



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

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Meeting Date: May 4, 2006

TO: Standing Committee on Planning and Environment

FROM: Directors of Social Planning and Facilities Design and Management

SUBJECT: Little Mountain Neighbourhood House Redevelopment: Financial Considerations

RECOMMENDATIONS

- A. THAT Council confirm its support for a redeveloped Little Mountain Neighbourhood House with the City contribution limited to the current budget allocation of \$4,215,000, including the cost of the land.
- B. THAT staff continue to support the efforts of the Little Mountain Neighbourhood House Association to identify additional funding, estimated at \$2.7 million (April 2006 \$), to complete the project as proposed.
- C. THAT staff report back to Council on the funding arrangements and project alternatives once the Society has identified firm funding sources for the project or in 12 months, whichever comes first.

CITY MANAGER COMMENTS

The City Manager notes that staff have been working with the Little Mountain Neighbourhood House Society for several years with a view to consolidating the neighbourhood house activities in a redeveloped facility. The City initially purchased a property at 32nd and Main Street, however, the society determined that this was too far away from their current site. In response to suggestions by the society, attention then turned to Fraser Street, however, locations in this area were ultimately rejected before any purchase was made. In 2002, the currently proposed site at 3891 Main Street was purchased. Programming and functional design work began with a view to relocating both the neighbourhood house and the Riley Park storefront library on the site. Eventually, the constraints of the site resulted in the library

component of the redevelopment being abandoned and attention turned to development of a 15,000 square foot facility to serve the neighbourhood house alone.

As noted in the report, the cost of the proposed replacement has increased by a factor of two since the first budget was reported to Council in November 2004. This is brought about primarily because of the challenges of developing a functional building on what is a very difficult site for development with the proposed 17,545 square feet requiring a 3rd floor and more expensive concrete construction; the additional costs associated with achieving the Council standard of LEED Gold and general cost inflation. As the budget is now proposed, development of this site, with the facility will cost \$9.9 million (including \$860,000 for the site). At \$500 per square foot (excluding land) this project is more expensive than the complex civic project at 1 Kingsway (\$454 per square foot), the new LEED Gold Sunset Community Centre (\$350 per square foot) and the proposed Community Centre and Non Motorized Boating Facility in Southeast False Creek (\$450 per square foot, estimated).

Council has committed \$4.215 million to the redevelopment, including the cost of the site, above the limit of \$4.0 million first approved in 2004. Given the cost of this development and the commitments of City capital funding to other projects over the next few years, the City Manager does not support providing any additional funding to Little Mountain Neighbourhood House. The existing City and provincial funding should remain committed to the project, however, if the proposed redevelopment is to proceed, the society must demonstrate that it is able to fund the shortfall by seeking outside contributions of at least \$2.7 million. If they are unsuccessful over the next 12 months, staff should report back to Council on alternatives for a redevelopment that remains within the approved funding level.

The City Manager RECOMMENDS approval of A, B and C.

COUNCIL POLICY

Council approval is required to commit City funding to capital projects.

Funding for capital projects is required to be approved prior to tendering.

PURPOSE

This report provides Council with an update on the redevelopment of the Little Mountain Neighbourhood House (LMNH). Staff is seeking Council's direction regarding the redevelopment project due to projected significant cost over-runs arising from a constrained site and unprecedented escalation in construction costs being experienced in the City.

BACKGROUND

Little Mountain Neighbourhood House: Programs

When LMNH began 30 years ago, three staff provided social services in the Riley Park community - a neighbourhood populated with recent immigrants with lower-than-City-average family incomes. At that time, there was little in the way of services to assist those residents

in participating fully in City life and achieving economic security. Since then, LMNH has grown to become one of the larger Neighbourhood House operations, with over 70 staff and an annual budget of just under \$1.4 million. More than 20 of their programs are delivered at 11 off-site premises as there is not enough room in the Main Street facility. While this arrangement does enable the delivery of a wide range of services, it is neither efficient nor cost effective for the neighbourhood house.

