



REPORT

Report Date: July 13, 2020
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VanRIMS No.: 08-2000-20
Meeting Date: July 22, 2020
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TO: Standing Committee on Policy and Strategic Priorities

FROM: Director of Finance

SUBJECT: Capital Budget Adjustments for Heritage Hall Capital Maintenance Work and Three Childcare Projects

RECOMMENDATION

THAT Council approve an increase of \$2,586,542 to the Multi-Year Capital Project Budgets for the Heritage Hall Building Envelope and three Childcare projects (Lord Nelson Elementary, Fleming Elementary, Tennyson Elementary) with the following funding sources:

- \$1,886,542 for the Heritage Hall Building Envelope with \$1,400,000 Debenture funding from the 2019-2022 Capital Plan for Capital Maintenance of Cultural Facilities, and \$486,542 reallocation from within the Multi-Year Capital Project Budgets for 2018 City-wide Seismic Program, 2019 Seismic Program, and PNE Garden Auditorium Re-Roof;
- \$700,000 for the three Childcare projects with City-wide Development Cost Levies for Childcare.

REPORT SUMMARY

The purpose of this report is to request Council approval of four time-sensitive capital budget adjustments to maintain the Heritage Hall Building cultural facility in a state of good repair and to ensure timely delivery of three new childcare facilities.

Staff is in the process of recalibrating the 2019-2022 Capital Plan as part of a mid-term update and in light of the financial impact of the COVID-19 pandemic. Council's direction on the Capital Plan recalibration will be implemented in subsequent quarterly capital budget adjustment reports and the 2021 capital budget. The capital budget adjustments in this report address the needs for time sensitive projects and does not reflect the impact of the Capital Plan recalibration underway.

The adjustments recommended in this report would result in an increase of \$2,586,542 to the Multi-Year Capital Project Budgets and increase the 2019-2022 Capital Plan by \$700,000 through the addition of City-wide Development Cost Levies that have been received by the City and that are eligible for allocation to childcare projects.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- In April 2018, Council approved a revised Capital Budget Policy
- In July 2018, Council approved the 2019-2022 Capital Plan (RTS #12408)
- In December 2019, Council approved the 2020 Capital Budget (RTS #12825)

Council approved the three childcare projects as part of the 2015-2018 Capital Plan:

- Nelson School Childcare in July 2015 (RTS #11005)
- Fleming School Childcare in December 2015 (RTS #11166)
- Tennyson School Childcare in November 2016 (RTS #11587)

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

As part of the on-going work and oversight related to the City's Capital Plan and Capital Budget, staff periodically review priorities, respond to emerging needs, and where appropriate bring forward recommendations for adjustments to the Capital Budget and/or Capital Plan. The capital budget adjustments outlined in the report address the need of time sensitive projects to maintain a cultural facility in a state of good repair and to ensure timely delivery of childcare facilities.

In 1974 Heritage Hall, located at 3102 Main Street, was designated a Heritage A building and has served the City in multiple ways over the years including:

- 1915-22 Opened/operated as Postal Station C, Mount Pleasant
- 1922-62 Operated as the Dominion Agricultural Building
- 1965-76 Occupied/operated by the Royal Canadian Mounted Police;
- 1974 - Designation as Heritage Building
- 1976-82 Vacant and allowed to fall into disuse
- 1982-83 Restoration and renovation to community use

Heritage Hall is leased to the Heritage Hall Preservation Society for a nominal rate. Building operations are focused on providing rental spaces to the cultural and social non-profits as well as venues for weddings, meetings and various other community gatherings.

The Heritage Hall building envelope capital project was originally planned as a roof replacement project as the existing roof has reached its end-of-life. In 2018, a \$2.2 million budget was established for roof replacement. This work requires event cancellation due to construction

noise and access. City staff worked closely with the Heritage Hall Society staff to coordinate the preferable construction timeline for this project. Facility tenants were provided a one year notification of the construction timing and duration. As a result, facility rentals and bookings have been blocked for the construction period anticipated to commence in August 2020.

During the planning phase of this project it was determined that there is a valuable opportunity to leverage onsite construction management and infrastructure required for the roofing project to efficiently and cost effectively address scope changes that include seismic upgrades, asbestos abatement and other building envelope work. All of the additional work is much needed, and can be done at the same time as the roof replacement. This will significantly minimize impact to tenants and community, while providing us with significant cost savings overall.

