



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: May 25, 2009
Contact: Bill Aujla
Contact No.: 604.871.6859
RTS No.: 08134
VanRIMS No.: 08-2000-20
Meeting Date: June 18, 2009

TO: Standing Committee on City Services and Budgets

FROM: Project Manager, Southeast False Creek and Olympic Village

SUBJECT: City's Projects in Southeast False Creek ("SEFC")

RECOMMENDATION

- A. THAT, as identified in the February 17, 2009 Council Report (RTS 7918), Council now approve the required additional funding of \$15,070,000 for the Affordable Housing development costs in SEFC Area 2A, including additional funding of \$225,000 for the incremental consulting costs related to the design of the "Net Zero" Affordable Housing building in Parcel 9; interim financing to be provided by the Capital Financing Fund ("CFF"), with a report back on options for achieving affordability for such housing;
- B. THAT, as identified in the February 17, 2009 Council Report (RTS 7918), Council now approve the required additional funding for the SEFC Area 2A Civic Centre development costs, including: (a) \$4,100,000 for increased construction costs reported to Council on February 17, 2009; and (b) \$1,420,000 for additional development contingency; source of funding to be \$3,695,400 from the Property Endowment Fund ("PEF") - SEFC Development; \$1,074,400 from City-Wide and SEFC Overlay DCLs; and \$750,200 in the form of interim financing from the CFF, which is to be recovered from the future commercial lease of space within the Civic Centre; and
- C. THAT Council approve additional funding of \$1,305,200 for the SEFC and Olympic Village Project Office (the "Project Office") budget; source of funding to be the PEF - SEFC Development.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of A through C, inclusive.

COUNCIL POLICY

Funding for all capital expenditures must be approved by Council.

PURPOSE

This report provides an update to Council on the City's Phase 1 Projects in SEFC (the "City Projects"), and seeks Council approval for the following additional funding requirements:

- the Affordable Housing and Civic Centre development costs (substantively as identified in the February 17, 2009 Council Report (RTS 7918)); and
- the Project Office operating budget.

BACKGROUND

The focus of this report is to request funding and to update both Council and the public on the City Projects which form part of the Vancouver Olympic and Paralympic Village. The City Projects include the following:

- 252 units of Affordable Housing located on three parcels (84 units on Parcel 2, 101 units on Parcel 5 and 67 units on Parcel 9 (the Net Zero building));
- 45,500 square feet Civic Centre, including 31,525 square feet community centre with non-motorized boating facility, 7,910 square feet 69 space daycare facility and 6,065 square feet restaurant space;
- rehabilitation of the Salt Building, including rehabilitation of the shell building, raising it by approximately three (3) feet to align with new street grades, basement construction and seismic upgrades; and
- development of public spaces and infrastructure, including soil remediation, street construction, sewer and water main installation, telecommunications and hydro electric duct construction, streetscapes and other public realm installations, and park and waterfront construction.

These projects are managed by the City's Project Office with assistance from outside consultants.

Approved budgets and cost projections for these City Projects are noted below in Table 1. As previously reported to Council on February 17, 2009, additional funding is required for the Affordable Housing and Civic Centre developments. The Project Office budget also needs additional funding due mainly to increases in staff implemented over the past 18 months to facilitate and manage this complex and time sensitive project.

Table 1: Approved Budgets and Required Funding for the City Projects

City Project Description	Approved Budget	Latest Funding Approval Date (Council Report #)	Forecasted Budget to Completion	Forecast Date	Funding Approval Required
Affordable Housing	\$95,000,000	Dec 13, 2007 (RTS 07057*)	\$110,070,000	February 2009	\$15,070,000
Civic Centre	\$30,500,000	Dec 13, 2007 (RTS 07057*)	\$36,020,000	May 2009	\$5,520,000
Salt Building	\$15,270,000	Mar 3, 2009 (RTS 07961*)	\$15,126,000	March 2009	\$0
Public Spaces	\$88,627,000	Dec 16, 2008 (RTS 07605)	\$ 88,627,000	May 2009	\$0
Project and Site Management	\$ 67,067,700	Jan 22, 2009 (RTS 07883*)	\$ 67,067,700	May 2009	\$0
Project Office	\$3,490,600	May 12, 2005 (RTS 5122)	\$4,795,800	May 2009	\$1,305,200
Total Funding Approval Required					\$21,895,200

* Approved at an In Camera Council Meeting

DISCUSSION

1. Affordable Housing

As reported to Council on February 17, 2009 (RTS 7918), the cost of the Affordable Housing has increased from \$95 Million by approximately \$15 Million to \$110 Million. As explained in the aforementioned report, this increase is due to escalating construction prices, change orders related to incomplete tender drawings, and anticipated BC Housing financing costs. As no recommendation was made in the February 17, 2009 Council Report to increase the funding above the previously approved amount of \$95 Million (In Camera on December 13, 2007, RTS 07057), the required additional funding is requested in this report.

