

**Notice Provisions:**

None

**Accessibility Considerations:**

None

**Financial Considerations:**

There are significant financial implications associated with the Site. At this time the environmental risks and costs to remediate and repair the Marine Museum of the Great Lakes Building, Dry Dock and Union Street Jetty outweigh the public benefits for the City of Kingston to take on the ownership of the site. There are currently no funds budgeted in the 10 year capital budget to repair the infrastructure as the City does not currently own the property. If the City of

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Kingston were to take on the property in its existing condition and without funding from the federal government to rehabilitate the site, a significant amount of time would have to be spent by staff to prepare the due diligence necessary for the long term ownership of the property.

**Contacts:**

Cynthia Beach, Commissioner, Corporate and Strategic Initiatives, 613-546-4291 ext. 1150

**Other City of Kingston Staff Consulted:**

Alan McLeod, Senior Legal Counsel

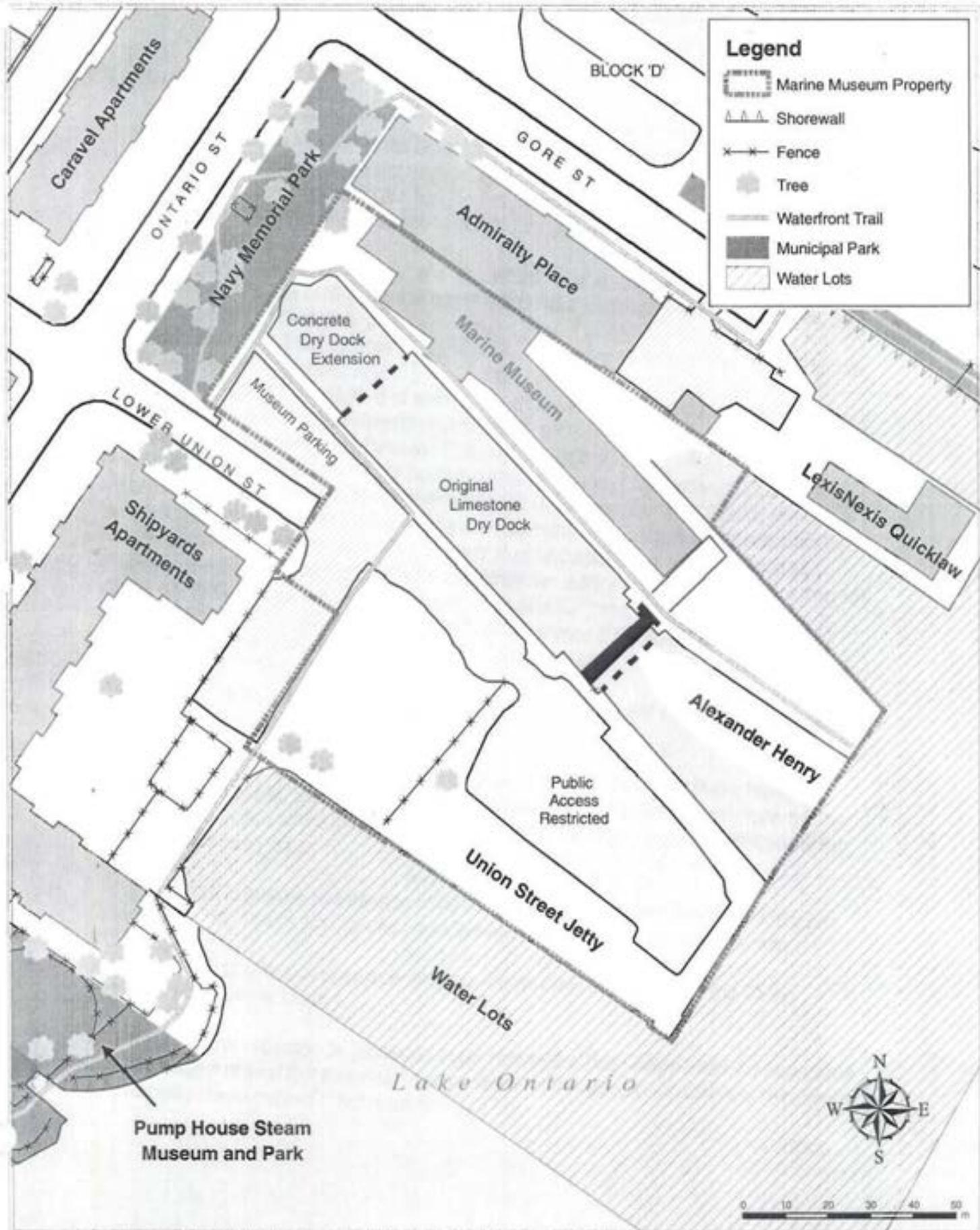
Paul MacLatchy, Director, Environment and Sustainable Initiatives

