



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: June 29, 2007
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Meeting Date: July 10, 2007

TO: Vancouver City Council

FROM: General Manager, Olympic & Paralympic Operations
General Manager, Park Board

SUBJECT: Hillcrest Curling Venue/Percy Norman Aquatic Centre Update

RECOMMENDATIONS

- A. THAT Council receive this Hillcrest Curling Venue/Percy Norman Aquatic Centre update for information.
- B. THAT Council commit up to \$1.9 million of the Legacy Facility Conversion funding to maintain an adequate contingency for the completion of the Percy Norman Aquatic Centre, with draws to be made as required for approved change orders on the authority of the General Manager of Parks and Recreation.

CITY MANAGER'S COMMENTS

The Hillcrest Centre and Percy Norman Aquatic Centre replacement are the centre piece of the community facilities being provided as part of the 2010 Games. It is noted that the Hillcrest Centre is a 2010 Winter Games Venue, and the Aquatic Centre is a Park Board facility funded by the City. Council has already allocated \$30.0 million to the aquatic centre - \$10 million above the original estimates - \$8.2 million to the curling centre and \$26.5 million to the two ice rinks - \$6.5 million above original estimates. In addition, the City has taken on the funding risks associated with converting the curling centre to its legacy configuration.

All of these projects promise to place pressure on the 2009 - 2011 Capital Plan which will be developed during 2008. Committing \$1.9 million from the legacy conversion funding to ensure that the aquatic centre renewal can proceed as designed may increase those pressures. In addition, this may not be the last funding requirement that comes forward before the Olympic facilities are completed. However, there is an expectation in the community that these new facilities will become our 2010 Games legacies and the City Manager believes that it is important that they be completed, and Council needs to be fully aware that difficult funding decisions will be necessary in developing the next capital plan.

The City Manager therefore RECOMMENDS approval of A and B.

COUNCIL POLICY

Council approves all Capital Budgets.

PURPOSE

The purpose of this Council Report is to report the status of the Hillcrest/Percy Norman project and to seek Council authority to commit up to \$1.9 M of the post 2010 Legacy Facility Conversion funding for the completion of the Percy Norman Aquatic Centre.

BACKGROUND

On September 28, 2006, Council approved the following recommendations related to the funding and construction of the Hillcrest Centre/Percy Norman Pool complex:
City Council approved the following resolutions:

- A. *THAT Council authorize the following projects to proceed to final design (LEED Gold standard) and tender based on the financial arrangements as documented in this report:*

<i>Facility</i>	<i>Size</i>	<i>Estimated Cost</i>
<i>Curling Venue / Legacy Facility</i>	<i>9,780 m²</i>	<i>\$49.15 million</i>
<i>Percy Norman Aquatic Centre</i>	<i>5,811 m²</i>	<i>\$29.96 million</i>
<i>Killarney Rink and Lobby</i>	<i>3,712 m²</i>	<i>\$14.0 million</i>
<i>Trout Lake Rink</i>	<i>3,500 m²</i>	<i>\$12.5 million</i>

and that staff be instructed to report back with final budget estimates related to the City costs prior to awarding the construction contracts.

- B. *THAT Council agree to contribute \$8.2 million to VANOC towards the construction of the Curling Venue / Legacy Facility at Hillcrest Park; source of funding to be:*
- *\$2.3 million for the new Hillcrest Branch Library as a loan from the Capital Financing Fund to be repaid by an increase in funding in the Operating Budget and subject to Recommendation E;*
 - *\$5.9 million as a loan from the Capital Financing Fund to be repaid from unencumbered revenues in the Park Board Operating Budgets beginning in 2010;*

- internal financing to be on terms acceptable to the Director of Finance, AND THAT this contribution be on the condition that the VANOC contribution to the facility be set at a minimum of \$38.0 million with further design/construction savings accruing to the City.*
- C. THAT Council approve an internal loan of \$1.0 million from the Capital Financing Fund on terms acceptable to the Director of Finance to achieve the LEED Gold rating for the Legacy Facility (\$0.6 million to be paid to VANOC) and Aquatic Centre (\$0.4 million added to the project budget), this advance to be repaid by the Park Board and Library Board from avoided energy costs following conversion of the facility after the 2010 Games.*
 - D. THAT Council assume from VANOC responsibility for conversion of the Curling Centre / Legacy Facility to its final Legacy configuration and uses as outlined in this report following the 2010 Games at a cost estimated at \$12.35 million (2010\$) on the condition that VANOC provides an immediate payment to the City of \$10.0 million, equivalent to the present value of that future expenditure.*
 - E. THAT Council instruct staff to submit a funding request for the new Hillcrest Branch Library to the 2009 - 2011 Capital Plan planning process as a priority request.*
 - F. THAT Council approve additional funding of \$10.46 million (including the \$0.4 million from Recommendation C) to the replacement of Percy Norman Aquatic Centre bringing the total allocation to \$29.96 million; funding to be provided as a loan from the Capital Financing Fund to be repaid from unencumbered revenues in the Park Board Operating Budget beginning in 2010 with financing to be on terms acceptable to the Director of Finance.*

