

2.21 Vacant / Surplus Properties and Unused Space

Introduction

Authority

The Department of Transportation and Works is responsible for managing and maintaining approximately 653,000 square metres of floor space in 900 Government-owned buildings and properties, including vacant/surplus properties and unused space.

The responsibilities are divided among the Department's divisions.

| Division | Responsibilities |
|---|---|
| Regional Offices | - Maintaining and operating the building |
| Engineering Support Services | - Facilities management which includes government building inventory - Providing technical support |
| Accommodations and Realty Services Division | - Maintaining databases for Government-owned and leased facilities and properties - Disposing of (owned) property no longer required by government |

Vacant/Surplus Properties

The vacant/surplus properties inventory per region as at 31 March 2005 comprises 62 buildings within 27 sites. This inventory includes 5 buildings not classified as vacant but which have a significant amount of unused space. The estimated value of this space, were it to be replaced today, is over \$183 million. The following table defines the 62 properties.

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Figure 1
Vacant/Surplus Properties Inventory

| Region and Site | Buildings and Properties | Floor Area (sq. metres) | Estimated Value |
|---|--------------------------|-------------------------|----------------------|
| Avalon | | | |
| Grace Hospital | 4 | 27,018 | \$68,533,750 |
| Old Janeway Hospital/Clinic/Garage | 5 | 15,925 | 46,171,500 |
| Former Children's Rehabilitation Centre | 1 | 4,028 | 5,418,000 |
| Former Remand Centre | 1 | 446 | 960,250 |
| Former Fire Commissioner's Office Bldg 901 | 1 | 1,673 | 2,250,500 |
| Former Central Fire Hall | 1 | 1,559 | 2,096,000 |
| Former Sanitarium/CONA/Pine Grove School | 3 | 7,863 | 12,689,500 |
| Salmonier Correctional Facility | 21 | 5,418 | 5,707,500 |
| Former Young Offenders' Institute in Whitbourne | 2 | 1,660 | 2,541,000 |
| Pleasantville Building # 1048 | 1 | 168 | 180,250 |
| Pleasantville Building # 812 | 1 | 326 | 350,500 |
| Total Avalon | 41 | 66,084 | 146,898,750 |
| Central | | | |
| Former Bonavista Courthouse | 1 | 495 | 532,500 |
| Winterland Forestry Building | 3 | 133 | 125,000 |
| Old Proposed Mill at Come by Chance | 2 | 3,534 | 3,157,250 |
| Former Springdale Courthouse | 1 | 313 | 589,500 |
| Botwood Public Building | 1 | 553 | 602,500 |
| Fogo Public Building | 1 | 495 | 532,750 |
| Harbour Breton Cottage Hospital and Residence | 2 | 960 | 2,066,500 |
| Former Fogo Cottage Hospital | 1 | Not available | Not available |
| Total Central | 12 | 6,483 | 7,606,000 |
| Western | | | |
| Forestry Building in Pynn's Brook | 1 | 346 | 337,750 |
| Former Women's Correctional Facility | 1 | 2,494 | 4,562,550 |
| Former Stephenville Hospital | 2 | 6,298 | 17,397,000 |
| Building 347 in Stephenville | 1 | 2,493 | 2,682,750 |
| Building 342 in Stephenville | 1 | 3,180 | 3,421,750 |
| Public Building in Woody Point | 1 | 327 | 352,000 |
| Gros Morne Provincial Authority Building | 1 | 125 | 134,750 |
| Total Western | 8 | 15,263 | 28,888,550 |
| Labrador | | | |
| Paradise River Airstrip Building | 1 | 150 | 300,000 |
| Total | 62 | 87,980 | \$183,693,300 |

Source: Department's Engineering Support Services, Works Branch Database

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Audit Objectives and Scope

Objectives

The objectives of the review were to determine if the Department has adequate systems and processes to:

1. Determine and monitor its **inventory** of government buildings either vacant or containing significant unused space;
 2. Forecast annual **operating costs** for the inventory;
 3. Forecast the **environmental assessment and remediation** costs;
 4. Identify **alternate uses** for vacant/surplus properties and unused space;
 5. Determine efficient **space allocation** in Government-owned buildings as opposed to leasing other properties; and
 6. Develop a strategy for the **disposal** of vacant/surplus properties determined to be of no further use to Government.
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Scope

We completed our review in March 2005. The review covered the period from 1 April 2000 to 31 December 2004 and included discussions with staff, and a review of files and other documentation, at the Department of Transportation and Works and the four regional offices.

