



COUNCIL REPORT

Report Date: May 26, 2023
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Meeting Date: June 28, 2023
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TO: Standing Committee on Policy and Strategic Priorities

FROM: General Manager, Real Estate and Facilities Management

SUBJECT: 981 Davie - Allocation of Additional Funds for Social Purpose Facility (QMUNITY, BC's Queer, Trans, and Two-Spirit Resource Centre Society)

Recommendations

THAT Council approve the addition of \$2.5M to the 2023-2026 Capital Plan and the Multi-year Project Budget for the QMUNITY social purpose facility. Funding source for this additional \$2.5M will be cash Community Amenity Contributions (CACs) allocated to support delivery of the West End Public Benefits Strategy (West End CACs).

Purpose and Executive Summary

The City has provided a ground lease to housing partner, Community Land Trust (CLT), to develop a mixed-use building with social housing, commercial at grade and a social purpose facility at 981 Davie Street. The City has a legal obligation to pay for the proportionate costs of construction for the social-purpose facility (9.3% of total costs) and will sublease the facility from CLT for the long term. The facility will then be sub-subleased to QMUNITY for the provision of resources, services and support for the 2SLGBTQQA+ community. Construction cost escalation has resulted in bid prices that exceed the budget.

This report seeks Council approval to increase the City's contribution to match the agreed upon proportion of funding for the social purpose facility. The total City contribution will be increased by \$2.5M to a total of \$11M and the source of funds will be West End CACs. Approval of additional funds is time sensitive since the tender price can only be held for 60 days.

Council Authority/Previous Decisions

Adoption of West End Community Plan, including Public Benefits Strategy ([2013](#))

CD-1 rezonings for 1262-1290 Burrard Street and 1229-1281 Hornby Street ([2013](#))

2015-2018 Capital Plan – Funding for new purpose built facility for QMUNITY ([2014](#))

Authorization to commence negotiations with QMUNITY to secure space within a mixed-use development site at 1190 Burrard Street ([2017](#))

2018 Capital and Operating Budget ([2017](#)) & 2018 Budget Book ([2017](#))

Capital Plan Recalibration – Additional \$1.5M in project funding ([2020](#))

Application to rezone 1190 Burrard CD-1 for housing, social service centre and commercial use ([2021](#))

Appointment of QMUNITY as operator of social purpose facility and authorization to execute a nominal sub-sublease ([2022](#))

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

The West End Community Plan (2013) and public benefit strategy identified QMUNITY as requiring an expanded facility to support their growing membership. In 2016, Council authorized the acquisition of the subject site with the intention of developing affordable housing units, commercial space, and providing a new larger facility for QMUNITY, an organization that provides services, resources and support for the 2SLGBTQIA+ community.

Approved for rezoning by Council in July 2021, the project at 981 Davie Street (formerly 1190 Burrard Street) is a 17-storey, mixed-use building and includes a social purpose facility for the future home of QMUNITY, as well as 154 units of social housing. Community Land Trust (CLT) was awarded the contract to design, build, finance and operate the building via a 99 year lease. The housing portion of the project is funded through a combination of a grant from the Canada Mortgage and Housing Corporation (CMHC), as well as a grant, debt financing and ongoing operating subsidies from BC Housing under the Community Housing Fund, subject to final project approval. CLT will then sublease the social purpose facility back to the City long-term. The City portion of the project is being funded by capital CAC dollars set aside for the future home of QMUNITY, while the housing portion is being funded by BC Housing.

As part of the 2015-2018 Capital Plan, \$10M (including \$3M for land purchase and \$7M for project construction costs) was approved for the social-purpose facility. In 2020, an additional \$1.5M was approved for a total of \$8.5M for project construction costs. The signed Development Agreement between the City and CLT requires that the City contribute a proportionate share of project costs (9.3%) to cover shared and common elements of the entire project. In 2023, the overall bid price came in higher than previous cost estimates resulting in increased project costs. The City's share of the cost increase is \$2.5M, totaling \$11M for construction costs.

Discussion

In recent years, many City projects have been impacted by construction cost escalation. Factors driving cost escalation include labour shortages, cost of building materials, and supply chain disruption. The cost estimate (Class B) shared by CLT in early 2022 was within the budget

range for the project. Construction bids were finalized in April 2023. The lowest tender price was higher than the approved budget. After value engineering, the overall project cost remained over the approved budget, with \$2.5M constituting the City's proportionate share of the cost increase.

The primary drivers of the cost increase are:

- Mass timber design – supply chain issues resulting from demand for mass timber
- Contractor's risk premium – due to new materials and methodologies including the combination of mass timber and Passive House
- Passive House – limited supply of certified building products

The City is obligated to pay its proportionate share of cost increases as specified in the Development Agreement between the City and CLT. Approval of additional funds is time sensitive since the tender price can only be held for 60 days. Timely commitment of additional funds is needed to avoid further scheduling delays and potential further cost escalation.

Financial Implications

The \$2.5M cost escalation will be funded with West End CACs. The availability of funding and capacity to support future initiatives and current initiatives with costs escalations in the West End (through West End CACs) will be reduced if the foregoing recommendations are approved.

Legal Implications

The City has a contractual obligation to pay for 9.3 percent of the total project costs. The increase in project costs above the allocated budget requires the City to share the cost increase if the project is to move forward.

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