



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: April 3, 2018
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Meeting Date: April 17, 2018

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management in consultation with General Manager of Finance, Risk and Supply Chain Management

SUBJECT: Long-term Development Strategy for the City Hall Campus: Office Accommodation Plan (OAP) Phase III

IN CAMERA RATIONALE

This report is recommended for consideration by Council on 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 endorse the Long-Term Development Plan for the City Hall Campus in principle and direct staff to continue with the next phase of work, including master planning, design development and rezoning; source of funding to be incorporated in the Draft 2019-2022 Capital Plan to be presented to Council in May for consideration.

REPORT SUMMARY

In the context of the Office Accommodation Plan (OAP) project initiated in 2012, City staff is reporting the results of the Feasibility Analysis completed to inform the long-term planning for the City Hall Campus and is seeking Council's support to continue to the next phase of the project.

This Feasibility Analysis represents Phase III of the OAP project, led by Real Estate and Facilities Management and initiated in 2012, following a review of staff and public safety on the City Hall Campus.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

October 16, 2012 (in camera) – RTS 09751: *Verbal Briefing: City Hall Office Accommodation Plan – Service Transformation and Staff and Public Safety*
(OAP Phase I)

December 1, 2015 (in camera) - RTS 11218: *East Wing Annex Deconstruction and Temporary Site Development Options*
(OAP Phase II)

November 3, 2015 (in camera) - RTS 11060: *City Hall Campus Office Accommodation Plan – Next Steps Presentation*
(OAP Phase III)

June 29, 2016 - RTS 11458: *Contract Award for the Vancouver City Hall East Wing Annex Deconstruction and Renovations to Site*
(OAP Phase II)

July 13, 2016 - RTS 11454: *Contract Award for the Seismic Upgrade of West Annex and Approval of Project Budget Increase*
(OAP Phase II)

November 29, 2016 (in camera) - RTS 11775: *Office Accommodation Plan (OAP) – Update to Council*
(OAP Phases I, II and III)

February 20, 2018 (in camera) - RTS 12280: *OAP Phase III – Long-term Plan and Feasibility Presentation*

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management and the General Manager of Finance, Risk and Supply Chain Management recommend that Council endorse the project in principle and direct staff to proceed to the next phase of work, with funding to be incorporated in the Draft 2019-2022 Capital Plan for Council consideration in May 2018.

REPORT

Background/Context

The City's main administrative centre is the Heritage City Hall building at 453 W 12th Avenue, built in 1936. The population of Vancouver at the time was around 250,000. As the needs of the City outgrew the capacity of the Heritage City Hall building, the East Wing was added in 1970 to expand the staff accommodation space. Some City staff had also been accommodated in other administrative facilities away from the main City Hall Campus.

In 2012, Real Estate and Facilities Management conducted a review of the City Hall campus and assessed the seismic risks associated with the buildings at 2675 Yukon (East Wing), 515 West 10th Ave (West Annex) and 453 West 12th Ave (City Hall). As a result of this review and direction from Council, the East Wing building was decommissioned, effectively initiating the OAP project. This displacement of staff, along with the continued growth in services for Vancouver's population that has grown to 670,000, necessitated the need for the OAP.

The Guiding Principles for the OAP were supported by Council, in line with the long-term commitments of the City to its residents and employees:

1. Improve the safety of public and civic staff;
2. Improve access to the public and the delivery of the City's public services;
3. Optimize City-owned assets; and
4. Maintain ownership of City Hall Campus lands.

The goals of the OAP are to:

- Address the existing seismic risks;
- Improve the resilience of the City's facilities;
- Enhance accessibility and optimize engagement with public;
- Address high leasing costs through optimization of City-owned land; and
- Recommend long-term plan for the City Hall Campus.

OAP Phase I - East Wing building decommissioning, staff moves and public counters consolidation; completed 2012 – 2015.

Included a series of staff relocations resulting from the East Wing decommissioning and consolidation of the public service counters from 8 to 3. We achieved 15% space efficiency for our staff accommodations and significantly increased the level of service to the public.

OAP Phase II - East Wing building deconstruction and seismic upgrade to the West Annex building; completed 2015 – 2017.