Conclusions

Government not efficiently managing it's vacant/surplus properties

In our opinion, Government is not efficiently managing Government-owned vacant/surplus properties. Government does not have a long term strategy for the disposal or alternate use of Government-owned vacant/surplus properties. As a result, vacant/surplus properties continue to deteriorate while the Department of Transportation and Works incurs ongoing operational costs and increasing environmental remediation costs. More attention must be paid to timely environmental remediation of these sites and their subsequent disposal, re-use or re-sale. In particular we found:

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1. Inaccurate inventory database

The Department's database on Government-owned buildings contains detailed information necessary for management. However, it is not kept current; at the time of our review in March 2005, the last inventory update began in September 2003 and was not completed until March 2004. In November 2004, the Department contacted the regional offices and requested updated information. At the time of our review the update had not been completed. The regional offices do not have access to the Department's computerized inventory system and timely updates are not provided. We also found that the database was not accurate in that one vacant/surplus property was not included in the database, while in another instance a vacant/surplus property was recorded in the wrong category.

2. Operating costs

Government continues to incur significant annual operating costs for Government-owned vacant/surplus properties, with an annual average of over \$573,000 for the last five years. Approximately \$470,000 of the \$573,000 average annual costs relates to the Grace, the old Janeway and the former College of the North Atlantic. Included in the \$573,000 are:

- \$329,000 for properties that the Department would like to sell or find some alternate use;
 - \$150,000 for properties for which there is no alternate use;
 - \$29,000 for properties used for storage; and
 - \$65,000 for occupied properties which have significant unused (vacant) space.
-

3. Environmental assessment and remediation costs

Our review showed the cost of restoring vacant/surplus properties for an alternate use or re-sale (through environmental remediation) can significantly increase when those buildings are not maintained. The accumulating costs can make negative assets out of otherwise re-usable properties.

Although environmental remediation and demolition costs have not been determined for all vacant/surplus properties, the Department has estimated the following:

- Environmental remediation: \$5.87 million for nine vacant/surplus property sites; and

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- Demolition costs estimated at \$6.23 million for twelve vacant/surplus property sites.
-

4. Alternate uses

The Government does not have a process in place to deal with the timely disposal of vacant/surplus properties by finding alternate uses for them. For example: slow handling of an entrepreneur's request to take over the building site of the former Young Offenders' Institute in Whitbourne in 2001 resulted in losing an opportunity to dispose of a vacant/surplus property. Because the process took so long, the building deteriorated to an unacceptable condition and in 2003 the entrepreneur decided the building was no longer suitable for their business.

Likewise, the Government has not identified alternate uses for other vacant/surplus properties still suitable for occupancy. Some are being used for storage only, such as the former Remand Centre and Pleasantville Building #1048. There has also been no use identified for the former:

- Salmonier Correctional Facility;
 - Sir Thomas Roddick Hospital in Stephenville; and
 - Grace Hospital.
-

5. Disposal strategies

The Department has not demonstrated, through planning and budgeting, a commitment to disposing of unwanted vacant/surplus properties. For example, in its budget submission for 2005-06, the Department included a listing of environmental remediation program requirements for 2005-06 as well as future requirements. However, this listing did not include all the costs identified to date for the environmental remediation and/or demolition of all of its vacant/surplus properties. The Department did include \$2.0 million for future environmental assessments and remediation requirements but did not identify the vacant/surplus property sites to which these costs pertained.

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6. Space allocation

Although Government started a process in late 2004 to determine if there is any existing unused space within existing leased or owned buildings (covering Government departments, agencies, boards and crown corporations) which could be better utilized, no savings had been realized to the time of our review.

An interim report that the Department prepared in November 2004 concluded:

- *“...there is no dedicated government management structure that oversees government accommodations in terms of the development and application of policy and standards...”; and*
- *“...opportunities have been overlooked whereby efficiencies could have been garnered through the application of a comprehensive asset management plan.”*

For example, it was determined in November 2004 that approximately 300 more employees could be accommodated within the Confederation Building complex through a more efficient functional space program, resulting in potential annual savings of approximately \$1.3 million.

Findings and Recommendations

Introduction

The Department of Transportation and Works has an inventory of vacant/surplus properties which, at 31 March 2005, was comprised of 62 buildings within 27 sites. This inventory includes 5 buildings not classified as vacant but which have a significant amount of unused space. Our review addressed the following areas.

