



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: July 8, 2005
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TO: Vancouver City Council

FROM: The Director of Facilities Design and Management in consultation with the General Managers of Parks and Recreation, and Community Services, and Directors of Vancouver Public Library and Real Estate Services

SUBJECT: Mount Pleasant Civic Centre, 1 Kingsway:
Budget Adjustment and Award of Construction Contract

RECOMMENDATION

A. THAT Council vary the use of \$2.36 million of borrowing authority from the \$20 million approved by the electorate for the city share of projects that receive cost sharing from external sources to the 1 Kingsway project.

Section 245 of the Vancouver Charter requires that Council approve this reallocation by eight affirmative votes.

B. THAT Council approve a budget for the 1 Kingsway project of \$50.3 million, including additional funding of \$4.329 million allocated to the civic component of the facility as detailed in this report; source of funding to be:

- \$15.31 million of borrowing authority approved in the 2000-2002 and 2003 - 2005 Capital Plans for the civic portion of the project;*
- \$2.66 million of Capital from Revenue approved in the 2003 - 2005 Capital Plan for the civic portion of the project;*
- \$3.2 million of City-Wide DCLs for the Childcare component;*
- \$2.778 million of Community Amenity Contributions from International Village, Southeast False Creek and 950 Main Street; and*
- \$26.4 million for the market housing component from the Property Endowment Fund.*

- C. THAT Council authorize the Director of Finance to provide interim financing for the component of CACs due from the private lands in the Southeast False Creek ODP area (\$925,000), to be repaid from future development of the those lands.*
- D. THAT the construction contract for the Mount Pleasant Civic Centre, 1 Kingsway be awarded to Vanbots Construction Inc. in the amount of \$35,984,596 plus GST; source of funding to the project budget.*

CITY MANAGER'S COMMENTS

The City Manager notes that this project has evolved over more than five years from the planned replacement of Mt Pleasant Community Centre to a major joint-use project involving community centre, library, childcare and housing components. Once completed, the project will be a signature civic facility in the Kingsway and Main Street area. Unfortunately, during the planning and design phase there have been unprecedented increases in construction costs. As a result, the cost of the complex has increased by over 50% and now exceeds \$50 million.

This report includes recommendations to complete the project funding. However, in doing so, the Director of Finance has been forced to access increasingly scarce capital funding. This includes borrowing authority that was approved by the electorate in 2002 for the City's share of projects that received cost sharing from external sources. Council should consider the implications of this reallocation carefully and approve it only if the 1 Kingsway project is a high priority for completion at this time. This reallocation requires eight affirmative votes of Council.

The report also allocates a further \$0.4 million to the childcare component from City-wide DCLs bringing the total contribution to \$3.2 million to provide 49 childcare spaces. Based on the facilities being developed now and planned for the 2006-2008 Capital Plan, this is a significant per space cost. Moreover, this will put pressure on DCL funding for childcare related to other projects. However, this area has been identified as a high priority for new childcare facilities.

It is also proposed that \$1.13 million in park-related CACs from International Village be allocated to the community centre complex. This will increase the CAC funding for this project to \$2.7 million to fund the community centre and library components. While this was not the intended use for these funds, Park Board agrees that completion of the community centre project is a higher priority and that alternative funding options for other park related projects will have to be identified as they arise. It is noted that some of the CACs anticipated from SEFC have not yet been received by the City requiring this amount to be financed in the interim. This is an unusual financial arrangement, however, without this funding, 1 Kingsway may not be able to proceed.

Finally, the report recommends that the housing component of the complex be funded by the Property Endowment Fund at a cost of \$26.4 million. The Director of Real Estate Services indicates that, based on this cost, the anticipated annual return to the Property

Endowment Fund will be reduced to approximately 3.6% annually, very close to the return that could be earned by investing the funds in the money markets. However, the rental market is anticipated to strengthen, improving the financial viability of this investment.

If Council is not satisfied that the complex at this cost represents good value for the City, the only alternative is to put the project on hold. However, the facilities involved are needed and the respective boards and the community believe the complex should be a high priority. Given the significant investment of energy by the community, the expectations for this new civic asset and the costs that have already been concurred, the City Manager RECOMMENDS that Council proceed based on the recommendations of the report.

COUNCIL POLICY

Council approves the allocation of funds to capital projects, including authorizing the appropriate borrowing authorities and the allocation of CAC and DCL funding.

Construction contracts over \$300,000 are to be awarded by Council.

