

Administrative Report



MUNICIPALITÉ DE
CASSELMAN
MUNICIPALITY

Title : 1 Industriel - Update on the New City Hall Project

Report Number: OPS-11-2024

Date : December 10th, 2024

Supporting Documents: N/A

Submitted By: Mélodie Sorrell, Director of Operations and Human Resources

Recommendation(s)

That the Council of the Municipality of Casselman acknowledges reception of administrative report OPS-11-2024; and

Direct the administration to continue to advance this file in accordance with the recommendations of the legal firm.

Objective

This report aims to provide a public update on the new town hall project. It outlines, among other things, the situation regarding a water infiltration issue in a municipal building acquired in 2022, as well as the steps taken to investigate and consider what repairs are required to the building. This issue currently prevents us from proceeding with our goal of establishing the future accessible town hall in this building in the original time frame anticipated. The municipality is in the process of obtaining legal advice regarding its options for potential recourse regarding the water infiltration issues. In the interim, certain steps must move forward to protect the municipality's investment, such as issuing a call for tenders for the necessary repairs.

Analysis

In 2022, the municipality purchased the building located at 1 Industriel. This acquisition was intended to address the growing need for space for municipal operations. The building offered an ideal layout to house various administrative and operational services, aligning with a strategic approach to optimize the use of public funds and provide accessible services. Before finalizing the purchase, the municipality undertook reasonable steps to ensure the acquisition was conducted properly. These steps included retaining a qualified engineering firm to complete comprehensive inspections of the building and the property's condition.

These inspections were carried out by a qualified engineering firm, which issued a building condition survey report based on the information available to the firm during the inspections. The report recommended routine maintenance activities and did not identify any major capital expenditures likely to be required in the short term (5 years). The municipality went beyond the minimum requirements by also commissioning a Phase II Environmental Site Assessment due to the historical presence of underground storage tanks in proximity to the property.

The building condition survey report included a review of exterior walls and exterior windows and doorways, among other building components. Its conclusions included :

- a. "No active water penetration and/or performance issues were reported by site representative with regard to the roof. [...] Damaged flashing was observed at the west parapet, above the main west entrance of the building, where previous leakage into the building occurred at the main west entrance. It was reported that the leakage had been repaired ."
- b. Furthermore, "No active water penetration and/or performance related issues were reported by the site representative concerning the exterior wall systems during our site visit" .
- c. Due to the building's age, major window replacement were not expected and not included in the budget, and "no additional major capital expenditures are required for the complete renewal of exterior windows during the term of this report"

Unfortunately, approximately 10 months after the acquisition, water infiltration issues were reported to the administration by one of the tenants on May 4, 2023. Following an initial visual inspection, the municipality hired an engineering firm to conduct exploratory work and identify the cause of the water infiltration. This exploratory work confirmed that water infiltration was believed to be attributed to design and/or construction defects in the building.

As a result, the municipality consulted its insurer to cover the necessary repairs. However, the insurer clarified that damages caused by water infiltration could be covered but excluded any coverage for damages resulting from poor workmanship, defective design, or normal material wear and tear.

Actions Taken by the Municipality

- The municipality has acted diligently and transparently throughout this process:

Before the purchase:

- It conducted cost analyses for the building as well as reasonable inspections to assess its condition. It even carried out a Phase II Environmental Site Assessment to ensure it was well-informed about the environmental condition of the lands.

After discovering the issues:

- The municipality promptly took steps to assess the damages, analyze the source of the water infiltration problems, submit the information to its insurer, and prepare tender documents for the necessary repairs.

Towards taxpayers:

- It ensures that all decisions made, including the publication of the call for tenders, are in the best interest of citizens and comply with financial and legal standards.

Detailed Timeline

July 13, 2021 (DG-020-2021)

The municipal council reviewed several options to address the municipality's needs:

- Expanding the current town hall building (requiring a risk assessment study, estimated between \$40,000 and \$60,000).
- Acquiring land and constructing a new town hall.
- Purchasing an existing building that could house the town hall.

- During this meeting, the Council passed a resolution requesting the administration to gather statistics on the practices of neighboring municipalities to evaluate the future location of the town hall.

August 18, 2021 (DG-022-2021)

The administration presented the requested statistics. Following this presentation, the Council directed the administration to:

- Assess the market value of the building and land at 1 Industriel.
- Conduct a financial analysis for a 10-year loan.