1. Inventory of Government-owned buildings
2. Operating costs of Government-owned vacant/surplus properties
3. Environmental assessment and remediation costs
4. Alternative uses for Government-owned vacant/surplus properties
5. Disposal strategies for Government-owned vacant/surplus properties
6. Allocation of space in Government-owned buildings

Details of our findings in each area are as follows:

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1. Inventory of Government-owned Buildings

Description

The Government-owned building inventory maintained by the Department's Engineering Support Services Division is a computerized database with nine categories of inventory, summarized as follows:

Inventory categories

Inventory documentation

| Categories | Contents |
|--------------------|---|
| Zero | Buildings either torn down or sold |
| One, two and three | Buildings operated and/or maintained by the Department in four regions: Avalon, Central, Western, and Labrador regions |
| Four through eight | Building inventory for other Government departments, including: <ul style="list-style-type: none">- Hospitals and medical clinics operated by the Department of Health and Community Services; and- Provincial parks owned by the Department of Tourism, Culture and Recreation. |

The building inventory was compiled from:

- Existing documentation on file;
- Information and assistance from Government departments and Agencies; and
- Site visits to various buildings.

The purpose of documenting the inventory was to develop insurance policies. A summary report prepared by the Department in March 2004 stated that the information is subject to change.

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Inaccurate database inventory

The Department maintains a computerized database which is designed to provide detailed information required by the Department for insurance purposes and to manage its building inventory.

Our review indicated that, at the time of our review in March 2005, the Department's database was neither current nor accurate. For example:

- The last inventory update began in September 2003 and was not completed until March 2004. We note that two of the departments (Department of Education and Department of Youth Services and Post Secondary Education) did not provide information for this update;
- In November 2004, in order to compile a listing of vacant/surplus property sites the Department contacted each regional office and requested updated information. At the time of our review in March 2005 the update had not been completed. As the regions do not have access to the Department's computerized inventory system, timely updates are not provided;
- The former Cottage Hospital in Fogo was transferred to the Department in September 2004; however, it was not set up in the inventory data base as at March 2005; and
- The former Women's Correctional Facility in Stephenville was not recorded in Category 3, which captures all Government-owned buildings falling under the Department's Western Region. Instead, this facility was incorrectly included in Category 0, which denotes that the site no longer exists or has been removed due to sale or re-allocation.

2. Operating Costs of Government-owned Vacant/Surplus Properties

Significant annual operating costs

In addition to Government-owned buildings whose maintenance is the responsibility of the Department of Transportation and Works, once other Government-owned buildings become vacant (e.g. hospitals - Grace and the old Janeway) they also become the responsibility of the Department. In the case of vacant/surplus properties, the Department is responsible for ongoing operating and maintenance costs and plans for alternate use or disposal.

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Government continues to incur significant annual operating costs for Government-owned vacant/surplus properties. The following table outlines the operating costs incurred for each of the last 5 years. These costs include consulting services in relation to building closures. Note that the average annual costs of \$573,126 pertain to buildings within 20 of the 27 vacant/surplus property sites. Approximately \$470,000 of the \$573,126 relate to 3 properties, the Grace, old Janeway and former College of the North Atlantic campus.

Total operating costs incurred over 5 years

| Costs | 2001 | 2002 | 2003 | 2004 | 2005* | Average |
|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Utilities | \$35,008 | \$208,336 | \$290,898 | \$288,084 | \$192,472 | \$213,642 |
| Operating | 28,006 | 224,748 | 273,745 | 313,777 | 156,950 | 209,942 |
| General Maintenance | 15,878 | 121,448 | 33,437 | 27,733 | 34,717 | 49,097 |
| Programmed Maintenance | 141 | 57,249 | 18,734 | 6,930 | - | 17,485 |
| Construction Services | 2,500 | 6,290 | - | 32,084 | 2,634 | 9,160 |
| Consulting Services | 203,726 | 41,293 | 42,707 | 25,134 | 24,995 | 71,127 |
| Other | - | - | 21 | 11,287 | 1,389 | 2,673 |
| Total | \$285,259 | \$659,364 | \$659,542 | \$705,029 | \$413,157 | \$573,126 |