On December 12, 2006 Council considered a second report authorizing the necessary legal agreements and a process for construction management. Included in this report was a recommendation to report back as follows:

- B. THAT the General Manager of Parks and Recreation and the General Manager of Olympic and Paralympic Operations report to Council and the Park Board on the project schedule and budget status every six months or more frequently in the event that the project budget is expected to exceed the approved funding.*

A building permit approval for the curling venue and aquatic centre was issued, and construction of the complex has commenced. The project delivery model is through a construction management contract with Stuart Olson. Under this model trade contracts are let sequentially. VANOC is the administrator for the construction of the entire complex and oversight is provided through a Capital Works Committee made up of representation from the City, Park Board, and VANOC. The Park Board has also assigned a full time project manager to monitor the day to day completion of the project.

DISCUSSION

i) Budget

The project budget in September 2006 was estimated to be \$79.11 million for the entire complex. The breakdown for the individual components was as follows:

Curling Venue	\$36.80 million
Legacy Conversion	\$12.35 million
Aquatic Centre	\$29.96 million

The Curling Venue and the Aquatic Centre are being built at the same time, while Legacy Conversion will take place in 2010.

Stuart Olson has now received approximately 90% of the trade pricing on the project. While the project is still within budget, it is anticipated that construction contingencies for both the pool and curling venue are in jeopardy of being exhausted once all trade pricing has been received. Stuart Olson along with VANOC and City/Park Board representatives are seeking cost saving solutions to curtail any further erosion of the construction contingency.

Construction contingencies are maintained in projects to pay for unforeseen expenditures that arise in the course of construction. Change orders are the mechanism by which draws on contingencies are authorized. Staff believe that access to contingency funding is a requirement if the project is to proceed and to be completed on time.

The City is fully responsible for the funding for the Percy Norman Aquatic Centre and based on the cost of trade bids received to date and the latest cost estimate for the remaining trade bids, staff believe that an additional \$1.9 million needs to be committed to maintain an adequate contingency for a project of this scale and nature. This commitment does not mean all the funds need necessarily be spent. The project team and the Capital Works Committee are both committed to aggressively manage the project to minimize change orders and retain as much as possible of the \$1.9 million reserve.

VANOC is responsible for the Curling Centre component of the project to which the City has already committed \$8.2 million. At this time VANOC is prepared to proceed with the curling venue on the basis of a reduced contingency and a continued exploration of value engineering to limit cost increases. However, if this contingency is exhausted it is not clear how any necessary additional funding for the completion of the curling venue will come be provided. Staff are of the view that this funding should be provided by VANOC however, under the venue agreement the City does have the opportunity, but not the obligation, to participate in providing additional funding.

ii) Legacy Conversion

The City has agreed to assume all of the risks associated with the conversion of the Curling Centre to its legacy configuration as a community centre, ice rink, curling club and library. In September, 2006, these costs were estimated at \$12.35 million (\$2010). The condition for accepting that risk was that VANOC provide the City with a contribution of \$10 million which, when invested was expected to grow in value to approximately the conversion cost. VANOC provided that funding in April 2007 and the current expectation is that approximately \$11.5 million will be available in April 2010 to offset conversion costs.

The latest cost estimate for the Legacy component notes that the conversion is still within the \$12.35 million budget. Staff are also working to ensure that costs are not shifted to the conversion phase in order to minimize current construction costs. However, there remains considerable uncertainty about cost escalation up to 2010 recognizing that the currently estimated shortfall and any additional requirements will have to be funded from the 2009 -

2010 Capital Plan. Working drawings are expected to be completed by early fall, at which time a more accurate cost estimate can be prepared.

iii) Schedule

The project is approximately 3 weeks behind schedule. Major underground work has been completed including new city installed sewers. Stuart Olson will review the schedule to see if there is any shifting of work that can result in a shortening of the construction duration. The curling venue is scheduled for completion in October 2008 and the Aquatic Centre would be ready in April 2009.

FINANCIAL IMPLICATIONS

Council has accepted a \$10 million contribution from VANOC in return for the City assuming the responsibility for conversion of the Hillcrest Centre following the 2010 Games. Given current interest rates and investment term, this contribution is unlikely to provide sufficient funding to complete the conversion and additional funding will likely be requested in the 2009 - 2011 Capital Plan.

This report recommends that \$1.9 million of this \$10.0 million reserve be committed to contingency funding for construction phase of Percy Norman Aquatic Centre, for which the City is fully responsible. To the extent that these funds are actually spent on construction, the reserve will be drawn down and interest earnings will be forgone, requiring the City to provide additional funding to complete the legacy conversion in the 2009 - 2011 Capital Plan.

CONCLUSION

The Community Legacy Project to replace Percy Norman Pool has exhausted its funding envelope and in order to proceed, staff believe that a commitment of \$1.9 million be provided from the Hillcrest Centre in order to maintain an adequate contingency. Approval of this recommendation will commit funding that is currently reserved for the legacy conversion of the Hillcrest Centre following the 2010 Games and may require a further allocation of funding in the 2009 - 2011 Capital Plan.

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