The East Wing building was deconstructed with over 90% of materials recycled and the remaining podium was retrofitted as a temporary public plaza; it was officially opened as "Helena Gutteridge Plaza" in March of 2018. We were able to achieve a 100% Seismic Code upgrade for the West Annex building.

OAP Phase III – Long-term Development Strategy for the City Hall Campus; underway.

This Council Report provides details of the Feasibility Analysis completed under OAP III, with the resulting recommended long-term strategy for City Hall Campus, and seeks Council approval in principle to proceed to master planning, design development and rezoning.

A summary of the feasibility work completed is presented in the **Strategic Analysis** section. Related illustrations and additional details are included in this Council Report as an **Appendix**, and represent the material presented to Council on February 20, 2018 (In Camera).

Strategic Analysis

The focus of the Feasibility Analysis completed under OAP III has been to:

- Review the functional programming for the City Hall Campus for the next thirty (30) years;
- Analyze the development potential of City-owned sites on City Hall Campus (see illustration below); and
- Come up with optimal planning, financial and functional options for the Campus, within the Council-supported OAP Guiding Principles.



City Hall Campus, City-owned sites

Staff completed the *functional programming* portion with support from the consultants *Perkins+Will*. The functional program and updated office accommodation standards defined best practice accommodations for staff and an enhanced customer service program.

Staff then completed the *Feasibility Analysis* for multiple planning and development economics scenarios with assistance from the consultants *Henriquez Partners Architects Ltd.* and *Coriolis Consulting Corp.* Due to the City Hall Campus' strategic location and its significance with regards to the City Core 2050 planning initiative (and the associated Civic-Health Precinct initiative), City planners were integrated into the work of the OAP project team. Furthermore, as this site is at an important crossroad of Vancouver's rapid transit lines and holds potential for providing superb access to the public in the future, the OAP project team has also been working closely with the City's Millennium Line Broadway Extension project team to ensure the future rapid transit station is well integrated with the City Hall site with complementary public realm enhancements.

The focus of the *Feasibility Analysis* was to optimize the office accommodation opportunities on City-owned lands; it involved testing the highest and best use of the City Hall Campus lands and evaluating trade-offs between leasing and owning. For more details, please refer to the February 20, 2018 presentation to Council (attached as an *Appendix*), which includes:

- A stand-alone financial analysis comparing the long-term cost of leasing versus owning office space for staff accommodation (Appendix, page 20)
- A test of the financial viability for seismically upgrading and updating the heritage City Hall (Appendix, page 21)
- A comparison of total lifecycle costs between:
 - o Benchmark **Scenario “A”**, representing the continuation of the current office accommodation strategy, with existing buildings and leases and further leasing of space for growth; and
 - o Development **Scenarios “B”** and **“C (test)”**, representing potential development scenarios which would increase the amount of office accommodation space on City-owned land.

(Please refer to the Appendix, pages 13 - 19 for more information, including the indicative massing illustrations¹)

A summary of Scenarios “A”, “B” and “C (test)” is reproduced below, for a quick reference

	SCENARIO “A”	SCENARIO “B”	SCENARIO “C” (test)
STAFF CONSOLIDATED	NO	YES (30-year needs)	YES (30-year needs)
CITY HALL HERITAGE BUILDING	SEISMIC UPGRADE	SEISMIC UPGRADE	REPLACE with NEW
CITY HALL GROUNDS	AS-IS	Construct NEW space for COV use	Construct NEW space for COV use
WEST ANNEX	AS-IS	Continue COV use	Continue COV use
NORTH ANNEX BLOCK	Long-term lease, NO REZONING	Long-term lease after REZONING	Long-term lease after REZONING
MASSING OUTLINE	EXISTING policy guidelines	EXISTING policy guidelines	REVISED policy guidelines

The Feasibility and Financial Analysis concluded that the Development Scenario “B” outperforms the other scenarios from planning, financial and functional standpoints. Development Scenario “B” has the highest potential to deliver future City Hall Campus developments that are fiscally responsible, provide good value to the public in support of City services, and are responsive to population growth and economic conditions, as well as minimizing long-term accommodation and development costs. For more information on the financial analysis, please refer to Appendix, pages 22-23 and 28-29.

