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## Design and Construction Agreement for the Repair and Renovation of the Mendel Building

### Recommendation

That the Standing Policy Committee on Finance recommend to City Council:

1. That the City of Saskatoon enter into a design and construction agreement to repair and renovate the Mendel Building with the Children's Discovery Museum on the Saskatchewan Inc. based on the key terms set out in this report;
2. That the City of Saskatoon endorse submission of this combined project by the Children's Discovery Museum to the Canada Cultural Spaces Fund; and
3. That the City Solicitor be requested to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.

### Topic and Purpose

The purpose of this report is to outline the key terms for a design and construction agreement between the City of Saskatoon (City) and the Children's Discovery Museum on the Saskatchewan Inc. (Museum) and to ensure that this agreement is used as an opportunity to repair and renovate the Mendel Building in an efficient, coordinated and cost-effective manner.

### Report Highlights

1. Capital replacements and repairs are planned for the Mendel Building when it is vacated. High-priority items include remediation of asbestos, a new boiler, new sprinklers, replacement of the fire alarm system, and accessibility improvements.
2. A combined project with the Museum as lead is recommended to integrate the City's capital replacement and repairs with the Museum's tenant improvements.
3. The benefits and rationale for a combined project include better coordination of technical issues, improved schedule management, limitation of construction safety risk, and greater leverage of in-kind services.
4. The City's capital costs will be included in a grant request to the Canada Cultural Spaces Fund. The maximum potential grant to the City would be \$1.1M, which amounts to 50% of these costs.

### Strategic Goals

This report supports the Strategic Goals of Asset and Financial Management, Quality of Life, and Sustainable Growth. The proposed project will improve a City-owned asset and increase access and functionality of this cultural facility. It also supports the City Centre as a cultural and entertainment district and preserves the character of the Mendel Building as a heritage structure.

### Background

At its meeting on December 14, 2015 City Council resolved:

- "1. That an Offer to Lease Agreement between the City of Saskatoon and the Children's Discovery Museum on the Saskatchewan Inc. for a portion of

the Mendel Building based on the terms as set out in the following report be approved;”

This Agreement was executed earlier this year. Consistent with direction from City Council (August 2010), the City maintains ownership of the building and grounds, and the Conservatory will remain under the management and operation of the Parks Division.

### **Report**

The Mendel Building requires capital replacements and repairs by the City prior to the commencement of operations by the Museum of their tenant area. The Museum will also be carrying out tenant improvements within the Mendel Building in order to create spaces and environments to support their program. The City and Museum have identified that there is an opportunity to achieve efficiencies by combining responsibilities under a single design and construction agreement.

#### Capital Replacements and Repair

In 2013, the City completed a *Mechanical and Electrical Systems Conditions Assessment* to define, prioritize and cost the upgrades needed to these systems. Top priorities are: adding sprinklers; water pipe upgrade; boiler replacement; building management system; energy and electrical meters for the conservatory; and fire alarm system replacement. Integrating the design of these components with the Museum’s design of their tenant area will minimize rework and associated costs.

The City recently completed an asbestos review of the Mendel Building. Asbestos-containing materials are used throughout the building. Asbestos remediation efforts are considered high-risk in nature and, therefore, a comprehensive approach to removing all materials when the building is unoccupied has been recommended. This means that for a five-month period, only asbestos abatement specialists would be allowed onsite. This is expected to impact both schedule and budget.

In addition, the Mendel Building does not meet standards for accessibility regarding access to public washrooms and the lower level lobby. The preliminary Museum master plan includes an additional elevator and accessible washrooms.

#### Combined Project with Museum as Lead

This report proposes combining the design and implementation of the City’s required capital replacement and repairs with the Museum’s tenant improvements into a single project led by the Museum. The intent is to combine work under a single contract in order to achieve the most coordination while also minimizing cost, risks, and time impacts. The Museum has retained Strata Development as construction manager and Kindrachuk Agrey as architect and is ready to assume this lead role immediately.

A third-party cost estimate for the City’s portion will be prepared and would be used to determine the City’s financial contribution to the project. The City would pay

proportionally for the management, design, tendering, and construction of the capital replacement and repairs for the required base building work.

The proposed key terms for a combined project are included in Attachment 1.

Asbestos removal by abatement specialists would be undertaken by the City outside the scope of this agreement. It would proceed as soon as possible once the Gallery has vacated the building.

