



CITY OF VANCOUVER

A7

ADMINISTRATIVE REPORT

Report Date: Nov. 16, 2007
Author: Piet Rutgers
Phone No.: 604.257.8463
RTS No.: 06979
VanRIMS No.: 12-2000-10
Meeting Date: November 27, 2007

TO: Vancouver City Council
FROM: General Manager - Parks and Recreation and the General Manager of Olympic and Paralympic Operations
SUBJECT: Hillcrest Curling Venue/Percy Norman Aquatic Centre Fall07 Update

RECOMMENDATION

THAT Council receive this Hillcrest Curling Venue/Percy Norman Aquatic Centre report for information.

GENERAL MANAGER'S COMMENTS

The General Managers recommend approval of the foregoing.

CITY MANAGER'S COMMENTS

The City Manager recommends that Council receive this report for information.

COUNCIL POLICY

The Council and the Board have requested to be informed of the progress of this capital project.

PURPOSE

This report provides an update on the status of the Hillcrest Curling Venue/Percy Norman project.

BACKGROUND

In September 2006, the Park Board endorsed and Council approved the following recommendations related to the funding and construction of the Hillcrest Centre/Percy Norman Pool complex:

- A. *“THAT Council authorize the following projects to proceed to final design (LEED Gold standard) and tender based on the financial arrangements as documented in this report.*

<i>Facility</i>	<i>Size</i>	<i>Estimated Cost</i>
<i>Curling Venue / Legacy Facility</i>	<i>9,780m²</i>	<i>\$49.15 million</i>
<i>Percy Norman Aquatic Centre</i>	<i>5,811 m²</i>	<i>\$29.96 million</i>
<i>Killarney Rink and Lobby</i>	<i>3,712 m²</i>	<i>\$14.0 million</i>
<i>Trout Lake Rink</i>	<i>3,500 m²</i>	<i>\$12.5 million</i>

and that staff be instructed to report back with final budget estimates related to the City costs prior to awarding the construction contracts.

- B. *THAT Council agree to contribute \$8.2 million to VANOC towards the construction of the Curling Venue / Legacy Facility at Hillcrest Park; source of funding to be:*
- *\$2.3 million for the new Hillcrest Branch Library as a loan from the Capital Financing Fund to be repaid by an increase in funding in the Operating Budget and subject to Recommendation E;*
 - *\$5.9 million as a loan from the Capital Financing Fund to be repaid from unencumbered revenues in the Park Board Operating Budgets beginning in 2010;*

internal financing to be on terms acceptable to the Director of Finance, AND THAT this contribution be on the condition that the VANOC contribution to the facility be set at a minimum of \$38.0 million with further design/construction savings accruing to the City.

- C. *THAT Council approve an internal loan of \$1.0 million from the Capital Financing Fund on terms acceptable to the Director of Finance to achieve the LEED Gold rating for the Legacy Facility (\$0.6 million to be paid to VANOC) and Aquatic Centre (\$0.4 million added to the project budget), this advance to be repaid by the Park Board and Library Board from avoided energy costs following conversion of the facility after the 2010 Games.*

- D. THAT Council assume from VANOC responsibility for conversion of the Curling Centre /Legacy Facility to its final Legacy configuration and uses as outlined in this report following the 2010 Games at a cost estimated at \$12.35 million (2010\$) on the condition that VANOC provides an immediate payment to the City of \$10.0 million, equivalent to the present value of that future expenditure.*
- E. THAT Council instruct staff to submit a funding request for the new Hillcrest Branch Library to the 2009 - 2011 Capital Plan planning process as a priority request.*
- F. THAT Council approve additional funding of \$10.46 million (including the \$0.4 million from Recommendation C) to the replacement of Percy Norman Aquatic Centre bringing the total allocation to \$29.96 million; funding to be provided as a loan from the Capital Financing Fund to be repaid from unencumbered revenues in the Park Board Operating Budget beginning in 2010 with financing to be on terms acceptable to the Director of Finance."*

On December 12, 2006 Council considered a second report authorizing the necessary legal agreements and a process for construction management. Included in this report was a recommendation to report back as follows:

"B. THAT the General Manager of Parks and Recreation and the General Manager of Olympic and Paralympic Operations report to Council and the Park Board on the project schedule and budget status every six months or more frequently in the event that the project budget is expected to exceed the approved funding."

On July 10, 2007 Council adopted the following resolutions:

- A. "THAT Council receive this Hillcrest Curling Venue/Percy Norman Aquatic Centre update for information.*
- B. THAT Council commit up to \$1.9 million of the Legacy Facility Conversion funding to maintain an adequate contingency for the completion of the Percy Norman Aquatic Centre, with draws to be made as required for approved change orders on the authority of the General Manager of Parks and Recreation."*

Budget

The total funding allocated for the Hillcrest project is \$81.01 million. VANOC's share is \$38.0 million, and funds the major part of the Curling Venue construction and Legacy conversion. The remaining \$43.01 million is City funding.