Staff are currently reviewing the options for dealing with the City's investment in this Affordable Housing development. A report back to Council on these options is pending.

2. Civic Centre

Staff reported to Council on February 17, 2009 (RTS 7918) that the cost of the Civic Centre had increased from \$30.5 Million to approximately \$34.6 Million due to escalating construction prices and change orders related to incomplete tender drawings. No recommendation was made at that time to increase the funding approval. Since February 2009, there have been construction delays on this facility, requiring a further \$1.42 Million contingency, with the budget to completion now estimated at \$36,020,000: a \$5,520,000 increase since December 2007.

The budget for the Civic Centre has not included funding for construction of the non-motorized boating docks. This work is anticipated to begin after the 2010 Olympic and Paralympic Winter Games (the "2010 Games"), and Council will be asked to approve the budget and the funding related to this work at that time.

3. Salt Building

The Salt Building restoration is being completed in phases due to site constraints. Council has previously approved \$4.97 Million for foundation and basement work and to lift the building. This work is now complete.

Council selected the Vancouver Salt Company Ltd. (formerly named Salt Building Restoration Corp.) on December 13, 2007 (In Camera RTS 07056) to rehabilitate the Salt Building shell. At that time, Council allocated \$6.5 Million to the rehabilitation design and construction budget based on a preliminary assessment for this work.

The agreement with the Vancouver Salt Company Ltd. for the shell rehabilitation design and construction is a "cost plus" agreement with a guaranteed maximum price ("GMP") above which additional costs are shared 50% by the City and 50% by the Vancouver Salt Company Ltd. Once the Vancouver Salt Company Ltd. finished the "issued for construction" design documentation and tendered the work for the trades for the rehabilitation work in February 2009, the GMP was established. This GMP was determined to be higher than the \$6.5 Million preliminary budget previously approved by Council on December 13, 2007 (prior to the subsequent lift of the building and related seismic issues). Therefore, on March 3, 2009, Council (In Camera RTS 07961) approved an increase in the Salt Building shell rehabilitation budget by \$3.8 Million, to a cumulative total of \$10.3 Million. The shell rehabilitation work is currently on schedule and within the revised budget: no funding is being requested.

Noted below in Table 2 for public information is a summary of the total budget for the phased rehabilitation of the Salt Building, including the earlier foundation upgrade and basement construction completed by the City to facilitate soil remediation and road construction, and the raising of the building elevation.

Table 2: Salt Building Funding Approved

Construction Phase	Latest Funding Approval Date (Council Report #)	Approved Budget	Budget at Completion/ Forecasted Budget to Completion
Foundation Upgrade and Basement Design	July 18, 2006 (RTS 06039)	\$400,000	\$280,000*
Foundation Upgrade and Basement Construction	Nov. 13, 2007 (RTS 07029)	\$2,320,000	\$2,314,000*
Building Lift - Design and Construction	Jan. 31, 2008 (RTS 07147)	\$2,250,000	\$2,232,000*
Shell Rehabilitation - Design and Construction	March 3, 2009 (RTS 07961)**	\$10,300,000	\$10,300,000
Total		\$15,270,000	\$15,126,000

* Work Completed

** Approved at an In Camera Council Meeting

4. Public Spaces

The City is currently constructing or has completed the following Public Spaces projects within SEFC:

- waterfront walkway and bicycle path (partly complete and currently open for use by the public);
- island construction in False Creek (complete but not open to public until landscaping has had an opportunity to establish itself);
- park west of Columbia Street and north of 1st Avenue, commonly referred to as the "Hinge Park" (currently under construction);
- plaza (currently under construction); and
- roads, utilities and streetscapes treatments (currently under construction).