PURPOSE

The purpose of this report is to recommend the award of the construction contract for the Mount Pleasant Civic Centre, 1 Kingsway to Vanbots Construction Inc. to seek additional funding for the civic portion of the project to cover price escalation, and to seek approval of funding for the market housing component of the project.

BACKGROUND

Over two Capital Plans, Council provided funding totalling \$14.475 million for the joint use civic project at 1 Kingsway:

- The 2000-2002 Capital Plan allocated \$5.75 million for site acquisition and development of a new Mount Pleasant Community Centre to replace the existing Mount Pleasant Community Centre and \$200,000 for Mount Pleasant Library feasibility studies.
- The 2003-2005 Capital Plan allocated \$7.225 million for a joint use Mount Pleasant civic facility comprising a branch library, childcare facility, further funding for the Community Centre, and costs associated with the Sustainable Building Pilot Project. Further it allocated \$1.3 million in DCL funds to the Childcare and \$2.0 million in CAC's to the community centre.

In April 2004, as part of funding adjustments to 2003-2005 Capital Plan projects to address anticipated extraordinary cost inflation between 2002 and 2004, Council identified the following reallocation of funding to the project:

- The allocation of additional \$1.5 million of city-wide DCL funds to the childcare component;
- Reallocation of \$1.0 million in tax-supported childcare borrowing authority and \$50,000 of capital from revenue to the community centre component;
- Allocation of \$2.0 million in 2004 GST rebates savings in the Operating Budget to the complex budget.

In May 2004, Council approved an allocation of \$100,000 of CAC's from 950 Quebec St. to the 1 Kingsway project.

In February 2005, Council approved the Financial Plan for the Southeast False Creek Official Development Plan. The ODP had included a \$2.0 million allocation to the 1 Kingsway community centre and \$600,000 to the Library from the public and private lands in the ODP area. However the decision to include a full service community centre in the ODP area eliminated the community centre funding. The approved ODP includes an allocation of \$1.55 million for library services which is included in the 1 Kingsway funding package.

In September 2001, Council approved the purchase of the property from project funds at 1 Kingsway for \$3.45 M for a joint use facility.

In June 2005, Council awarded the commission of an electronic media project as the public art for the project to Vancouver artist Fiona Bowie, Rebecca Belmore and Sidney Fels.

DISCUSSION

The project has proceeded through design in consultation with the community and the various partners and received a conditional Development Permit in 2004. The current design includes:

- a 31,300 SF Community Centre,
- a 12,000 SF Branch Library,
- a 6,800 SF Child Development Facility with 49 childcare spaces,
- 79,500 SF of market housing, and
- 186 underground parking stalls,

for a total gross area of 221,000 SF.

On the basis of the current program and tenders for construction, the estimated total project cost including applicable DCL's is \$50.363 million comprised of the following:

	Civic	Housing	TOTAL
Land/Demolition/Interest	\$1,312,000	\$2,610,000	\$3,922,000
Design & Soft Costs	\$2,443,000	\$2,307,000	\$4,750,000
Construction	\$17,531,000	\$19,792,000	\$37,323,000
Equipment and Furnishings	\$1,368,000	\$400,000	\$1,768,000
Contingency	\$1,300,000	\$1,300,000	\$2,600,000
Total	\$23,954,000	\$26,409,000	\$50,363,000

The project has been designed with an aim of achieving a LEED™ Gold certification. This component of the project is estimated to cost approximately \$650,000. General layout plans are included as Appendix "A".

To date, \$5.8 million has been spent on the project for land purchase (\$3.7 million) and design and soft costs (\$2.1 million).

The Civic Component

The Background section of this report summarizes the funding that Council has identified for the civic component (community centre, library and childcare) of this project:

	Funding (millions)
2000-2002 Capital Plan	\$5.950
2003-2005 Capital Plan	7.225
South East False Creek CAC's ¹	1.550
City-wide DCL's	2.800
2004 GST Rebate	2.000
Other CAC's	.100
Total	\$19.625

1. *CACs from Southeast False Creek were originally set at \$2.6 million reflecting a contribution to both the community centre and library components. However, Council's decision to provide a full service community centre in SEFC has resulted in a net reduction in funding of \$1.1 million.*

On the basis of the above projects costs, the civic component has a funding shortfall of approximately \$4,329,000. The \$23.9 million cost represents an increase of almost 50% since the first estimates were developed for the 2003 - 2005 Capital Plan.