The following table illustrates both the funding sources and their allocation to the three components of the project.

Project Component	Budget	Funding Source	
		City	VANOC
Curling Venue	\$36.80M	\$8.80M	\$28.0M
Percy Norman Aquatic Centre	\$31.86M	\$31.86M	Ø
Legacy Conversion	\$12.35M	\$2.35M	\$10.00M
Total	\$81.01M	\$43.01M	\$38.00M

Construction Progress

The construction manager, Stuart Olson Constructors Inc., has been at work since the Fall of 2006. Construction on site began in March of this year. The Curling Venue is scheduled for completion in Fall of 2008. The Aquatic Centre is scheduled for completion in Spring of 2009.

The construction is about 20% complete. Excavation and foundation are nearing completion and work is progressing well on the structure of the building. Off site, glulam beams and structural steel are being fabricated. Generally the work proceeds from Curling Venue to the Aquatic Centre side and this method is reflected in the respective dates.

The project delivery model is through a construction management contract with Stuart Olson. Under this model trade contracts are let sequentially. VANOC is the administrator for the construction of the entire complex an oversight is provided through a Capital Works Committee made up of representation from the City, Park Board, and VANOC. The Park Board has also assigned a full time project manager to monitor the day to day completion of the project.

The project has been challenged by steeply escalating construction costs, resulting in several trade contracts being awarded at a cost greater than that budgeted. Examples include concrete form work, bulk excavation, mechanical, and curtain wall and glazing. Other trade bids, including refrigeration equipment, roofing, and elevators, came in under budget.

The project team has aggressively pursued cost savings to counterbalance some of the cost escalation. Since April of this year the team has been successful in gaining over \$2 Million in savings through value engineering. Substantial savings have been negotiated with mechanical, electrical, curtain wall and glazing, miscellaneous metals, roofing and locker supply trade contractors.

Value engineering has, however, not been able to fully offset the combined effect of cost escalation in the industry and of change orders. Cost escalation in construction continues unabated, with the rate of increase in 2006 and 2007 in the 1.0% to 1.5% per month range.

Financial Status

At present the table below summarizes the remaining funds for each of the three project components.

Project Component	Budget	Committed	Remaining
Curling Venue	\$36.8M	\$35.05M	\$1.75M
Percy Norman Aquatic Centre	\$31.86M	\$28.74M	\$3.12M
Legacy Conversion	\$12.35M	\$0.0M	\$12.35M

Currently approximately \$5 Million of \$56 Million budgeted for trade contracts for the Curling Venue and Percy Norman Pool remains. This remaining funding is needed to award several trade contracts and retain a contingency for change orders and contractor claims.

The project team has undertaken to be vigilant in the following areas:

- Continue to carry out value engineering by reducing scope and cost where practicable
- Strive to obtain multiple qualified bids for trade contract packages
- Avoid or minimise the cost of construction changes
- Work to avoid or reduce project delays

The Curling Venue construction contracts have been mostly awarded, but architectural woodwork, painting and landscaping have yet to be awarded. When the anticipated values of contracts and emerging change orders as well as the requirement for a contingency are taken into consideration, the remaining funding is not likely to be sufficient. VANOC and the City are presently in discussion to address any potential shortfall.

The Pool construction contracts have been mostly awarded, but architectural woodwork, painting, ceramic tiling and landscaping have yet to be awarded. Ceramic tiling is being retendered with changed scope and specifications, since the first tender call came back with much higher than anticipated costing. Once the remaining tenders have been received and emerging change orders have been assessed, the remaining contingency needs to be determined.

The Legacy Conversion will commence post Games in 2010. The working drawings and specifications for the conversion are being developed at this time. Upon completion of the design documents a more definite cost estimate will be developed, albeit with a number of assumptions about construction cost escalation between now and 2010.

More significantly, Council and the Board have reallocated \$4.76 Million from VANOC's \$10 Million contribution towards the estimated \$12.35 Million budget of the conversion. Furthermore, the use of portions of the \$10 Million today, reduces the anticipated interest that these funds were projected to generate. The 2009-11 Capital Plan will need to include sufficient funds to compensate for the reallocations and reduced interest in order to successfully complete the Legacy Conversion in 2010.

FINANCIAL IMPLICATIONS

The Hillcrest Curling Venue and Percy Norman Pool projects are proceeding in a difficult construction cost environment. At this time the Curling Venue is likely to require additional funding and VANOC and the City are presently in discussion to address any potential shortfall. The extent of remaining contingency funding for the Pool component will need to be assessed after receipt of the outstanding trade contracts and a further analysis of cost savings.

CONCLUSION

This report provides an update on the status of Hillcrest Venue/Percy Norman Pool project.

* * * * *