



Date: July 5, 2004

**TO: Board Members - Parks and Recreation**  
**FROM: General Manager - Parks and Recreation**  
**SUBJECT: Capital Construction Cost Escalation**

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## RECOMMENDATION

- A. THAT the Board request Council to set up a Park Board cost escalation fund in the amount of \$1,041,000 with the source of funding to be the payment from TransLink related to the Eburne Lands purchase.**
- B. THAT the Board reserve \$1,041,000 for a Marpole land acquisition with the source of funding to be the approved Park Board's 2003 - 05 land acquisition fund, subject to Council's approval of the Recommendation as per the attached Council Report.**
- C. THAT subject to Council's approval of B, the Board authorizes an initial allocation of this fund as follows:**
- Killarney Pool \$550,000**
  - Victory Square \$60,000**
  - Queen Elizabeth Reservoir \$431,000**

## POLICY

The Board approves Capital Plan allocations within a total envelope determined by City Council.

## BACKGROUND

Cost escalation continues to be a significant factor in realizing the Board's capital works program. In April Council approved additional funding for a number of projects including Killarney Pool and Queen Elizabeth Reservoir. Bids for those projects have now been received and they are over allocated construction budgets. Staff have reviewed the projects in terms of potential reductions, and supplementary funding sources.

## **DISCUSSION**

A number of projects were recently tendered and all of these came in significantly over the estimated budget. The speed at which construction costs are rising poses a challenge in securing accurate estimates. For example the price of steel is reported to have increased 70 % in the last 3 months alone. During the last year concrete form work has gone from \$5.00 to \$12.00 per square foot while a sheet of plywood now costs \$50.00 versus \$25.00 one year ago. All three projects Killarney, Victory Square and Queen Elizabeth Park have very significant concrete components, which includes steel rebar.

### **Killarney Pool**

To undertake this project with all the intended pool and energy saving features would cost \$1,155,000 more than the \$8,230,000 estimated for construction. Minor modification to some aspects of the project save \$150,000. The Killarney Association has generously offered to contribute \$450,000. This report recommends that \$550,000 be added. from this Cost Escalation fund.

### **Queen Elizabeth Park**

The Queen Elizabeth Park reservoir project came in at \$5,100,000 versus a construction budget of \$3,259,000. This project will need to be redesigned and re-tendered. It is clear however that a funding infusion is needed to meet even a scaled down version of the concept, therefore \$431,000 is recommended to be allocated, and staff are also reviewing other additional funding options.

### **Victory Square**

The Victory Square Phase II project was tendered and came in over the estimated construction cost of \$240,000. A \$60,000 infusion will enable this project to proceed. The area around the Cenotaph would be redeveloped. The friends of Victory Square have made a significant effort to raise additional funds, however they have not realized at this time their fundraising target.

A \$60,000 contribution will enable this project to proceed now and there is a possibility that this amount may be reimbursed should Council wish to allocate some funding from the International Village \$1.5 million payment in lieu for this project. The City is expected to collect these funds in the fall of 2004, and a report to Council will be forwarded at that time.

### **Source of Funding**

When the Eburne lands were proposed to be subdivided, Council was to receive a payment of over \$2 million to be used for park and recreation purposes. The subdivision did not occur but TransLink has made a voluntarily contribution of \$1,041,000 to reflect their share of subdivision requirement.

The Board has resolved the funds should be used “for park acquisition and development in Marpole and/or along the Fraser River”.

The community through a facilitation process regarding the TransLink proposal is recommending to the Board and Council that the funds be allocated to acquisition in the Marpole area, a more focused approach.

The use of these funds is at the discretion of City Council. A Council report is attached (Appendix I) and staff are recommending that the Eburne funds be allocated to the Park Board cost escalation fund, subject to the Board reserving an equivalent amount of 2003 - 05 land acquisition fund for a Marpole park acquisition. The Board has a \$1.8 million allocation for land in 2003-05 plan, of which \$1.4 million is unallocated. This approach, if approved by Council, has several advantages.

- Marpole is assured funding for park purposes, with the Board responsible for acquiring (a) site(s), in this park deficient area.
- A number of Park Board infrastructure renewal projects can be better addressed with fewer scope and a quality reductions .

A disadvantage of this approach is however a reduced amount of potential funds available for land acquisition, in areas outside of Marpole.

## **SUMMARY**

The current cost escalation environment poses some serious challenges for the Board in realizing its necessary infrastructure renewal program. These challenges do require some rethinking of capital allocation and the recommendations in this report, subject to Council concurrence, offer a way to add funding to high priority capital works.

Prepared by:

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