**Exhibits Attached:**

Exhibit A - Site plan of the property

Exhibit B - Photographs of the perimeter of the Site showing failed where wharf structures

# Marine Museum Property





East Wharf A - B



East Wharf A - A



West Wharf M



West Wharf M - N



West Wharf M - N



West Wharf M - L



West Wharf K - L



Public Works and  
Government Services  
Canada

Travaux publics et  
Services gouvernementaux  
Canada

Engineering Assets Strategy Sector  
219-800 Burrard Street  
Vancouver, BC V6Z 0B9

Stratégie de gestion des ouvrages techniques  
800, rue Burrard, pièce 219  
Vancouver, (C.-B.) V6Z 0B9

November 27, 2014

Ms. Cynthia Beach  
Commissioner, Corporate and Strategic Initiatives  
City of Kingston  
216 Ontario Street  
Kingston, Ontario  
K7L 2Z3

Dear Ms. Beach:

**Re: City of Kingston's Ownership of the Kingston Dry Dock**

Thank you for your letter dated October 14, 2014. Public Works and Government Services Canada (PWGSC) has had an opportunity to review your letter and the file. We do recognize that the City is requesting time to develop options with regard to the future ownership of the Kingston Dry Dock (KDD) before presenting a report to Council for consideration.

While PWGSC acknowledges the effort the City is making to support the Marine Museum, we do have a mandate and a process to dispose of the KDD. As per our Treasury Board Directive on the *Sale or Transfer of Surplus Real Property*, the City has been given a priority interest to acquire the KDD before it is made available to the general public.

As PWGSC has been discussing the future ownership of KDD with the City over a number of years and more recently since May 2014, sufficient time has been given to the City to exercise its priority interest to acquire this property. In addition, PWGSC has recently received unsolicited offers from the private sector to acquire this property.

Given these factors, and in accordance with the Treasury Board directive, the decision to begin the process to list the KDD on the open market and solicit bids has been made. We expect to complete this process by January 31, 2015, at which time PWGSC will proceed with listing the property.

At any time before the property is listed, PWGSC would be pleased to evaluate a firm offer from the City to acquire the property under their priority interest.

To ensure that the Marine Museum will remain at the KDD in the near future, the Marine Museum's existing license agreement has been extended by one-year (expiring on December 31, 2015). This extension includes the provision to assign the agreement to a new owner, and also requires Her Majesty and/or the assignee to provide the Marine Museum with a minimum of 120 days notice to vacate the premises.

Thank you for your time with regard to this matter and we will continue to update you on our progress towards listing the KDD on the open market.



Public Works and  
Government Services  
Canada

Travaux publics et  
Services gouvernementaux  
Canada

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Should you have any questions, please do not hesitate to give myself or John Hammond a call.

Sincerely,

Malcolm Leong  
Portfolio Director  
Engineering Assets Strategy Sector

c.c. Gerard Hunt, Chief Administrative Officer  
Susan Nicholson, City Solicitor & Director of Legal Services  
Alan McLeod, Senior Legal Council  
Paul MacLatchy, Director, Environmental & Sustainable Initiatives  
Office of the Mayor, City of Kingston  
John Hammond, PWGSC Real Estate Advisor