

REPORT

Engineering Department Community Services

To: Mayor Johnstone and Members of Council in Workshop **Date:** July 8, 2024

From: Lisa Leblanc, Director of Engineering **File:**
Blair Fryer, Acting Director of
Community Services

Item #: 2024-454

Subject: Massey Theatre Capital Project Additional Scope Items

RECOMMENDATION

1. **THAT** Council direct staff to report back with a business case analysis to add HVAC to the capital budget and project timeline; and
2. **THAT** Council direct staff to evaluate civil and landscape scope of work for future consideration of the City's Capital Program.

PURPOSE

The purpose of this report is threefold: one, to provide Council with an update to the building systems at the Massey Complex; two, to seek direction to scope the addition of HVAC work as part of the capital program; and three to inform Council of new work regarding the site for future capital planning consideration.

BACKGROUND

The Building's HVAC system

The Massey Complex opened in 1949. The existing heating, ventilation and air conditioning (HVAC) system is past its anticipated operating life expectancy and has been recommended for replacement by the City's consultants in various condition reports. The current approved \$20M capital rehabilitation plan for the Massey Complex does not include replacement of the HVAC system. At time of approval, it was reported

that the eventual replacement would be planned as part of ongoing renewal projects for all existing buildings in the City's portfolio; however, the work plan for renewal projects as identified in the Facilities Asset Management Plan (FAMP, adopted by Council in February 2024) is still under development. While the portfolio-wide deferred maintenance backlog remains to be reconciled and prioritized, staff have not been in a position to provide a firm timeline for full HVAC replacement at Massey. This lack of certainty on timeline was flagged by the operator as adding additional risk burden.

Notwithstanding, City staff are trying to keep the old system running and are encountering evolving and escalating challenges in doing so:

- Recent repairs were completed to replace 4 of 8 fan motors in the air conditioning (A/C) unit that serves the large theatre, with the expectation that this repair will address the recent frequent failures caused by the unit tripping.
- Operations staff are planning for replacement of the obsolete refrigerant to mitigate against a potentially catastrophic failure if the refrigerant were to leak.
- The City's contracted trade has recommended replacement of both compressors that are integral to the unit. These repairs are under review and will be expedited as scheduling allows, noting that a system shut-down is required.

While it is hoped that these repairs will measurably improve the reliability of the system, it is now better understood that there is a significant risk that the disruption of an invasive repair on old equipment may cause the equipment to fail completely. At this time, based on known historical data and currently identified challenges, the City is unable to offer any firm assurance to the facility operator, the Massey Theatre Society (MTS), as to the reliability of A/C for the main theatre. MTS has expressed significant concern about the risk this uncertainty poses to their operations.

The heating system has similar vulnerabilities. While staff are confident that the scheduled removal of the large gymnasium will improve performance of the existing system by reducing load, increased reliability was also predicated on adding insulation to the theatre roof. This work is included as part of the \$20M capital rehabilitation plan. Roof replacement and added insulation would ideally be completed in conjunction with roof-top HVAC unit replacement.

MTS reports that an inability to guarantee HVAC system functionality impacts their ability to meet contractual obligations with theatre renters, audiences and performers and hinders their ability to plan. MTS also asserts that a lack of reliable climate control represents a significant financial risk for them as they rely on rental and event-driven revenue for their core operations.

Additional Issues – civil and landscape scope

In addition to the accelerated HVAC replacement, staff would like to flag a new scope of work: drainage, parking, lighting, multi-use accessibility and public realm considerations

for the site. This is new scope not previously considered arising out of ongoing coordination work with the School District (SD40).

At the inception of the Massey Theatre facility and land ownership transfer around 2012, the School District was to retain ownership of the land around Massey Theatre. At that time, the extent of property that would be taken over by the City ended just outside the footprint of the building. That has since changed; the land transfer completed in 2021 includes the full footprint of the building extending to 8th Avenue and 8th St, to approximately 20 feet north of the facility beyond the footprint of the large gymnasium.

Now that the School District is almost finished deconstruction of the old NWSS and their development permit obligations are nearing completion, City staff better understand the civil and landscaping scope for the City-owned portion. This new funding request/scope is also informed by the ongoing development of a parking agreement for the entire site from 8th Avenue to 10th Avenue, 8th Street to 6th Street, which has long been a goal of the City's.

