

Update on Temporary Emergency Residential Shelter Funding

ISSUE

The Administration has been working collaboratively with Saskatchewan Housing Corporation (SHC) and The Mustard Seed (TMS) to finalize the design for adapting a City-owned building at 210 Pacific Avenue for use as a Temporary Emergency Shelter.

When City Council approved the location's use as a Temporary Emergency Shelter on September 24, 2024, the City of Saskatoon (City) had a commitment of \$250,000 in renovation funding from the Province, which was their estimated full cost to modify the building for use as a temporary shelter.

However, as the partners worked to finalize the design, it was determined that the original scope of work would not be sufficient to bring the building up to a usable condition. The updated estimated construction cost, based on detailed design, is \$535,000. In addition, there are several costs related to the project that the Province has previously indicated are ineligible as part of their funding, estimated at \$75,000.

The Administration is working to identify funding opportunities to address the funding gap of \$360,000. These opportunities include seeking additional funding from the Provincial government and leveraging Federal funding.

The Administration has requested additional funding from SHC. However, due to the recent Provincial election, SHC has been unable to confirm any further funding, although they have committed to consider the City's request. The issue is that construction will be delayed until such time as full funding is in place.

The City and other community partners, most notably Salvation Army, Saskatoon Indian and Metis Friendship Centre and Saweyhitotan Outreach, have worked collaboratively to open two overnight warming facilities, with estimated capacity for approximately 100 people per location. Although these warming facilities will have a positive impact on safety, all partners agree that opening of a 35-bed emergency shelter at 210 Pacific Avenue remains a priority.

Lastly, while the property is owned by the City and will be leased to the Province, the use of the property is not specifically exempt from taxation under legislation in the *Cities Act*, therefore approval of a property tax exemption is recommended.

RECOMMENDATION

1. That Capital Project P.10105 Shelter for People Experiencing Homelessness be increased by \$360,000 funded from the Reserve for Capital Expenditures (RCE);
2. That the Administration continue negotiations with the Provincial and the Federal governments to reimburse the City for this added cost, and any funds obtained be returned to RCE;
3. That an 18-month property tax exemption be granted to Saskatchewan Housing Corporation for 210 Pacific Avenue, commencing on their lease start date; and
4. That the City Solicitor be requested to prepare the necessary tax exemption bylaw and agreement.

BACKGROUND

On September 25, 2024, City Council approved an 18-month temporary use of the city-owned building at 210 Pacific Avenue as a Temporary Emergency Residential Shelter (emergency shelter).

SHC committed \$250,000 to convert the building into an operable emergency shelter on a temporary basis. The SHC is providing this funding through a Provincial grant.

The City has committed to delivering 210 Pacific Avenue as an operable emergency shelter and has assigned a project delivery team. The project team has been working extensively with SHC and TMS to determine the scope of facility requirements and will continue to manage the project through final design, construction and building turnover.

The project team has completed preliminary investigatory work on the building and has engaged a prime consultant for design, cost estimating, development of construction documents and contract administration of the renovation work.

SHC approved the facility requirements, project scope, and concept plan in early November. Since that time, detailed design has progressed along with preparation of the construction tender documents. The extent of the planned renovations is the minimum scope required to meet the needs for safe operation of an emergency shelter, however, the estimated project costs for these renovations exceed the available funding of \$250,000.

DISCUSSION/ANALYSIS

Funding

Significant work has been completed by the City’s project team, SHC, and the TMS, to determine the basic building requirements and scope of work for an emergency shelter at this location, and to clarify each party’s responsibility for the various items and estimate the associated construction and project costs.

Throughout the process, the planned building programming has driven the renovation requirements, focusing on the minimum changes necessary to provide a facility that can be safely operated as a shelter. The proposed shelter layout is simple, and significant project scope reduction has occurred. Cost savings measures have been incorporated, such as reusing existing partitions, fixtures and equipment and salvaging doors from former supported living spaces.