If Council wishes to proceed with this project, it is proposed the following additional sources of funding be utilized:

- \$400,000 from City Wide DCLs designated for Childcare.
- \$440,600 from the Library operating budget in 2005 representing an unanticipated rent rebate on the Oakridge branch.
- \$1,128,400 from Community Amenity Contributions in lieu of park facilities from International Village (572 Beatty Street). This funding was provided by the developer without conditions, although a previous Council had indicated the intention to utilize these funds in the general area of the development.
- \$2,360,000 million from the \$20 million in borrowing authority approved by the voters for projects that receive cost sharing from external funders. As use of these funds was restricted by voter approval to cost shared projects, reallocation to the #1 Kingsway project will require eight affirmative votes of Council.

Market Housing Component

In 2002, an economic feasibility study by the consultants, Burgess Austin & Associates concluded that market residential development would be appropriate on this site, however, only limited viability was foreseen for commercial development. Based on this recommendation Council supported the recommendation to include a maximum amount of housing and that it be managed as market rental as part of the PEF. No budget was approved at that time.

A number of development scenarios were studied ranging from the use of housing to reach full optimization of the site to a less dense development. The rationale for considering the different project massing options was based on assumptions pertaining to Planning approval, anticipated community reaction to project size, and overall timing issues for obtaining final development approvals.

The financial analysis suggested that the best scenario to pursue in order to maximize development efficiencies, minimize the cost of the civic portion to an acceptable level, and maximize return on investment is to build the largest housing component possible.

The current design contains a near maximum amount of housing at 79,500 SF comprising 98 units on nine floors, up from the original 55,000 SF that was originally proposed as the minimum. The estimated total cost (hard and soft) of the housing component and a small commercial unit (café) at street level, including a share of the land cost is \$26.409 million.

The Director of Real Estate Services notes that the higher than anticipated construction costs will reduce the initial return on investment based on current rents for the market housing component to 3.6% which is above the current return on cash. However, the Vancouver rental market is expected to remain stable for the foreseeable future with low vacancy rate the norm, thus over time the return on investment will increase, providing a longer term cash flow.

Funding for the market rental housing is recommended to be provided from the Property Endowment Fund. (Recommendation B)

Total Funding Recommendation

The following table summarizes the various sources of funding to be utilized for the civic portion of 1 Kingsway.

		Funding
Borrowing Authority		
2000 - 2002 Capital Plan	Mt Pleasant CC	\$ 4,750,000
2000 - 2002 Capital Plan	Property Acquisition	1,000,000
2000 - 2002 Capital Plan	Mt Pleasant Library	200,000
2003 - 2005 Capital Plan	Mt Pleasant CC	2,150,000
2003 - 2005 Capital Plan	Mt Pleasant Library	4,850,000
2003 - 2005 Capital Plan	1 Kingsway Complex	2,360,000
		<u>\$15,310,000</u>
Capital from Revenue		
2003 - 2005 Capital Plan	Mt Pleasant CC	50,000
	1 Kingsway Green Building	
2003 - 2005 Capital Plan	Pilot	175,000
Operating Budget	2004 GST Rebate	2,000,000
Operating Budget	Oakridge Library Rent Rebate	440,600
		<u>\$ 2,665,600</u>
City-Wide DCLs		
	Mt Pleasant Centre Childcare	\$ 3,200,000
CACs		
SEFC	Mt Pleasant Library	1,550,000
950 Quebec	Mt Pleasant CC	100,000
International Village	Mt Pleasant CC	1,128,400
		<u>\$ 2,778,400</u>
Property Endowment Fund		
	Market Housing Component	\$26,409,000
Total Funding		<u><u>\$50,363,000</u></u>

Construction Tenders

By an open invitation, requests for expression of interest and qualifications were sought from suitably qualified contractors. Three (3) general contractors were pre-qualified and invited to tender. However, due to market conditions and concern for shortage of labour only two (2) contractors submitted tenders as follows:

	Base Price	Separate Prices	Total
Vanbots Construction Inc.	\$35,950,000	\$24,596	\$35,984,596
Ledcor Construction Limited	\$39,350,000	-\$7,100	\$39,342,900

On the basis of price it is recommended that the contract be awarded to Vanbots Construction Inc. in the amount of \$35,984,596. Vanbots Construction Inc. met all the requirements of the tender documents.