Preliminary estimates indicate that completion of the site works for the land acquired as part of the Massey Theatre Land Transfer agreement would require \$4M in additional capital funding. It is important to note that this estimate applies only to the area included in the land transfer agreement; it does not include improvements to Mercer Stadium and field, Moody Park Arena, or the memorialization lands owned by SD40.

Staff is seeking Council direction to evaluate the civil and landscape scope of work for future consideration of the City's Capital Program. This evaluation would include the scope, schedule and budget details.

DISCUSSION

The current Massey Complex capital project plan is underway. After more than 12 months of design and coordination, the first package of work has been tendered and permits secured, with construction work set to begin before the end of July 2024. The first work package will include relocation of the water entry room and demolition of the large gymnasium. This work can proceed without impact to a potential reconsideration of HVAC replacement scope. Roof replacement over the theatre and retained portion of the facility, also included in the first work package, is being held pending Council direction from this report. Roof replacement would be best undertaken in coordination with roof-top HVAC equipment replacement.

HVAC replacement was last scoped and costed by the City's consultants in 2019. Using the available information, applying real escalation data to 2024 and projecting estimated escalation to 2025, staff recommend a budget of \$8M to complete a full HVAC system replacement, including application of climate action principles in alignment with corporate energy and emission reduction strategies. Note the \$8M estimate is a rough order of magnitude estimate which has an accuracy range of +/- 50%.

In order to integrate a full HVAC replacement into the current capital plan with expert advice on scope, schedule and budget implications, staff would need to engage with the full project team of design consultants and the construction manager. If Council directs that staff evaluate this further, it is anticipated that staff could report back in late summer/early fall. Staff would also provide an update on potential external funding opportunities in alignment with climate action initiatives to offset budget implications.

SUSTAINABILITY IMPLICATIONS

Existing buildings produce approximately half of the City's annual corporate carbon emissions. HVAC system replacement is a key action required to improve both energy efficiency and emissions reductions in existing buildings. As part of the work needed to develop a business case, staff will fill out the Climate Action decision making framework to demonstrate applicability of the Climate Reserve to this project. In general, the project should demonstrate that what is being installed is "better than business as usual" and that the new HVAC system will be reducing GHG's and/or reducing energy consumption as compared to standard replacement equipment.

FINANCIAL IMPLICATIONS

The Facilities Asset Management Plan (FAMP), adopted by Council in February 2024, confirmed a target of maintaining the average "Fair" condition assessment of the overall facilities portfolio. Civic Buildings and Properties staff identified a \$17.5M deficit in the current 5 year Capital Plan to accomplish this target, and committed to work with the Finance Department on a funding strategy for incorporation into the 2025-2029 Capital Plan.

Adding \$8M to the current capital plan to support replacement and upgrade of end-of-life equipment at Massey represents an acceleration of the FAMP and contributes to addressing the known maintenance deficit on existing assets, offsetting some of the previously identified \$17.5M funding gap.

It is anticipated that the Climate Action Reserve could contribute top-up funding in support of enhanced performance targets. Staff would report back with a funding strategy and performance targets.

NEXT STEPS

If Council supports staff's two recommendations, the following next steps are identified:

1. Proceed with current capital project construction package 1, minus the re-roofing scope.
2. Work with the project team (consultant project manager, construction manager and design consultants) to develop a revised overall project scope that includes two potential projects: the HVAC replacement, and the civil and landscape items.

3. Report back to Council with a project plan, cost estimate, proposed construction schedule and funding strategy for Council's consideration and direction, including the applicability of the Climate Reserve.

INTERDEPARTMENTAL LIAISON

The following departments have contributed to, and reviewed this report: Community Services, Financial Services and Engineering.

OPTIONS

There are three options for Council's consideration:

Option 1 - Council direct staff to report back with a business case analysis to add HVAC to the capital budget and project timeline; and

Option 2 - Council direct staff to evaluate civil and landscape scope of work for future consideration of the City's Capital Program.

Option 3
Provide staff with alternate direction.

Staff recommend Options 1 and 2.

ATTACHMENTS

Massey Complex Land Transfer Agreement site extents diagram

APPROVALS

This report was prepared by:
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