- In the months that followed, the administration conducted several evaluations of the building, and their findings were presented at a subsequent meeting.

March 8, 2022 (FIN-004-2022)

A report detailing the market value assessments of 1 Industriel was presented to the Council. The report also highlighted:

- The anticipated exponential growth of Casselman, requiring an increase in staff to maintain service levels.
- The inability of the current town hall building to comply with the Accessibility for Ontarians with Disabilities Act (AODA) by 2025, necessitating a new accessible town hall.
- A financial analysis to support this project.

Following this report, the Council resolved to:

- Sign a conditional purchase agreement for 1 Industriel, valued at \$2,200,000.
- Retain qualified third-party engineers to conduct assessments of the environmental condition of the lands and the condition of the building

May 24, 2022 (FIN-010-2022)

Environmental and building inspection reports conducted by the engineering firm were submitted to the Council, revealing no issues that would compromise the transaction. The administration also presented a budget update demonstrating the feasibility of the acquisition while maintaining an acceptable debt ratio.

During this meeting, the Council passed a resolution waiving the conditions attached to the purchase offer, authorizing the administration to finalize the acquisition.

July 19, 2022

The Municipality officially became the owner of the building at 1 Industriel.

May 4, 2023

Nearly ten months after the acquisition, the Municipality received an report from one of the tenants identifying water infiltration issues.

From this date onward, several actions were taken to assess the situation:

May 23, 2023:

An initial on-site inspection was conducted by the Director of Public Works and a representative from a local doors and windows company. A more detailed evaluation was deemed necessary.

May 31, 2023:

An inspection was carried out by a general contractor, who declined to provide a written report.

June 14, 2023:

Consultation with the municipality's legal counsel.

June 19, 2023:

An inspection was conducted by a construction company and an reputable engineering firm specializing in diagnosing problematic buildings. This visual inspection determined that exploratory work was necessary to identify the exact cause of the water infiltration, which appeared to be related to window installation failures.

June 28, 2023:

The municipal insurer provided a preliminary response, stating that only the interior damage would be covered, excluding structural repairs. The insurer indicated they would issue a definitive response once the exact cause of the infiltration was determined.

July 7, 2023

The administration informed the Council about the water infiltration issues and its intention to commission a detailed inspection. A comprehensive inspection was carried out by the engineer at a cost of \$24,820.40 + HST.

October 2023

The engineering report concluded that the water infiltration was primarily caused by defects in the transitions around windows and doors and the installation of the stone cladding at certain areas along the exterior wall. The report recommended:

- Removing and reinstalling windows and doors with proper waterproofing membranes.
- Partial removal of the exterior cladding to address underlying issues.

The report was sent to the insurer to determine whether the repairs proposed by the engineer would be covered under the insurance policy.

March 2024

The Municipality received confirmation from the insurer that the damages would not be covered, as they were due to poor construction workmanship and/or defective building design.

April 2024 to November 2024

The Municipality continued to obtain legal advice as to its options for recourse. It also worked with engineers to develop tender documents for the required repairs.

December 5, 2024

A public update was issued about the water infiltration issues at 1 Industriel.

December 6, 2024

The planned publication date for a call for tenders for the repairs, with work scheduled to begin in spring 2025. An additional budget will be required to cover the repair costs in order to proceed with the development of the new town hall.

The Municipality has acted diligently at every step of this process, from purchasing the building to managing the issues related to the water infiltration. The Municipality is committed to protecting taxpayers' interests and ensuring that repairs are completed promptly and effectively. Both the Council and taxpayers will be kept informed of the results of the tender process, anticipated costs, and future steps in managing this matter.

Regarding the planned renovations on the second floor to establish the new Town Hall, the administration anticipates receiving 99% of the plans, a detailed budget, and a timeline of planned activities in early 2025. All these documents and information will be presented to the Council to obtain clear direction before proceeding with the tendering process for the development work of the new Town Hall.

Next Steps:

It is recommended to closely monitor this file and provide updates to the Council and taxpayers as new developments arise and a detailed budget for the repairs is identified.

Financial Impact

Détails	Approved Budget	Expenditures to date	Projected Expenditures	Variance
1 industriel	3,500,000	2,415,781	-	-

It is too early to estimate the costs of the work. An update will be provided once the tender results are available.

References

The Council has the option to propose an amendment to the initial resolution.

Other Options

Approval

Yves Morrissette, CAO