Project Schedule

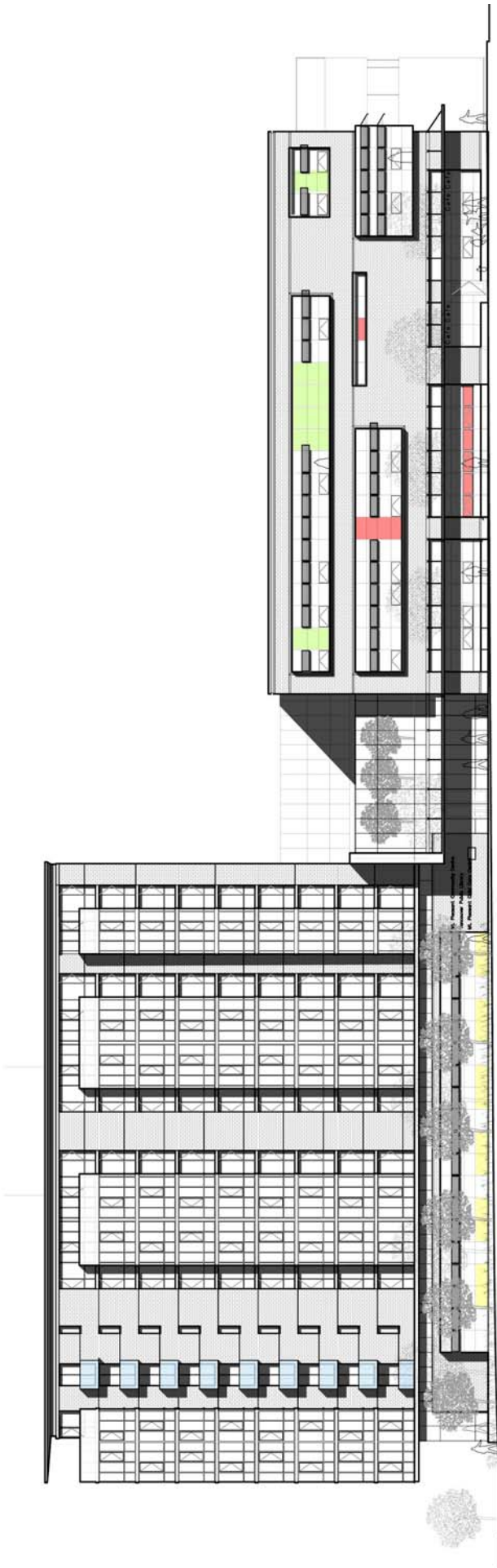
The preliminary project schedule is as follows:

Start Construction	July 2005
Complete Construction	March 2007

CONCLUSION

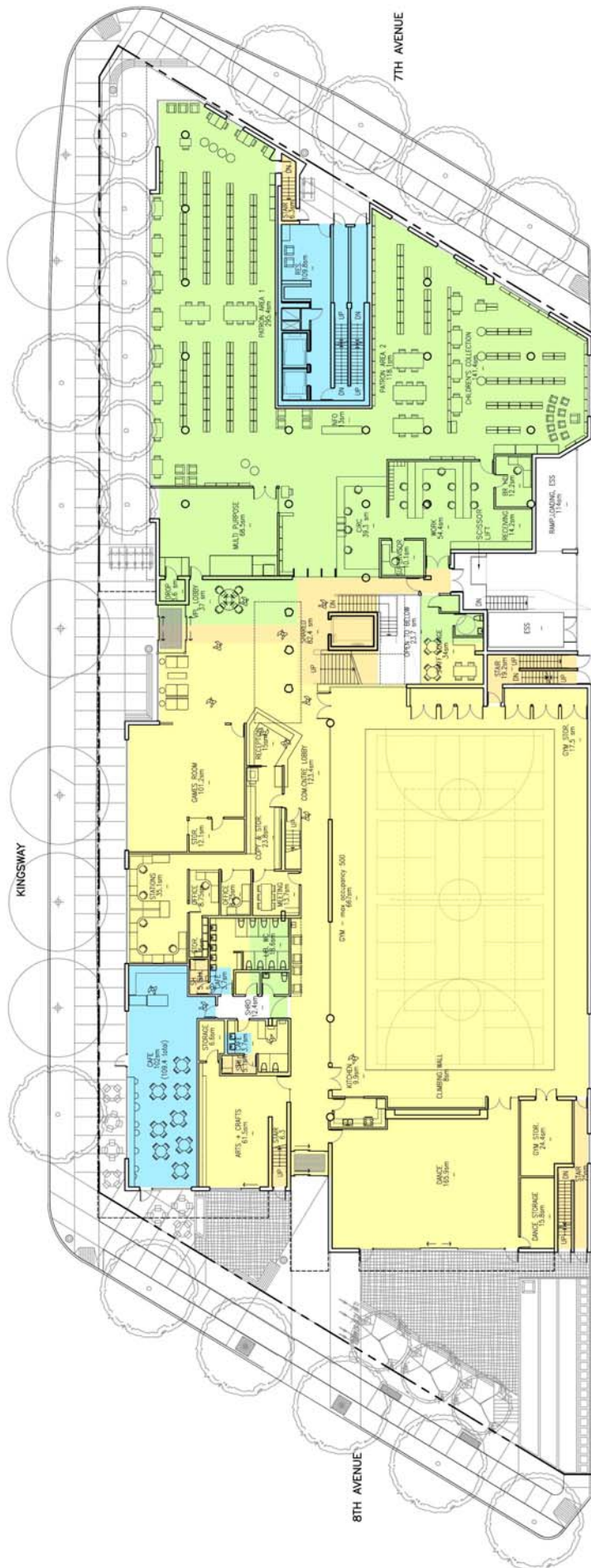
Tenders for the 1 Kingsway project have now been received and the project is ready to proceed to construction. This report includes recommendations to complete the funding package for the development and to award the construction contract.