### Benefits and Rationale of Combined Project

The proposed key terms for a design and construction agreement are based on previous civic agreements with the Friends of the Bowl and the Friends of the Forestry Farm Park and Zoo for renovation and improvements to civic assets. Benefits of this approach are as follows:

- Better integration and coordination than two separate projects, resulting in fewer errors and less likelihood of delay.
- Reduced design costs from an integrated process.
- Reduced occupational health and safety risk by having fewer contractors on site.
- Lower construction bids due to the Museum's lead as a non-profit organization.
- Greater opportunities for the Museum for fundraising through in-kind sponsorships.
- Clarification of public perception that the Museum is an independent initiative (i.e. not City-led).

### Grant request to the Canada Cultural Spaces Fund

The Museum has completed several steps in the application process for Department of Canadian Heritage funding under the Canada Cultural Spaces Fund and proposes that the City's capital and asbestos costs be included in this grant request. The Administration supports this idea. Grant guidelines require that, to be eligible, this application requires permission from the City as owner of the Mendel Building. If endorsed by City Council, the Administration will provide a letter of support accordingly.

If the Canada Cultural Spaces Fund grant application is successful, up to 50% of City costs could be covered. This would allow resolution of the unanticipated asbestos costs. It would also allow the City to fund most of the accessibility upgrades identified by the Museum. If unsuccessful, the Administration will provide a further report identifying how to address these outstanding items.

### **Options to the Recommendation**

City Council may choose instead to proceed with a stand-alone design and construction scope only for the building's capital replacements and repairs.

**Public and/or Stakeholder Involvement**

The City and the Museum have discussed the concept of a combined project with the Museum as the lead. This is the preferred option for both parties.

**Communication Plan**

Changes to Mendel Building operations will be communicated through the City's website, on-site postings, and Public Service Announcements (PSAs). The City's project webpage will be updated regularly. Communications and marketing for the Museum's development, construction, and programming are resourced and managed by the Museum.

**Financial Implications**

Prior to the investigation of asbestos contamination, the Civic Buildings Comprehensive Maintenance Reserve (CBCM) program included \$1.5M for the capital replacements and repairs noted. This funding would be contributed to achieve all aspects of the scope of work identified under the combined project excluding asbestos removal and upgrades required to achieve full building accessibility. The preliminary cost estimate is \$700,000 for complete removal of all asbestos containing materials.

The table below shows City costs and potential Canada Cultural Spaces Fund grant proceeds and allocations. Accessibility improvements consist of an additional elevator to allow access to the second floor (currently offices, no public access) and added accessible washrooms in the basement and main floor level. An initial estimate shows costs of approximately \$500,000 for these items. The table shows a City allocation of \$400,000 (81%) toward this total. Residual accessibility costs above \$400,000 would be borne by the Museum.

<b>Capital Costs and Funding Sources</b>		
	<b>Costs</b>	<b>Funding Sources</b>
Children's Discovery Museum costs	\$7,400,000	
City's CBCM costs	\$1,500,000	
City's asbestos costs	\$700,000	
Canada Cultural Spaces Fund potential grant		\$4,800,000*
Children's Discovery Museum contribution		\$3,300,000
City contribution		\$1,500,000
<b>TOTAL</b>	<b>\$9,600,000</b>	<b>\$9,600,000</b>

\*Note: Asbestos costs are eligible for this grant and the \$700,000 figure is included in this amount. The Museum has agreed to allocate grant funding for this purpose.

#### **Other Considerations/Implications**

There are no policy, environmental, privacy or CPTED implications or considerations.

#### **Due Date for Follow-up and/or Project Completion**

Next steps are to finalize the Lease of the Mendel Building and an agreement for programming services with the Museum. Future updates regarding the Museum's tenancy will be included in a Museum annual progress report to be submitted to City Council later this year.

#### **Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

#### **Attachment**

1. Design and Construction Agreement - Key Terms.

#### **Report Approval**

Written by: Eric Westberg, Project Manager, Corporate Initiatives  
Reviewed by: Brenda Wallace, Director of Environmental and Corporate Initiatives  
Del Ehlert, A/Director of Facilities and Fleet  
Kerry Tarasoff, CFO and General Manager, Asset and Financial Management Department  
Approved by: Catherine Gryba, General Manager, Corporate Performance Department