¹ Indicative massing illustrations do not represent buildings or any specific design; they are only a volumetric illustration of the potential development envelope.

Staff also concluded that Scenario B has the best potential to achieve the Council-supported OAP Guiding Principles and project goals. Please refer to *Appendix*, page 27 for illustration, also included below.

OAP GUIDING PRINCIPLES, supported by Council in 2012		SCENARIOS		
		A	B	C
		BENCHMARK	RECOMMENDED	
		CAMPUS AS-IS & upgraded City Hall	CAMPUS DEVELOPMENT & upgraded City Hall	CAMPUS DEVELOPMENT & upgraded City Hall
1. MAINTAIN OWNERSHIP of CITY-OWNED CAMPUS PROPERTIES	NO fee-simple SALE	✓	✓	✓
2. IMPROVE THE SAFETY of the PUBLIC and CIVIC STAFF	SAFE and seismically sound facilities	●	✓	✓
3. IMPROVE ACCESS to the PUBLIC and the DELIVERY of CITY'S PUBLIC SERVICES	CONSOLIDATE Business Groups	✗	✓	✓
	IMPROVE & enhance PUBLIC SERVICE and Counters	●	✓	✓
	Enhance PUBLIC INTERACTION with CITY COUNCIL CHAMBERS	✗	✓	✓
4. OPTIMIZE CITY-OWNED ASSETS	OPTIMAL USE + HIGHEST VALUE of CITY-OWNED ASSETS	✗	✓	✓
	REDUCE COSTLY LEASES for staff accommodation	✗	✓	✓
	Find REVENUE STREAMS to OFFSET COSTS	●	✓	✓
	PRESERVE and ENHANCE the HERITAGE CITY HALL BUILDING	✓	✓	✗
	PRESERVE and ENHANCE the HERITAGE CITY HALL GROUNDS	●	✓	✗

Furthermore, Development Scenario “B” provides further qualitative benefits and enhancements:

- Consolidation of City’s business groups and public services, which would promote efficiencies, synergies and collaboration with the public, other entities and between staff.
- A safe and resilient City Hall Campus as a place of refuge for public and staff, enhancing emergency preparedness and resilience of the City.
- Provision of significant public-use spaces, public realm and amenities, with enhanced accessibility and transparency.
- Ability to take care of space needs on a timely basis and insulation from the uncertainty of future lease rate escalations.

Staff therefore recommends that Development Scenario “B” be the basis for the long-term business, capital planning and procurement strategies for the City Hall Campus.

Sensitivity Test: Cost Assumption Changes with Accelerated Timeline

During the February 20, 2018 presentation to Council (In Camera), staff was asked by Council to test the impact of the following additional factors on the development scenarios, and to report back:

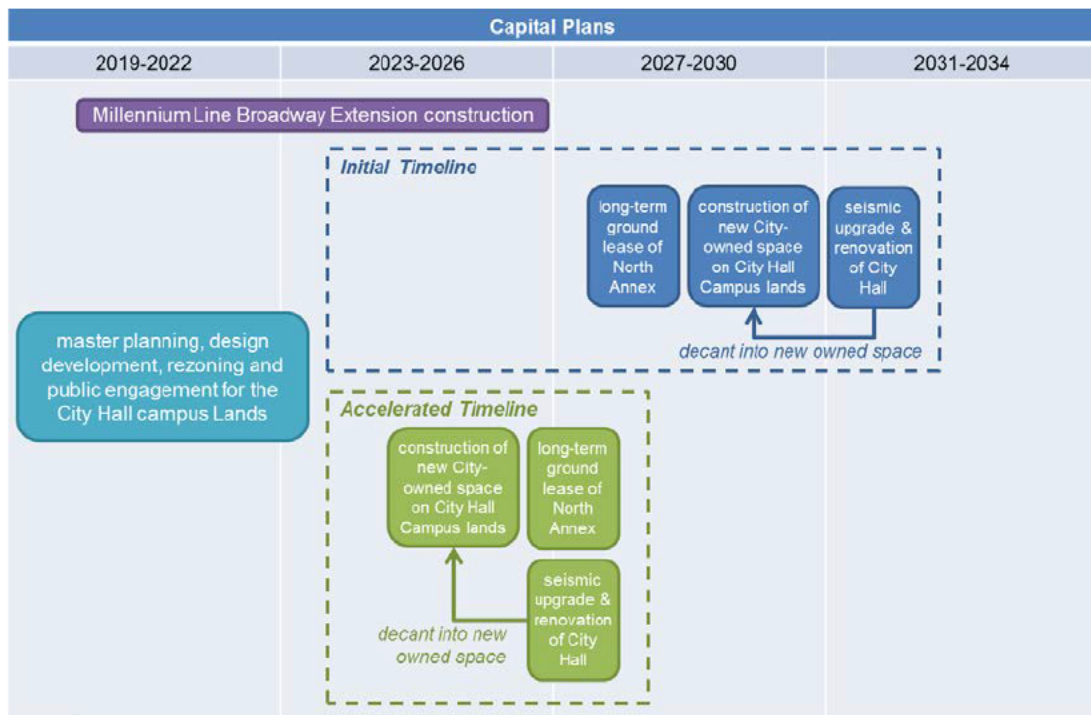
- accelerating the development on the City Hall grounds, with a goal to improve staff and public safety sooner and to increase the City’s overall resilience; and
- a higher contingency on the post-disaster cost assumption.