Source: Departmental Data Bases

* For the 9 months ended 31 December 2004

Annual operating costs

Annual operating costs for the Department's vacant/surplus properties are summarized under the 4 possible outcomes in the following table:

| Building Category | 2001 | 2002 | 2003 | 2004 | 2005* | Average |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Re-use or sale | \$152,485 | \$361,944 | \$413,717 | \$370,501 | \$262,204 | \$328,601 |
| No Alternate Use | 85,970 | 198,438 | 155,825 | 179,391 | 93,771 | 150,188 |
| Significant Unused Space | 39,968 | 92,223 | 43,500 | 98,550 | 36,145 | 65,343 |
| Used for Storage | 6,836 | 6,759 | 46,500 | 56,587 | 21,037 | 28,994 |
| Total for all Categories | \$285,259 | \$659,364 | \$659,542 | \$705,029 | \$413,157 | \$573,126 |

Source: Department's Financial Operations Division

*For the 9 months ended Dec 31, 2004

Our Review

Costs running high on unwanted vacant/surplus properties

As the preceding table shows, Government continues to incur significant annual operating costs for Government-owned vacant/surplus properties, with an average of over \$573,000 for the last five years. Included in this figure are:

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- \$329,000 for properties that the Department would like to sell or find some alternate use;
 - \$150,000 for properties for which there is no alternate use;
 - \$29,000 for properties used for storage; and
 - \$65,000 for occupied properties which have significant unused (vacant) space.
-

3. Environmental Assessment and Remediation Costs

Description

In November 2004, the Department reviewed its buildings and properties inventory and identified all surplus properties, noting:

Review of surplus properties

- Location;
- Description;
- Likelihood of an alternate use;
- If an environmental assessment had been completed; and
- Estimate of remediation costs, demolition costs, and annual operating costs.

The inventory list was included with the 2005-06 budget submission in order to obtain funding for disposition of the surplus properties. The criteria used in classifying these buildings as surplus included age, condition, need, suitability and economics. The budget request comprised \$1.11 million to demolish the:

- Former College of the North Atlantic campus;
- Harbour Breton Hospital;
- Mill office building at Come by Chance; and
- Partial removal of the former Grace Hospital.

The budget request sought an additional \$3.38 million for environmental remediation. The requests, totaling \$4.49 million, were approved within the 2005-06 Departmental budget. However, environmental remediation and demolition costs have not been determined for all vacant/surplus

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properties and therefore, the requests did not include funding needed for remediation and demolition of the complete inventory of vacant/surplus properties.

The following table outlines the status of the 27 vacant/surplus property sites with respect to environmental assessment and remediation costs.

Surplus property review findings

| Site | Environmental Assessment | Environmental Remediation Cost | Demolition Costs |
|---|--------------------------|--------------------------------|-----------------------|
| Grace Hospital | Completed | \$2.5 - \$3.8 million | \$.5 - \$2.6 million |
| Old Janeway Hospital/Clinic/Garage | Sept 2001, Sept 2002 | \$1.2 million | \$1.8 million |
| Former Children's Rehabilitation Centre | June 2003 | Nil | N/A |
| Harbour Breton Cottage Hospital and Residence | Mar/Oct 2003 | \$80,000 | \$50,000 |
| Former Sanitarium/CONA/Pine Grove School | Nov 2003 | \$500,000 | \$500,000 |
| Former Stephenville Hospital | May 2004 | \$50,000 | N/A |
| Salmonier Correctional Facility | Aug 2004 | Nil | N/A |
| Old Proposed Mill at Come by Chance | Sept 2004 | Nil | \$310,000 - \$560,000 |
| Former Remand Centre | Nov 2004 | Low or nil | \$30,000 |
| Former Springdale Courthouse | Dec 2004 | \$20,000 | N/A |
| Building 342 in Stephenville | Dec 2004 | \$70,000 | \$200,000 |
| Building 347 in Stephenville | Dec 2004 | \$70,000 | \$200,000 |
| Former Young Offenders' Institute in Whitbourne | In progress | \$80,000 | Not determined |
| Former Fogo Cottage Hospital | In progress | Not determined | \$125,000 |
| Former Central Fire Hall | In progress | Not determined | \$90,000 |
| Botwood Public Building | In progress | Not determined | N/A |
| Former Fire Commissioner's Office | In progress | Not determined | \$60,000 |
| Pleasantville Building # 812 | In progress | Not determined | \$10,000 |
| Former Women's Correctional Facility | In progress | Not determined | Not determined |
| Fogo Public Building | Required | Not determined | N/A |
| Former Bonavista Courthouse | Required | Not determined | N/A |
| Pleasantville Building # 1048 | No | Not determined | Not determined |
| Winterland Forestry Building | No | Not determined | Not determined |
| Forestry Building in Pynn's Brook | No | Not determined | Not determined |
| Paradise River Airstrip Building | No | Not determined | Not determined |
| Public Building in Woody Point | Not required | N/A | N/A |
| Gros Morne Provincial Authority Building | Not required | N/A | N/A |

