



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: January 21, 2014
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RTS No.: 10442
VanRIMS No.: 08-2000-21
Meeting Date: February 4, 2014

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Additional funding for Building Improvements for the City-owned property at 281 Industrial Avenue

IN CAMERA RATIONALE

This report is recommended for consideration by Council in the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public.

RECOMMENDATION

THAT Council approve the request for additional funding to complete mandatory building improvements at the City-owned property located at 231 - 281 Industrial Avenue, legally described as Parcel Identifiers: 010-622-187, 010-622-195, 010-622-209, 010-622-233, Lots 34-37, Block A2 District Lot 2037 Plan 7419, Parcel Identifiers: 011-087-307, 011-087-315, 011-087-323, Lots 38-40, Block A2 District Lot 2037 Plan 5703 (the "Subject Property") as shown on Appendix A, in the amount of s.17(1) plus GST. Funding to be provided through budget reallocation from PEF capital projects that have been completed with surplus funding remaining.

REPORT SUMMARY

The purpose of this report is to seek Council approval for additional funding of s.17(1) to complete mandatory building improvements to remediate pre-existing building conditions in support of the Arts Factory Society tenancy and the other adjacent tenancies within the building. The amount is to be funded by reallocation within the PEF Capital Budget.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On November 28, 2012, in the Council Report (RTS 9857) Council approved funding of s.17(1) for the purpose of Capital Maintenance Costs for a portion of the City-owned building at 231 - 281 Industrial Ave, when Council awarded the lease of Suite 281 Industrial Ave to Great Northern Way Scene Shop and Arts Factory Society.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management notes that PEF buildings are revenue generating City assets and major structural repairs are the responsibility of the City under the lease terms.

On November 28, 2012, Council approved s.17(1) for the purpose of Capital Maintenance Costs for a portion of the City-owned building at 231 - 281 Industrial Ave, as part of the lease of Suite 281 Industrial Ave to Great Northern Way Scene Shop and Arts Factory Society. As a result of this work, additional improvements and building upgrades for the balance of this building (civic addresses 231 and 251 Industrial Avenue) were triggered by regulatory requirements. These additional mandatory improvements include structural, hazardous building material abatement, mechanical and electrical work, which all added to the scope of the original project. As these latent pre-existing building conditions must now be addressed throughout the building (231 - 281 Industrial Avenue) in order to meet a reasonable standard and to provide the professional assurances required for building permit issuance, additional funding of s.17(1) (plus GST) is requested herein.

REPORT

Background/Context

The City's building at 231 - 281 Industrial Avenue is approximately 58,000 square feet of which 51,000 square feet is rentable area consisting of three tenancies (addressed 231, 251 and 281) within the contiguous building.

On November 28, 2012, Council approved a ten-year lease (RTS No. 9857) with the Great Northern Way Scene Shop and Arts Factory Society ("Arts Factory") for a portion of the building. The Arts Factory occupies approximately 21,000 square feet of the premises (specifically at 281 Industrial Avenue) and provides a much needed creative multi-artist work space in the city for the enrichment of arts and culture. The gross rental value for these premises over the 10-year term is s.17(1).

As part of the City's requirement (as landlord) to meet basic building standards to accommodate the Arts Factory lease, Iredale Group Architecture (the "Consultant") was retained to provide professional services for assessment, design, and construction documentation to repair the building to a reasonable standard and to provide the professional assurances required for building permit issuance.

Budget pricing for the required repair work referenced in the Council report on the Arts Factory lease was based on a visual assessment which identified perceptible building deficiencies. Over the course of the Consultant's detailed work, additional

latent deficiencies were exposed throughout the building (231 - 281 Industrial Avenue). The unanticipated work is primarily structural and includes additional steel reinforcement of perimeter walls, headers over window openings, and bracing of the extensive existing skylight system and openings. This work is not seismic in nature but is required to maintain basic structural capacity in this 50+ year old building. Another significant cost impact is removal of pre-existing lead paint and asbestos required to accommodate construction and a new electrical distribution system to meet code requirements for the portion of the building leased by the Arts Factory.

The building improvement work for the whole building was tendered and Bid Committee has reviewed the tender results and authorized award subject to Council approval of additional funding. The original project budget for the Arts Factory portion of the building was s.17(1) and this will be revised to s.17(1) with the broader scope of the work to be done throughout the whole building. The revised budget incorporates tender pricing for all mandatory building improvements and a contingency for any additional pre-existing conditions that may come to light during the course of construction.

Table 1 below highlights the key changes in the budget:

Items	ORIGINAL BUDGET (based on TEAM Engineering's visual assessment on Oct'09)	Commitments to Date	Forcasted Commitments	REVISED PROJECT BUDGET	Budget Shortfall
Structural Upgrade	s.17(1)				
Electrical / Mechanical					
Architectural					
Abatement					
Sub-total, Construction					
Design Consultans					
Soft Costs					
Contingency					
Sub-total, Other Costs					
Total:					

Strategic Analysis

The structural, hazardous building materials abatement, mechanical and electrical works are needed to meet minimum basic building standards and regulatory requirements. Facilities such as the Subject Property have not to date been tenanted on long-term leases and there has been no lifecycle capital maintenance program for many years. With the city's revised approach to the use of these assets and the work being done to develop an appropriate best practice asset maintenance program for all city facilities and properties, initiatives such as the new Arts Factory lease appropriately trigger mandatory repairs and improvements.

Facilities Planning and Development group is currently conducting a comprehensive portfolio-wide condition assessments on all City-owned properties, including those in

the PEF. This will identify existing deficiencies, longer term lifecycle replacement needs and seismic risks, as well as hazardous materials assessment, and will be used as a foundation for long-range capital planning moving forward.

If the basic building repairs and improvements do not proceed, then the ten-year lease with the Arts Factory and the other pending tenancies will be in jeopardy. Without the required repairs, the Subject Property would not be a fully functional building or in a condition required for the mid-term, subject to continuing capital maintenance.

Implications/Related Issues/Risk (if applicable)

Financial

The increase of the project budget from s.17(1) is required to complete the mandatory improvements needed to meet basic building standards and the requirements of the regulatory process.

The additional funding of s.17(1) is to be funded through reallocation of Council approved PEF capital budgets for projects that have been completed with surplus funding remaining.

The Arts Factory lease will generate a gross rental value of s.17(1) over the ten-year term and the expected rental income from the other two tenancies is estimated to be s.17(1) over the same ten-year term. The total expected rental income of s.17(1) will serve to offset the capital investment for the building improvements.

Environmental

To comply with environmental regulations, significant abatement of pre-existing hazardous building materials (lead paint and asbestos) is required to accommodate construction. There are no planned improvements related to the building's energy performance.

CONCLUSION

Without the mandatory improvements, the building, the other tenancies and the Arts Factory lease, will be in jeopardy. It is recommended that the additional funding be approved to complete the construction project to minimize potential City liability, uphold the City's covenants (as landlord) under its lease obligations to the tenants, and to provide a much needed creative multi-artist work space in the city.

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