Only Benchmark Scenario A and Development Scenario B were included in this *Sensitivity Test* as Scenario C was likely not feasible, given the need to replace the Heritage City Hall and the significant deviation from the planning policy guidelines.

The *Initial Timeline* assumed the new construction on City Hall Grounds to commence after the full completion of the Millennium Line Broadway Extension (currently estimated for 2026), when the revenue from the North Annex Block would be maximized and used to reduce the financing requirement for the new construction. The seismic upgrade of City Hall was assumed to commence once the staff is relocated into the newly built space, anticipated in 2031.

The *Accelerated Timeline* for the *Sensitivity Test* assumes new construction on the City Hall grounds to take place concurrently with the construction of the Millennium Line Broadway Extension, before the revenue from North Annex Block could be realized. This accelerated timeline assumes that the City Hall seismic upgrade commences within the 2027-2030 Capital Plan, one Capital Planning cycle sooner than originally modelled, subject to confirmation of the City’s financial capacity and development of a fulsome funding/financing and procurement strategy.

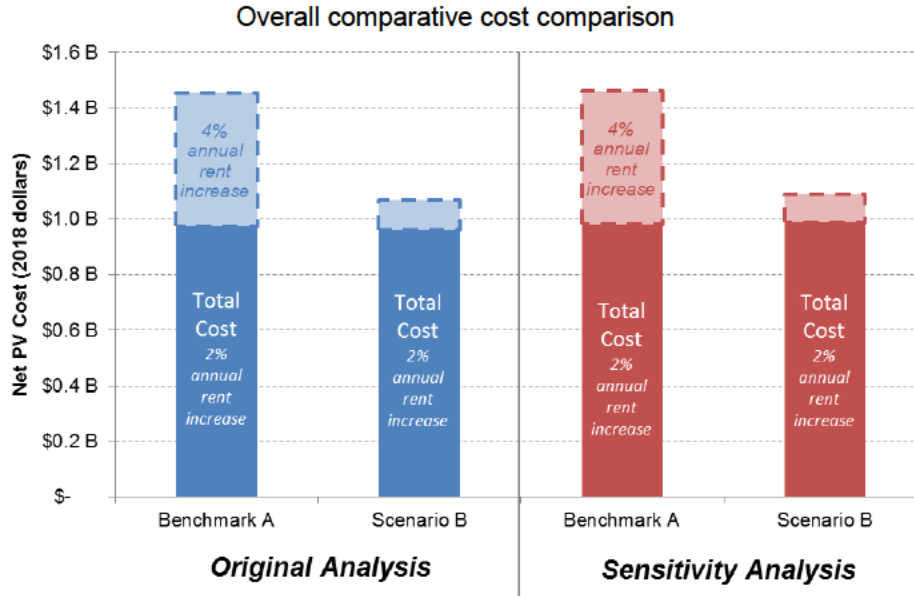
The illustration below presents the difference in the initial and accelerated plans in the context of the City’s next four Capital Plans.