Source: Departmental Databases

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As the Figure shows, the Department has completed or is in progress of completing environmental assessments on buildings within 19 of its 27 vacant/surplus property sites. As a result of the assessment process, the Department has estimated the cost of environmental remediation of \$5.87 million for 9 sites. As well, demolition costs have been estimated at \$6.23 million for 12 sites.

Of the remaining 8 sites (27 less 19), environmental assessments are:

- not required for 2 of the occupied properties which have significant unused (vacant) space;
- required for 2 of the vacant/surplus property sites but assessments had not started; and
- no decision made as to requirement for the 4 remaining vacant/surplus property sites.

The cost of environmental remediation and demolition could increase as further sites have assessments completed or as existing sites further deteriorate.

An interim Departmental report on owned/leased accommodations stated that several Government owned vacant/surplus properties “...*have experienced deterioration to the extent that they are considered biologically hazardous and require specialized protection to enter the facility*”. It was noted that one of these biological hazards pertains to mold growth where buildings have been left unheated and allowed to deteriorate.

Our Review

Inattention to vacant/surplus properties leads to high remediation costs

Our review showed the cost of restoring vacant/surplus properties for an alternate use or re-sale (through environmental remediation) can significantly increase when those buildings are not maintained. The accumulating costs can make negative assets out of otherwise re-usable properties.

Example: Old Janeway Hospital Site

Original remediation and demolition estimates

The old Janeway Hospital site was turned over to the Department in September 2001. An environmental site assessment was completed in August 2000 and a hazardous materials assessment completed in July 2001. At that time the consultants estimated:

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- Environmental remediation costs would be \$85,000; and
- Removing hazardous materials prior to demolition could cost \$955,000.

The consultants said the cost of maintaining the building's environmental condition, including regulatory upgrades, was considerably less than the environmental decommission/demolition costs. However, the Department allowed the facility to go cold and has since incurred \$492,000 in operating costs as at 31 December 2004. The largest portion was for security at \$240,000.

Current remediation and demolition estimates

At the time of our review in March 2005, the Department indicated that:

- the current estimated cost of site remediation (excluding the clinic) would be \$1.2 million with re-use unlikely; and
 - the current estimated cost of demolishing the building would be \$1.8 million.
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4. Alternate Uses for Government-owned Vacant/Surplus Properties

Description

Departmental officials provided their plans for the possible re-use of 27 Government-owned vacant/surplus properties, as shown in the following table.

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Buildings available for re-use

| Site | Planned Re-use of Structure |
|--|--|
| Grace Hospital | Yes for 2 of the 4 structures |
| Salmonier Correctional Facility | Yes |
| Former Stephenville Hospital | Yes |
| Former Children's Rehabilitation Centre | Sell the building |
| Former Bonavista Courthouse | Sell the building - Significant unused space |
| Botwood Public Building | Sell the building - Significant unused space |
| Former Springdale Courthouse | Sell the building |
| Fogo Public Building | Sell the building - Significant unused space |
| Old Janeway Hospital/Clinic/Garage | Sell 1 building but unlikely for the other |
| Former Sanitarium/CONA/Pine Grove | Sell site but no use for buildings |
| Former Remand Centre | Used for storage |
| Pleasantville Building # 1048 | Used for storage |
| Winterland Forestry Building | Used for storage |
| Paradise River Airstrip Building | Used for storage |
| Building 342 in Stephenville | Unlikely to be re-used |
| Public Building in Woody Point | Significant unused space |
| Gros Morne Provincial Authority Building | Significant unused space |
| Former Women's Correctional Facility | Unlikely to be re-used |
| Harbour Breton Cottage Hospital Residence | Unlikely to be re-used |
| Former Fire Commissioner, Bldg 901 | Unlikely - used for storage |
| Former Fogo Cottage Hospital | Unlikely to be re-used |
| Building 347 in Stephenville | Unlikely to be re-used |
| Former Young Offenders' Institute Whitbourne | No plan for re-use |
| Old Proposed Mill at Come by Chance | No, to be demolished |
| Forestry Building in Pynn's Brook | No, to be demolished |
| Pleasantville Building # 812 | No plan for re-use |
| Former Central Fire Hall | No plan for re-use |