The enhanced project budget is \$4.1 million. Scope is comprised of roof replacement with Canadian sourced slate tiles (which will last for 75 to 100 years), asbestos abatement (existing composite roof tiles contain asbestos), new roof seismic diaphragm and related seismic work as well as non-structural seismic work that significantly mitigates risks to the public. This work includes anchoring of masonry and steel bracing for the Clock tower to increase seismic structural capacity. The cost of proceeding with this enhanced scope at the same time is minimized as additional seismic work can be performed while the roof is being replaced and construction can utilize the scaffolding, shrink wrap, netting that is required for public safety, weather protection and containment of hazardous materials abatement.

Construction duration is anticipated to begin in August 2020 and will be awarded to Scott Special Projects Ltd under the City Wide Construction Contract (CWCC).

In June 2020 a grant application for this project was submitted to the City's Heritage Incentive Program. If the application is successful, funding of up to \$2.05M could be received in 2021 and Council would be updated on the successful application and funding sources. At that time, up to \$2.05M of the project's debenture funding could be replaced by Heritage grant funding. The freed up debenture funding could then replenish the Capital Plan.

The three childcare projects at Lord Nelson Elementary, Fleming Elementary and Tennyson Elementary are part of a broader program to increase the number of childcare spaces across Vancouver. This program has been developed by the strong partnership between City and School Board, where all new schools in Vancouver are being considered as a great opportunity to add childcare spaces. This provides much higher level of service to the public, while optimizing public land and yielding cost savings through collocation efficiencies. These were the first three childcare projects approved as part of the City's partnership with the Vancouver School Board (three more have been approved since).

After each project has been selected, staff provides an initial cost estimate based on the information and assumptions in the early stages of the planning/scoping phase. This is subsequently translated into the Council-approved project budget.

All three projects had their preliminary scoping in 2015 or 2016, with construction starting in either 2017 or 2018. Construction has progressed well on all three projects. The project contingencies have been fully utilized to address emerging issues that needed to be resolved during the detailed design and construction phases.

Strategic Analysis

For the Heritage Hall Building Envelope project, combining the roof replacement and structural and non-structural seismic upgrades provides a good opportunity and good value to complete the projects together. A contract will be awarded as part of the City-Wide Construction contract.

For the three childcare capital projects, the project contingencies have been fully utilized to address emerging issues that needed to be resolved during the detailed design and construction phases. Thus additional funding is required to complete the projects.

Below is a summary for each of the three childcare projects:

- The 69-space childcare at Nelson School, located in Grandview-Woodland, was substantially completed in late 2019, with the official opening in December. The final project deficiencies are being addressed this year. The final cost of this project requires budget increase of \$0.3 million which is a 4% increase over the approved budget of \$7.2 million.
- The 69-space childcare at Fleming School, located in Victoria-Fraserview, is under construction and anticipated to be completed later in 2020. The final cost of this project requires a budget increase of \$0.1 million which is a 1% increase over the approved budget of \$8.5 million.
- The 69-space childcare at Tennyson School, located in Kitsilano, is under construction and anticipated to be completed early in 2021. The final cost of this project requires budget increase of \$0.3 million which is a 3.5% increase over the approved budget of \$8.5 million.

Financial Implications

This report recommends that the Multi-Year Capital Project Budgets for the Heritage Hall Building Envelope and three Childcare projects be increased by \$2,586,542, with the following funding sources:

- \$1,886,542 for Heritage Hall Building Envelope project with \$1,400,000 Debenture funding from the 2019-2022 Capital Plan for Capital Maintenance of Cultural Facilities, and \$486,542 reallocation from within the Multi-Year Capital Project Budgets for 2018 City-wide Seismic Program, 2019 Seismic Program, and PNE Garden Auditorium Re-Roof;
- \$700,000 for the three childcare projects (Lord Nelson Elementary, Fleming Elementary, Tennyson Elementary) with City-wide Development Cost of Levies for Childcare to increase the 2019-2022 Capital Plan. Below is a summary of the financial updates for the childcare projects.

	Childcare at Nelson School	Childcare at Fleming School	Childcare at Tennyson School	TOTAL
City funding (DCL, CAC, DBZ):	\$6.7 M	\$8.0 M	\$8.0 M	\$22.7 M
Provincial grant:	\$0.5 M	\$0.5 M	\$0.5 M	\$1.5 M
Current budget:	\$7.2 M	\$8.5 M	\$8.5 M	\$24.2 M
Additional funding request:	\$0.3 M	\$0.1 M	\$0.3 M	\$0.7 M
TOTAL:	\$7.5 M	\$8.6 M	\$8.8 M	\$24.9 M

CONCLUSION

City Staff recommend that the Multi-Year Capital Project Budgets be increased by \$2,586,542, to be funded from the 2019-2022 Capital Plan, reallocations from existing capital budgets and City-wide Development Cost of Levies for Childcare.

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