However, the existing building systems within the facility support unoccupied storage space, and the mechanical and electrical upgrades necessary to house people at 210 Pacific are extensive. As-is, the existing building has limited heat and no ventilation. The minimum required mechanical scope of work includes heating and ventilation systems for sleeping and plumbing for laundry, showers, and additional washrooms. These critical system upgrades constitute the most significant expenditure of the project but ensure the building can be safely occupied.

Further reductions in the planned programming and related construction scope are possible. However, the potential cost savings are minimal compared to the impact they will have on the ability of the shelter to operate safely or to deliver programming.

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Additional costs are being incurred by the City over and above the design and construction costs to deliver this project. These costs relate to project management, site preparation, protection of adjacent properties, communications activities, additional light and garbage receptacles, etc. The projected cost of this additional work is \$75,000.

A breakdown of the project costs is shown in the table below.

Scope Item	Cost
Design and Asbestos Testing	\$37,000
Construction	
<i>Site Fencing</i>	\$25,000
<i>Architectural</i>	\$173,000
<i>Mechanical</i>	\$160,000
<i>Electrical</i>	\$70,000
Design and Construction Contingency (15%)	\$70,000
Other Costs	
<i>Project Management</i>	\$40,000
<i>Misc Costs: communications, signage, lighting, fencing upgrades, garbage receptacles, etc</i>	\$35,000
TOTAL ESTIMATED PROJECT COSTS	\$610,000

Property Tax Exemption

Once the renovations are complete and the building is ready to start functioning as an emergency residential shelter, SHC will take possession of the property through a lease agreement previously authorized by City Council. The lease agreement terms were summarized in the September 25, 2024, report to City Council, noting that SHC will pay all occupancy costs.

One item typically included within occupancy costs is property tax. Although the property is city-owned and leased to the Province, the use of the property is not specifically exempt from taxation under legislation in the *Cities Act*. However, section 262(4) of *The Cities Act* allows Council to “enter into an agreement with the owner or occupant of any property to exempt that property from taxation, in whole or in part, for not more than five years”.

The property is tax-exempt, so there will be no loss of revenue if City Council approves the exemption, which both the Administration and SHC support. If the property were taxable, the 2024 property tax would be approximately \$15,000, with the education portion representing roughly \$5,000.

FINANCIAL IMPLICATIONS

The \$250,000 funding allocation by SHC for the project was based on their preliminary estimates for the project scope and associated costs. These estimates were completed prior to developing a building layout, consulting with the shelter operator to determine building requirements and consultant input regarding the reuse of existing building systems at 210 Pacific Avenue.

The current project estimates indicate design and construction costs of \$535,000 plus additional costs of \$75,000. This results in a funding gap of \$285,000 for project items eligible to be covered by SHC funding and \$75,000 for items that the Province has previously indicated are ineligible.

Projected Funding Gaps, including PST:

Project Categories	Available Funding	Projected Construction Costs	Additional Costs	Funding Gap
Design and Construction	\$250,000	\$535,000	\$75,000	\$360,000

The City is currently negotiating additional funding with the Provincial and Federal Governments. The Administration is proposing to proceed with construction and fund the gap from RCE, on an interim basis, and continue to work with the Provincial and Federal Governments to fund this gap. Currently there is a \$1.17 million balance in RCE. Of that amount, the City typically holds \$750,000 for contingency for unforeseen situations throughout the year. Approval of funds from RCE on an interim basis would enable the Administration to proceed with construction while continuing to work with the other levels of government on funding.

OTHER IMPLICATIONS

Pending timely completion and approvals of the contract documents, the tender for construction services is scheduled to open in mid-December 2024, and to close in January 2025.

Construction completion and building turnover is scheduled for March 2025. To avoid delays in the project, the Consultant has been given direction to continue work while further funding is confirmed.

NEXT STEPS

Various trade contracts for work that can be completed in advance of the general contractor mobilization are being pursued.

Following approval of the recommendations and evaluation of the bids received during the tender period, the project team will proceed with the tender award, renovation construction and completion of the project.

Should the tax exemption be approved by City Council, it would commence on the lease start date.

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Report Approval

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