Source: Departmental Databases

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Re-use plans

The Department considers these 27 vacant buildings to be surplus properties and has looked at each with respect to re-use of structure. The results can be summarized under 6 possible outcomes. Our review of this summary for the 27 sites indicated the following:

| | |
|----------|---------------------------------|
| 3 sites | Re-usable within Government |
| 7 sites | Re-usable if sold |
| 5 sites | Unlikely to be of use to anyone |
| 5 sites | No use |
| 2 sites | Significant unused space |
| 5 sites | Being used for storage |
| 27 sites | |

Our Review

No process to deal with timely disposal

In our opinion, the Department does not have a process in place to deal with the timely disposal of vacant/surplus properties by finding alternate uses for them. This lack of process had led to losing opportunities for securing alternate uses for vacant and unwanted Government buildings. The following is a case in point.

Missed opportunity for alternate building use in Whitbourne

In November 2001 an entrepreneur asked Government to turn over the building on the site of the former Young Offenders' Institute in Whitbourne. This entrepreneur planned to use the building for a provincial nutraceutical plant.

It took the Department 18 months to process the request, during which time the building deteriorated to a hazardous condition. A letter from the Department's Environmental Planner in July 2003 stated:

- *“...the building interior has deteriorated very considerably in just the past year due to roof leaking...;*
- *...ceiling sections have collapsed...;*
- *...very extensive mold growth is present on the walls and ceilings...; and*
- *...the basement area has broken loose asbestos pipe insulation on the floors and is a contaminated zone”.*

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The entrepreneur, who had initially planned to undertake a remediation of the building, was advised of the current condition and decided to seek a new site for their business.

If the facility had been turned over to the entrepreneur in a timely manner at the time of the request, the company would have prepared the site and Government would have realized a savings of at least \$100,000 in demolition costs.

Government would also have assisted growth of a new industry in the Province's agricultural sector. There were plans for five new start-up jobs and a production level of one million pounds of berries when the plant reached full capacity.

This building was last used in June 1997 after which it was decommissioned and all services cut. It was rendered inoperable for future use and specifications were prepared for demolition after an asbestos study was completed. An engineering firm hired by the entrepreneur at the time of their request advised that it would cost about \$150,000 to clean up the site.

Buildings used for storage

During our review we identified five vacant/surplus properties being partially used for storage, including:

- The former Remand Centre;
- Pleasantville Building #1048; and
- The former Fire Commissioner's Office Building #901 in Pleasantville.

The following table provides details on when these facilities were closed and the subsequent operating costs and environmental assessments costs associated with each facility.

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| Building | Date Closed | Operating Costs | Environmental Assessment | Alternate Use |
|---|----------------|--|---|-----------------------------|
| Former Remand Centre (446 sq. metres) | Spring of 2003 | Incurred \$45,000 from closure date to 31 December 2004 | <ul style="list-style-type: none"> - Cost \$79,000 - Occurred November 2004 - Concluded: asbestos poses no threat; all mould-stained surfaces should be remediated - Cost of remediation estimated low or nil | No alternate use considered |
| Pleasantville Building #1048 (168 sq. metres) | Prior to 1991 | Average \$5,350/year over last five years | - Not been carried out (site not considered surplus property) | No alternate use considered |
| Former Fire Commissioner's Office Building # 901 (1,673 sq. metres) | October 2002 | Average \$9,300/year from closure date to 31 December 2004 | - In progress | Re-use considered unlikely |

Sample of alternate uses for other vacant/surplus properties

The following table gives a summary of alternate uses and current status for four Government-owned vacant/surplus properties that we reviewed - **Grace, Salmonier, Children's Rehabilitation Centre and the former Stephenville Hospital.**

