

Creation of Capital Project for Repair and Maintenance of Downtown Event and Entertainment District Auxiliary Properties

ISSUE

Properties in the downtown were acquired to support and enhance the development of a Downtown Event and Entertainment District (DEED). Most of the properties have buildings with tenants in them and depending on the timing of the DEED project will require various levels of building systems repair and replacement or parking lot upgrades in the short term. To facilitate the critical repair and maintenance of these assets City Council approval is required to create a capital project and have funds transferred into the project.

RECOMMENDATION

Administration is requesting that Standing Policy Committee on Finance recommend to City Council:

1. That Capital Project P.10115 (DEED Auxiliary Properties – Repair and Maintenance) be approved and funded through a transfer of \$225,000 from the Property Realized Reserve (PRR).

BACKGROUND

City Council approved the purchase of the following properties:

- 25 – 22nd Street on [February 14, 2024](#)
- 50 – 23rd Street, 39 – 23rd Street and 149 Pacific Avenue [December 19, 2022](#).
- 141 Pacific Avenues and 145 – 1st Avenue North [August 30, 2021](#)
- 123 Auditorium Avenue [February 22, 2021](#)
- 120/126 Idylwyld Drive in 2013

These properties (locations shown on Appendix 1) are owned by the City of Saskatoon (City) and could potentially support the future DEED project. Administration had previously indicated to City Council they would either use these properties to address civic needs or work with commercial real estate companies to find tenants to lease any vacant spaces in the properties until such time as the properties are required for a project. In the case of 25 – 22nd Street (YMCA Property) the plan was to allow the existing organization to continue use of the property through a delayed closing. 141 Pacific Avenue and 120/126 Idylwyld Drive are vacant properties and are operating as a pay parking lots.

DISCUSSION/ANALYSIS

At the time of purchase due diligence review of properties concluded there was no significant issues that would cause the City not to move forward with the potential purchases.

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With the final project timing approval for DEED ongoing, the City will continue to hold these properties and generate revenue from tenants in the buildings or parking customers on the lots until the properties are required for the project. To maintain these properties to a standard which retains and attracts tenants, minimal building systems' repair and maintenance will be required. As these buildings will likely be demolished at a future date to support the DEED project it is the Administration's intent to only consider the repair maintenance of critical building components necessary to keep the properties in a satisfactory state of repair that meets contractual obligations in the tenant leases.

Typical building components which require repair and replacement include:

- building envelopes such as roof and claddings, heating, cooling and ventilation components;
- plumbing and electrical systems;
- exterior windows and doors;
- access control systems and site paving; and
- parking lot repair and replacement including paving, landscaping and lighting.

In order to proceed with these necessary building repairs, a capital project is required as the estimated cost meets the City's tangible capital asset threshold.

The heating/cooling systems and roof repair at 39 – 23rd Street is one example where straightforward maintenance opportunities are not able to address the tenant requirements to regulate the buildings temperatures. A mechanical engineer has reviewed the 39 – 23rd Street heating and cooling systems and identified that components are dated, have deficiencies which need addressing, and that replacement parts are becoming more expensive and difficult to source. A roofing consultant has identified the roof leaks are from several compromised roofing and flashing components are in need of repair.

Critical repairs for 39 – 23rd Street in 2025 totals approximately \$205,000 and includes:

1. Replacement of three-way valves at the VAV (variable air volume) box reheat coils at an estimated cost of \$70,000.
2. Roof work includes: flashing and membrane repair/replacement at an estimated cost of \$50,000.
3. Air conditioner work includes: repair of a leaking cooling coil, replacement of a condenser, cooling coil, and interconnecting refrigerant piping at an estimated cost \$70,000.
4. Access control system for main entrance door at an estimated cost of \$15,000.

Given the work identified for the 39 – 23rd Street property, Administration is recommending a new capital project be set up and that \$225,000 be allocated to the project from the PRR for the estimated repairs.

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FINANCIAL IMPLICATIONS

The \$225,000 in funding for 2025 expenditures will be funded from the Property Realized Reserve and will be recovered when the properties are sold or transferred into the DEED project.

NEXT STEPS

Subject to City Council approval, Administration would work towards having the building systems repair and replacement items completed at 39 – 23rd Street. Administration would identify any necessary future funding as part of future Capital budget planning for the 2026-27 budget cycles.

APPENDICES

1. Location of Properties

REPORT APPROVAL

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