The financial analysis results for the *accelerated timeline* indicate that it is not likely to have a significant material impact on the *overall* financial performance of the Scenarios “A” and “B”. This is due to some costs being offset by savings on leases in the short term, including the temporary leases which are anticipated to be taken up to accommodate growth in the interim.

This sensitivity test also confirms that the recommended Development Scenario “B” still financially outperforms the Benchmark Scenario “A”, by a margin similar to the original timeline.

The results of the Sensitivity Test with accelerated timeline are illustrated below:

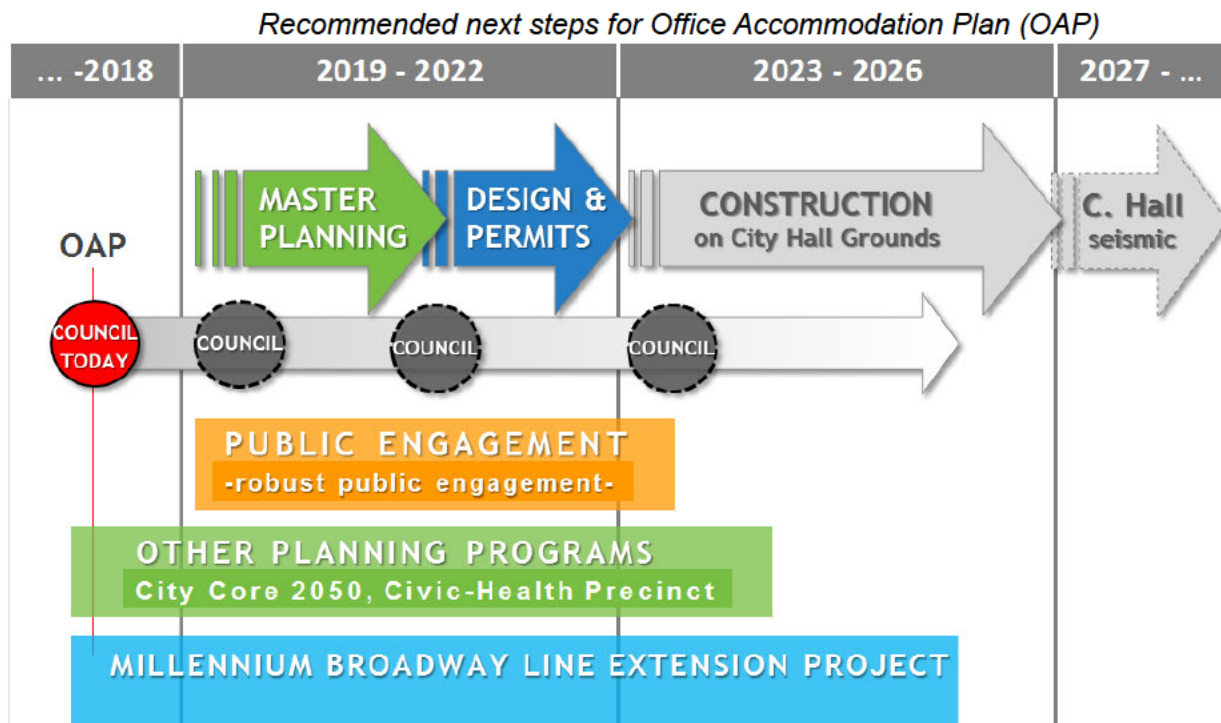


It should be noted that, in order to implement this accelerated delivery, upfront capital funding of approximately **s.17(1)** would be required in the 2023-2026 Capital Plan for new construction on the City Hall grounds as the proceeds from the North Annex Block ground lease would not be available until 2027. This revenue could be used to fund the Heritage City Hall seismic upgrade work in the 2027-2030 Capital Plan and to reduce the financing for the construction of the new development on the City Hall grounds. Given the significant upfront capital requirement under the accelerated scenario, staff will need to explore various phasing, funding/financing and procurement options, including strategic partnerships with senior government and/or the private sector, and report back to Council for consideration.