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| Building | Summary |
|---|---|
| Former Grace Hospital | <ul style="list-style-type: none"> - Closed during summer 2000; used as detox centre briefly in 2001 - From closing date to 31 December 2005, \$1.5 million incurred in operational costs - Department wishes to sell or re-use 2 newer sections (building has not been allowed to go cold) - Estimates for environmental remediation range from \$2.5 million to \$3.8 million - Estimates for demolition range from \$.5 million (portion of facility) to \$2.6 million (whole facility) - As of 31 March 2005, the facility remains vacant |
| Building | Summary |
| Former Salmonier Correctional Facility | <ul style="list-style-type: none"> - Closed in July 2004 - Environmental assessments completed August 2004 - No environmental concerns with undeveloped portion of facility - Some concerns with developed site (no estimates given) - Department wishes to re-use site - Department said environmental remediation nil - No identified re-use for facility |
| Building | Summary |
| Former Children's Rehabilitation Centre | <ul style="list-style-type: none"> - Was leased to Red Ochre Productions from May 1999 to April 2004; - Environmental and hazardous building material assessments carried out 1 May 2003 - 20 June 2003 - Estimates to remove hazardous materials prior to demolition: \$175,000 - No plans to demolish building - Department said no environmental remediation cost if site sold as is - Environmental remediation estimated at \$30,000 - In first nine months of 2004-05 fiscal year, no costs incurred other than \$575 for electricity - No identified re-use for facility - No indication that the site is being properly maintained to ensure good condition for re-use |

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| Building | Summary |
|------------------------------|---|
| Former Stephenville Hospital | <ul style="list-style-type: none"> - Closed and transferred to Department in December 2003 - Environmental assessment done March 2004; findings released May 2004 disclosing eight issues of potential environmental concern related to: <ul style="list-style-type: none"> - Asbestos; - Lead-based materials; - PCB containing electrical equipment; - Underground storage tanks; - Ozone depleting substances; - Spills and leaks; - Chemical use handling and storage; and - Medical gas system components. - Cost of environmental remediation estimated at \$50,000 for tank removal - Department wishes to re-use site - Only operating costs pertain to electricity for temporary unit heaters in basement storage area |

5. Disposal Strategies for Government-owned Vacant/Surplus Properties

Description

A priority identified in the Department's Strategic Plan for 2003-06 was appropriate stewardship of public infrastructure, including buildings and properties. This priority requires:

Strategic Priority

- Maintaining and using infrastructure in the most efficient and effective manner possible, which in most cases means maximizing use; and
- In some cases, disposing of surplus assets.

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A goal set for this priority is developing and implementing effective replacement/disposal strategies for applicable infrastructure. In order to achieve this goal, the Department said it would be necessary to:

- Refine criteria to determine when assets should be acquired or disposed of; and
 - Dispose of surplus government buildings and lands.
-

Our Review

No long term planning or budgeting in place to replace or dispose of vacant/surplus properties

The Report of the Auditor General to the House of Assembly for the year ended 31 March 2004 reported on Government-owned Buildings and Properties. At that time it was noted the Department did not have a long-term plan to devolve Government of its vacant/surplus properties and to identify:

- How each property will be dealt with;
- The criteria used to set priorities;
- The time frame involved;
- The cost needed to re-use or dispose of vacant/surplus properties; and
- The funding to carry out its objectives.

In its budget submission for 2005-06, the Department included a listing of environmental remediation program requirements for 2005-06 as well as future requirements. However, this listing did not include all the costs identified to date for the environmental remediation and/or demolition of all of its vacant/surplus properties. For example, it did not include the estimates for remediation and demolition of the Janeway Hospital site.

The Department did include \$2.0 million for future environmental assessments and remediation requirements but did not identify the vacant/surplus property sites to which these costs pertained.

2.21 Vacant / Surplus Properties and Unused Space

6. Allocation of Space in Government-owned Buildings

Description

Owned and leased buildings

In October 2004 the Department of Transportation and Works set up a working group under the direction of the Program Renewal Secretariat to examine owned and leased accommodations for:

- Government departments;
- Agencies;
- Boards; and
- Crown corporations.

The working group released a report in November 2004 that concluded:

- 300 more employees could be accommodated within the Confederation Building complex through a more efficient functional space program; and
- A move of 300 employees from leased accommodations to the Confederation Building would result in potential annual savings of approximately \$1.3 million.

The interim report also stated:

- *“...at present there is no dedicated government management structure that oversees government accommodations in terms of the development and application of policy and standards...”; and*
- *“...opportunities have been overlooked whereby efficiencies could have been garnered through the application of a comprehensive asset management plan.”*

With respect to leased accommodations, the report said the Department's role is that of facilitator only. The Department is not consulted by client departments to do a needs assessment prior to entering into a lease.