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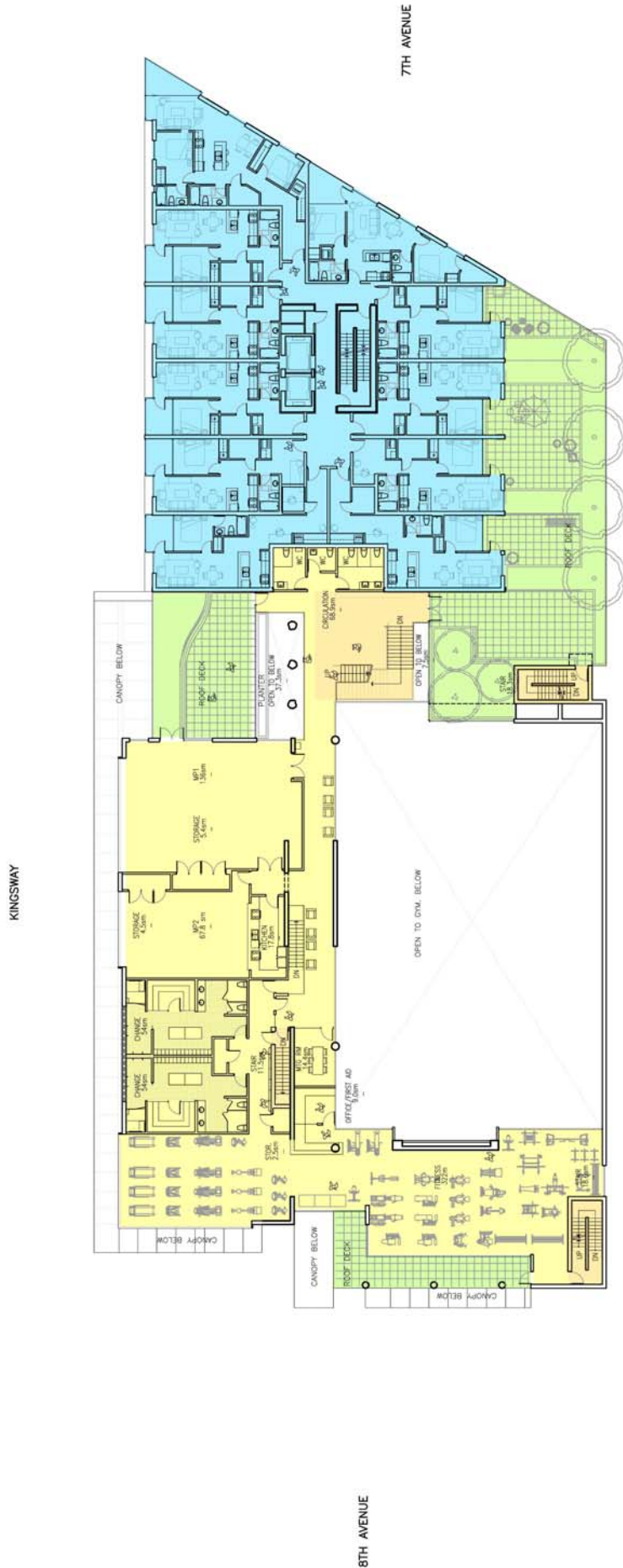
KINGSWAY ELEVATION

Mount Pleasant
Civic Centre
1 Kingsway



MAIN FLOOR

Mount Pleasant
Civic Centre
1 Kingsway



2nd FLOOR

Mount Pleasant
 Civic Centre
 1 Kingsway