Recommended next steps

Staff recommends proceeding to the next phase of the OAP: Master Planning and Design for the City Hall Campus, using the Development Scenario “B” as the basis for planning. Furthermore, it is recommended that this work continue as a collaborative and iterative process with the City’s other planning initiatives, most notably City Core 2050, the Civic-Health Precinct plan and the Millennium Line Broadway Extension project. A robust Public Engagement program is envisioned to be integrated in the next phase of the OAP. For more information, please refer to the next section: *Public/Civic Agency Input.*

Following is an illustration of the recommended next steps / next phase for OAP. It is based on the accelerated timeline as requested by Council at the February 20 2018 (In Camera) meeting. For the original timeline illustration, please refer to the Appendix, page 30.



Public/Civic Agency Input

The goal of public engagement activities associated with the early work on OAP Phase III was to confirm the core concepts that should guide the future planning efforts for City Hall Campus. These activities, which took place between July to November 2017, included survey intercepts, tours of the Council chambers, and a chalkboard mural where the public was invited to draw or write about how they would “re-imagine” City Hall.

For the general public, most of whom have never visited the City Hall Campus, the themes that emerged about what was important to them included: music, art, educational opportunities, transparency, green spaces, culture, accessibility (to local government), creativity, food and beverage, family friendly, and fun. In addition, there was an interest in the heritage value of the building, and a desire to have public space available in addition to the required civic space. For customers of service counters, the consolidation of service counters, free public parking, and general efficiency ranked high in needs.

Overall, the core concepts of openness and transparency, civic heart, cultural diversity, wellness, integrated biodiversity, deep green, adaptability/future-proofing, heritage considerations and City of Reconciliation were confirmed.

As we shift to Master Planning in the next phase, there will be more robust public engagement opportunities where the public can feed into design concepts through online and in-person interactions. Furthermore, public consultations built into the rezoning and permitting processes will serve as feedback mechanisms.

Implications/Related Issues/Risk

Financial

Subject to Council's endorsement of the project in principle, staff will proceed to the next phase of the OAP which will include master planning, rezoning, robust public engagement and design development; source of funding will be incorporated in the Draft 2019 - 2022 Capital Plan, to be presented to Council in May for consideration.

As part of the master planning, staff will formulate a thoughtful, robust multi-year implementation and financial strategy for the construction of the new City-owned space on the City Hall grounds and the seismic upgrade of the Heritage City Hall. The strategy will consider potential phasing options, strategic partnerships with senior levels of government, innovative procurement strategies and the City's financial and debt capacity. Potential funding sources may include development-related revenues, long-term lease of the North Annex Block, senior government contributions and other strategic partnerships.

Human Resources/Labour Relations

Recommended long-term planning strategy for the City Hall Campus will: (i) improve safety of public and City staff; (ii) improve resilience, emergency preparedness and business continuity for the City's business groups; (iii) facilitate and enhance synergies and collaboration between City staff and also with the public, other entities and levels of government; and (iv) improve and enhance staff efficiencies and work environment.

Environmental

Recommended long-term strategy for the City Hall Campus will be in full alignment with the City's corporate priorities and strategies, most notably: Renewable City Strategy, Renewable Energy Strategy for City-Owned Buildings, Seismic Resilience Strategy and Healthy City Strategy. This project will aim to be certified to the Passive House standard (or any alternate zero emission building standards that will be applicable at the time of design and implementation) and aim to expand and improve the systems serving the existing buildings to further reduce GHG emissions.

CONCLUSION

The Staff recommends advancing City Hall Campus planning to meet the objectives of addressing resilience, emergency preparedness, seismic risks and business continuity, enhancing service to the public, enhancing community use and securing spaces for accommodation and growth in a more efficient and optimal way.

* * * * *

February 20, 2018, presentation to Council (In Camera)

RTS 12280

OAP Phase III – Long-term Plan and Feasibility Presentation

(Please double-click on the object below to open)



**OFFICE ACCOMMODATION PLAN
OAP**

**LONG-TERM PLAN
and FEASIBILITY
(PHASE III)**

**Council meeting
in camera**

February 20, 2018