The services provided by LMNH complement those provided by community centres and the library. Broadly speaking, community centres focus primarily on recreation, e.g. hobbies, fitness, and sport with some limited social and cultural programming. Neighbourhood houses, including LMNH, focus on the social, cross-cultural and educational services seen as priorities by the local population. For example, LMNH employs a cross-cultural team that provides settlement, adaptation and integration services to refugees and landed immigrants recently arrived in Canada. LMNH also provides a critical array of family support programs through the Special Services to Children and Families contract with the Provincial government. LMNH also provides out-of-school care at McBride Elementary and proposes to add a flexible-hours childcare at the new facility in response to the needs of local families. The Little Mountain area was recently identified as the Vancouver neighbourhood having the highest ratio of young families with children under six years of age.

Little Mountain Neighbourhood House: Facility Redevelopment Chronology

LMNH occupies a City-owned two-storey building at 3981 Main Street that was purchased and renovated with Federal/Provincial/Municipal Neighbourhood Improvement Program (NIP) funds in 1976. The neighbourhood house occupies approximately 5,200 square feet and shares the building with the 1,400 square foot Riley Park Branch Library. The Society leases the entire building from the City for \$1 per year and subleases the space to the Library for approximately \$20,000 per year to support its programs. Providing nominal rent is an arrangement typical for non-profit organizations occupying City-owned facilities that are deemed to be providing an important community service.

LMNH Society began formal negotiation with the City for a new facility in the late 1990s. The functional plan for a new facility (updated in 2002) identifies a requirement for 15,000 square feet to support the existing programs offered by LMNH. Recently redeveloped neighbourhood houses such as South Vancouver and Mount Pleasant Neighbourhood Houses have areas of 12,000 to 16,000 gross square feet.

Council allocated \$1.1 Million from the 2000-2002 Capital Plan for LMNH to allow for the purchase of a new site and initial design costs. In July, 2002, Council authorized the purchase of a site at 3891 Main Street - one block north of the existing facility - for the project. At that time, Council approved, in principle, the sale of the existing LMNH facility and the application of the net proceeds as part of the funding for the new facility.

Following the purchase of the new site in July, 2002, several attempts were made to design a new facility to accommodate both the Library and LMNH's programs. Despite several attempts, the library component could not be incorporated on the constrained urban site.

In 2003, LMNH Society initiated an application to the Federal/Provincial Infrastructure Program for funding for the proposed new facility. Council endorsed the application and added this project to the City's list of priorities for Infrastructure funding. In March, 2005 the

City received \$2 Million from the Province of BC's Community Development Initiative earmarked for this project. To date no Federal money has been received to assist with the re-development of LMNH.

Substantial changes to the functional program and facility design became necessary when attempts to incorporate the library component on the constrained site failed. On November 18, 2004, Council:

- approved a Capital Grant of up to \$125,000 from the originally approved \$1.1 million to LMNH Society to cover costs associated with changes to and completion of design drawings and to cover permit application costs;
- approved a recommendation advising LMNH that the City's financial commitment to the project would be limited to \$4 million, including the \$1.1 million previously approved; and
- instructed staff to report back with details sources of City funding required to complete development of the project should the senior government funding be awarded.

The current funding for the project was approved on June 30th 2005, (details in Table 1) based on cost estimates current at that time. Council authorized a funding package of \$7,215,000 including the \$2.5 million provided by the Province, civic funding of \$4,215,000 including the cost of the new site, and \$500,000 to be raised by LMNH. The funding package included a premium of \$150,000 to allow the project to attempt to achieve LEED Gold status rather than Silver which was planned, and a premium of \$100,000 to meet new requirements to underground services in this lane.

DISCUSSION

Funding Sources and Cost Estimates

Table 1 following summarizes the development of the project budget from November 2004 to the current period. At the time of the June 2005 approval, it was anticipated the project could be completed with the available funding.

Table 1: LMNH Funding History

FUNDING SOURCES	November 2004	June 2005	June 2006
Province of BC			
Community Development Initiative	0	2,000,000	2,000,000
Childcare Capital Grant ¹	250,000	250,000	500,000
Total Provincial Funding	250,000	2,250,000	2,500,000
LMNH Fundraising	500,000	500,000	500,000
City			
Proceeds of Sale of Current Site	550,000	625,000	625,000
2000 - 2002 Capital Plan	1,100,000	1,100,000	1,100,000
2003-2005 Capital Plan	2,090,000	2,090,000	2,090,000
Premium for LEED Gold/Undergrounding	0	250,000	250,000
Development Cost Levies (childcare)	150,000	150,000	150,000
Total City Contribution	3,890,000	4,215,000	4,215,000
Total Funding	4,640,000	6,965,000	7,215,000

1. The increase in the amount of the expected Provincial Childcare Capital Grant by \$250,000 is subject to confirmation).