2.21 Vacant / Surplus Properties and Unused Space

Our Review

No plans or procedures to identify vacant space and maximize use

In addition to the working group's finding related to the Confederation Building, during our review we were informed by four regional directors that they had identified Government-owned buildings on 5 sites with a significant amount of unused space. The table summarizes these sites.

Unused space

| Building | Vacant | Operating Costs (average annual since 1 April 2000) | Percentage of Utilization |
|---|-----------------------------------|---|------------------------------|
| Public Building, Bonavista | No | \$23,000 | Not available |
| Public Building, Woody Point | No | \$24,600 | 60% |
| Gros Morne Provincial Authority Building | No | \$10,000 | 25% |
| Public Building, Fogo | Yes - closed in September 2004 | \$6,900 (for first nine months of 2004-05) | 0% |
| Public Building, Botwood | Yes - closed in November 2004 | \$7,600 (for first nine months of 2004-05) | 0% |

The total area for these 5 buildings is 1,995 square metres. 2 of these 5 buildings (Public Building, Fogo and Public Building, Botwood) are closed but are being partially used for other purposes (e.g. storage). The Department says these facilities could be re-used if sold.

Our review also indicated that 5 of the Government-owned buildings on the Department's surplus properties listing are used for storage only. The total area for these 5 buildings is 2,570 square metres. Departmental officials indicated others buildings may be used on a temporary basis for storage or security as needed.

2.21 Vacant / Surplus Properties and Unused Space

Recommendations

Government should develop a long-term strategy for the disposal or alternate use of Government-owned vacant/surplus properties.

The Department should:

- *ensure its building inventory database is current and accurate through regular updates;*
 - *determine environmental remediation and demolition costs for all vacant/surplus properties;*
 - *implement a process to deal with the timely disposal of vacant/surplus properties or identify alternate uses for them; and*
 - *continue the process to determine if there is any existing unused space within existing leased or owned buildings which could be better utilized.*
-

Department's Response

The Department acknowledges that, as stated in the Introduction, there are 62 buildings which had been identified as surplus, vacant or underutilized. Of these buildings, 12 remain in use to a limited degree; mainly being used for storage.

The report concludes that “Government does not have a long term strategy for disposal or alternate use of vacant Government-owned buildings”. The Department advises that it had previously identified the need for action respecting these properties and had requested, in previous budget submissions, funding to implement its plans for disposal and/or re-use of these facilities. Fiscal 2005/06 was the first year that significant funding was made available to address this issue. The Department's position is that it had developed the strategy but only begun implementation in 2005/06.

2.21 Vacant / Surplus Properties and Unused Space

In accordance with this strategy, efforts were concentrated on those buildings which were considered to present significant liabilities and/or public safety issues. Accordingly, funds were directed towards environmental remediation and demolition of such properties as the former College of the North Atlantic Campus, Topsail Road, St. John's,; portions of the former Grace Hospital; an old mill office building near Come By Chance; and the former Cottage Hospital in Harbour Breton.

As well, the Department re-organized its Realty and Accommodations Division into two separate divisions. With this structure the Realty group could give focused attention to property disposals. During the period April 1 - November 18, 2005 the Department has sold 11 properties realizing gross revenues of \$142,244.26. As well, the Department has developed a list of land and buildings which it intends to proceed to list for sale, albeit in accordance with current policy, some require direction of Government prior to these sales progressing. The estimated revenue to be realized for these potential sales is approximately \$1M.

The inventory system referred to in your report is used for insurance purposes, and not for managing facilities. It relies on accurate and timely information from other Departments and Divisions. The need for an improved Department wide inventory system is acknowledged. Through the Office of the Chief Information Officer of the Department is attempting to acquire a Capital Asset Management System for its buildings inventory. It is anticipated this system will assist the department in better managing its building inventory.

The report indicates that the high operating costs of vacant buildings may be attributed largely to three structures, the Grace, old Janeway and former College of the North Atlantic, Topsail Road. The College building has been demolished. Demolition of portions of the Grace is ongoing. The Department has made recommendations to Government concerning the disposition of the Janeway. Accordingly, the operating costs for the future have been significantly lowered.

To conclude I believe it is fair to state that the Department recognizes that the findings of the Auditor General are representative of the conditions as they existed at the time. As well the Department concurs with the recommendations as put forward in the report and wishes to acknowledge that action consistent with the recommendations had been initiated in advance of receipt of the draft report.