This work is currently within the overall cumulative Council budget approvals to date of \$88.6 Million (refer to Table 1). No funding is being requested.

The aforementioned \$88.6 Million budget for the Public Spaces does not include funding for the following items:

- construction of the park located on the waterfront between Parcel 4 and the inlet (referred to commonly as "Triangle Park");
- construction of the park on Parcel 5 where the gantry crane from the former Canon building is to be installed;
- the off street portion of the Ontario Greenway;
- the community demonstration garden to be located west of Parcel 4; and
- the park to be established east of the Civic Centre.

This work is anticipated to begin after the 2010 Games, and Council will be asked to approve the budget and the funding related to this work at that time.

5. Project and Site Management

The City has undertaken and continues to oversee and/or pay for many project development and site management related activities, including the following:

- SEFC Area 2A contaminated soil management;
- project oversight by City's agent and cost monitoring by City's quantity surveyor;
- construction site operations and coordination related to rental of site trailer, bicycle and pedestrian detours, safety, security, and insurance coverage; and
- library, streetcar and sewer pump station contributions.

These activities are currently within the overall cumulative Council budget approvals to date of \$67 Million (refer to Table 1). No funding is being requested.

6. Project Office

The Project Office manages the City Projects, administers the Ground Lease and Development Agreement with Millennium Southeast False Creek Properties Ltd. ("Millennium"), administers the market development loan agreement with Millennium, and coordinates with VANOC on SEFC/Olympic Village related items.

Council approved (May 12, 2005 RTS 05122) an annual budget for the Project Office of \$615,000 (\$750,000 for the first year) to fund: a Project Manager, a Development Manager, a Project Engineer, a Financial Analyst and an Administration Manager. Based on this approval,

the total budget from 2005 to August 31, 2010 is \$3,490,600 (including adjustments for inflation), as noted in Table 1.

As the project proceeded, additional staffing was required to achieve the Project Office mandate to complete the complex SEFC project (for certainty, both the City's Projects and working with Millennium on the "market" project) within a challenging timeline. Throughout the course of 2008, three Engineering Assistants (one in March and two in August of 2008) and an administrative staff person (in September 2008) were added to the Project Office staff team to assist with public spaces contract administration, construction site coordination, and general administration. As a result, the Project Office began to operate beyond its existing budget approval in the spring of 2008.

The current workforce at the Project Office includes a Project Manager, two Development Managers, a Project Engineer, three Engineering Assistants, an Administration Manager, two administration support staff and a Financial Analyst. The budget also includes a Site Inspector from Engineering Services charged to the Project Office.

The projected Project Office budget required to August 31, 2010 is \$4,795,800 (refer to Table 1): an increase of \$1,305,200 above current approvals.

FINANCIAL IMPLICATIONS

The City's involvement in the SEFC development is being managed within the SEFC Financial Plan and Strategy approved by Council in 2005 and amended in 2006 (RTS 06297). This plan identifies the public infrastructure and amenities that are to be part of the development of the SEFC Official Development Plan area over the full 18 to 20 year development period, including the sources of funding that will be applied to each component. These sources include the PEF, City-Wide and SEFC Overlay DCLs, Community Amenity Contributions and other direct contributions from private property owners in the area, and the City's traditional capital funding sources.

Financial Risk

The budgets noted herein were established by staff based on a detailed review of known and anticipated development expenditures, and limited contingency funding for unanticipated expenditures. Staff will continue to diligently monitor construction, expenditures by both contractors and consultants, and proactively work to defer or eliminate any non-essential work items which may be subject to the pressure of the current aggressive schedule and/or price exposure. The project is being closely monitored and overseen by the Project Office with support from the City's agent and oversight by the City Manager. Council is advised that there will need to be continued vigilance. Because of the rigid schedule, there remains a risk of unanticipated work and construction schedule challenges which could still result in additional costs, delay claims and/or acceleration requirements as the completion deadline for this complex project approaches over the next several months. In such circumstances, if the projected expenditure in the budget presented in this report (including the contingency funding) has been reached, staff will immediately report back to Council.

CONCLUSION

The City's Projects in SEFC are on schedule for turnover to VANOC for the 2010 Games. However, due to additional expenditures incurred or anticipated for these complex and time sensitive projects, the Project Manager for the SEFC and Olympic Village Development seeks Council approval for the incremental funding so that they can be completed without delay.

* * * * *