A summary of the projected expenditures based on current cost estimates, LMNH financial information and assuming very aggressive approach to finding additional cost savings with a Contractor follows:

Table 2: April 2006 Cost Estimate

	Estimated Cost	Comments
Site Purchase	858,200	
Hard Construction Costs	6,760,000	
Soft costs (Consult. Fees, disbursements)	901,800	Use existing and donated furnishings
Owner's Costs, Fit-up & Contingency	1,160,000	
Escalation Allowance	225,000	
Total Estimate	9,905,000	
Available Funding	7,215,000	From Table 1
SHORTFALL	(2,690,000)	

1. Further project delays could add \$50,000 to \$75,000 per month in additional construction costs under current market conditions beyond the provision included above.

The projected budget shortfall arises from a number of factors:

- The site is very narrow for the proposed facility which adds an unavoidable premium for the access ramp, underground parking and servicing.
- Achieving the required program area for the pre-school and its outdoor play area has resulted in the building being pushed to a third storey to provide and, consequently the need to employ more expensive non-combustible concrete construction.
- The premium for achieving LEED Gold measures in this building is exceeding the \$150,000 premium granted by Council.
- Price increases in steel and other components required for this type of construction have directly increased the project budget by \$200,000 since January.

These factors have resulted in the anticipated cost for the facility, at 17,545 gross square feet including parking (no land), to rise to \$500 per square foot. A recent civic project, No. 1 Kingsway, has a more complex program but has achieved savings from economies of scale in its parkade. The comparable budget cost for the civic component of No. 1 Kingsway is \$454 per square foot. The proposed LMNH is an expensive facility to build on the purchased site.

Contribution to Other Neighbourhood House Redevelopment

Little Mountain Neighbourhood House is the last of the neighbourhood houses in the City to be replaced, in part, using City funding:

- Kiwassa Neighbourhood House (KNH) is a city-owned facility at 2425 Oxford Street. The 2-storey, wood-frame building was constructed as part of a joint social housing/neighbourhood house project in 1991-1992. There was insufficient funding to build the entire program area of 15,000 sq. ft., so only 11,000 sq. ft. was constructed with provision to add space as funding became available. In 1995, KNH added 2,400 square feet with a one third of the funding coming from the City. This year, KNH has just added 1,200 sq. ft. with 55% of the funding provided by the City.
- Mount Pleasant Neighbourhood House (MPNH) was constructed in 1993 on a site purchased by the City at 800 East Broadway. The project budget of \$3.25 M (1993 \$) was comprised of \$1.25 million from the City and \$2.0 million from the Association of Neighbourhood Houses and others. The 16,200 sf facility includes multi-purpose areas for the neighbourhood house, 16-space daycare, preschool facility of 16 children, 18 underground parking spaces, loading bay and a caretaker's suite (1,200 sq.ft). Although MPNH is technically 3-storeys, it is a two-storey mix of wood frame, steel studs, split faced block and stucco which is residential rather than commercial in scale and cost compared to the proposed LMNH facility.
- Collingwood Neighbourhood House (CNH) was built in 1994 when Greystone Properties (now Concert Properties) committed to build a 10,000 sq.ft. Neighbourhood House, 69-space 7,000 sq. ft. Childcare and 8,000 sq.ft Gymnasium to serve Collingwood Neighbourhood. The facility was acquired by the City as part of a rezoning agreement for 27 acres of land, so civic capital funds were not used. The exact cost per square foot is not available, of this two-storey neighbourhood house is not readily available, however it would have been less expensive to construct than proposed LMNH facility.

- South Vancouver Neighbourhood House (SVNH) completed their new 3-storey facility at 6470 Victoria Drive in November 2003. The Association of Neighbourhood Houses (ANH) owns the building and the land; however the City contributed \$400,000 for seniors centre component of the project. The project budget of \$2.8 million (2003) is approximately 40% of the amount required for the proposed LMNH facility. In comparison to the proposed LMNH project, the SVNH facility at 13,000 net sf is smaller in area. Further, that site did not require underground parking and servicing, specialist consultants or measures to achieve a LEED standard.

In summary, the City has been the prime source of funding for three neighbourhood houses with the provision of land and capital funding for construction (Kiwassa and Mt Pleasant) or through city's requirements for amenities in the rezoning process (Collingwood). The exception would be SVNH which owned its site and had the Province as the major funder for redevelopment. New facilities are typically constructed using less expensive methods such as frame construction in two-storey structures with surface parking or cost-effective underground parkades. Moreover, the program areas are generally smaller than in the proposed LMNH facility. Several facilities were able to make provision for future expansion which is difficult on the LMNH site. Finally, none of these facilities were required to achieve a LEED standard of silver or gold at cost premiums which have yet to be fully determined.

Redesign Options and Development Scenarios

LMNH has explored various redesign options with the Consultant Team, project manager and staff to attempt to achieve cost savings required by the budget shortfall of up to \$2.7 million. These options include scaling back the program of requirements and buildable area by one storey which in turn could allow less expensive structural components such as wood frame to be incorporated. In all of the options explored on the purchased site, achievable cost savings were more than off-set by the increase in construction costs arising from the delay of 8 to 12 months while the project is being redesigned and the necessary permits obtained.

Staff are concerned about the cost of this redevelopment project on a very constrained site on Main Street and believe that the City should not commit funding beyond the approved \$4.215 million. The anticipated cost per square foot of this development is well beyond what the City has incurred in building other recreation and community service facilities and cannot be justified at this time.

Rather than abandon this project at this location, staff propose to give LMNH 12 months to identify a source for the funding shortfall. It is noted that while both the City and the Province have committed funds to this project, to date there is no federal funding commitment.

Should LMNH identify the necessary funding, staff will report back with options to complete the project as proposed. If the funding is not identified in 12 months, staff will report back with options to find a redevelopment proposal that fits within the available funding envelope, recognizing that will likely mean a change of location and programming.

FINANCIAL IMPLICATIONS

The current funding shortfall for the Little Mountain Neighbourhood House is estimated at \$2.7 million. The City has committed \$4.215 million to the project and the Province has provided \$2.25 million with the expectation of an additional \$250,000 for the childcare unconfirmed at this time.

There is no existing source for providing additional funding, beyond the Social and Cultural Facilities allocation in the 2006 - 2008 Capital Plan. These funds are currently committed to other projects with a higher funding priority than the LMNH, including childcare, affordable housing and cultural facilities.

SOCIAL IMPLICATIONS

Little Mountain Neighbourhood House provides many needed educational, cultural and social programs to the multicultural residents of Riley Park and Little Mountain neighbourhoods. The population trends in the neighbourhood over the past 20 years show an increasing number of families with children, with a higher-than-City-average number of single parent families. LMNH offers a variety of family/parent support programs, language and adaptation services and other community development and capacity building initiatives. However, this work is becoming increasingly difficult to do as there is not enough room, or the right kind of spaces in the existing facility. There are expenses and inefficiencies related to offering programs in locations other than the neighbourhood house.

A new facility that is designed to meet existing and future community needs will enable the community work to be done far more efficiently and effectively, and give residents a clearly identifiable centre for their community involvement and activities.

CONCLUSION

The City has been working with LMNH for many years on the replacement of this city asset. A site in LMNH's service area was purchased for the facility in 2002. The program has been redesigned several times including an unsuccessful attempt to co-locate with the storefront library. The Province has made a major contribution of \$2.25 million. The project was placed on hold in January 2006 due to a major budget shortfall of up to \$2.7 M. Various options have been explored for cost savings and dramatic reductions in the building area. It is proposed that the City confirm its commitment to the redevelopment of LMNH within the funding envelope approved by Council in June 2005 and that the neighbourhood house been provided with 12 months to identify the funding shortfall to allow the project as proposed to proceed. If a funding shortfall exists at the end of the 12 month period, staff will report back to Council with location and programming options for achieving a redevelopment of the neighbourhood house.

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