

DATE: November 26, 2020

TO: MAYOR AND COUNCIL

NAME AND TITLE: IAN WELLS, ACTING DEPUTY CITY MANAGER

SUBJECT: George Street Parkade

ATTACHMENT: None

RECOMMENDATION:

That Council RECEIVES FOR INFORMATION the staff report dated November 26, 2020, from the Acting Deputy City Manager, titled “George Street Parkade.”

PURPOSE:

At the August 31, 2020 regular Council meeting, Council directed Administration to submit a report to Council regarding the reasons for the capital cost overrun, including a breakdown of expenses, on the George Street Parkade capital project.

The purpose of this report is to provide Council with the causes for the capital cost overrun, and a breakdown of the additional expenses on the George Street Parkade capital project. The report will also identify steps that Administration is taking to be more transparent on capital project expenditures and capital project management.

STRATEGIC PRIORITIES:

This report supports Council’s Priorities of “Sustainable Fiscal Management”, “Sustainable Infrastructure Management”, and “Diversifying our Economy”.

BACKGROUND:

For twenty plus years, attracting housing to the downtown has been seen as a critical ingredient in advancing downtown revitalization. Based on A & T Projects Development Ltd. (the “Developer”) project history, Administration was confident that the Developer would construct a quality market housing project. The Developer’s plan was to construct a four-phase development of 160 residential units. Phase one of the project, consisting of 37 residential units, has been completed.

The Developer’s housing project supports Council’s focus area of advancing progress in the Downtown and the Official Community Plan, policy (8.3 B. Downtown), which refers to downtown as the heart of the city and sets forth the following objectives:

- Revitalize downtown as the commercial, cultural, and civic heart of the community.
- Strengthen the sense of place and identity, incorporating natural and cultural elements.
- Make the downtown more attractive to new residents and businesses.
- Maintain downtown as the central business district and primary location for offices.
- Support a diverse, socially integrated population.

A key component of the Project was the construction of the City Parkade (the “Parkade”) as part of the Sale Agreement and Partnering Agreement approved by Council. Further, based on Council’s approval, the City entered into a design build contract to construct the Parkade.

DISCUSSION:

The original estimated cost for the Parkade was \$12.6 million. This figure was based on a quantity surveyor’s estimate in the summer of 2017.

In February 2018, due to engineering concerns regarding fluctuating ground water levels, the design for the Parkade was changed. Initially, the design was to be similar to the Marriott Hotel’s and the City’s 6th Avenue underground parkades, where a dewatering system was used while the parkade was being constructed. Once the structure was completed, the parkade would take on water during high ground water events. However, because of concerns for public safety and liability risks due to potential flooding, and potential damage through hydrostatic pressure, Administration decided it was prudent to install a permanent dewatering system. The permanent dewatering system keeps the water away during construction, as well as mitigates flooding issues after the construction period.

In July of 2018, the Developer provided the City with an updated cost estimate for the Parkade, based on the new design and the Developer’s tendered prices to build the Parkade. The Developer advised that the new estimated price was \$20 million and contacted the City to determine how the City wished to proceed. Administration confirmed with the Developer that the City wished to proceed with the Parkade.

In September of 2019, the Developer provided further price updates for the Parkade based on tender prices for Mechanical/Electrical/Fire Suppression and Membrane Roofing. The new estimated cost to complete the Parkade was \$22.5 million.

At the November 18, 2019 Finance and Audit meeting, the Standing Committee received a Financial Report on Significant Capital Projects, which contained the George Street Parkade construction costs, showing the Total Actual as of November 5, 2019 at \$16,372,186.

Project Costs

The underground parkade encompasses approximately 2.50 acres of land, which includes portions of George Street and 6th Avenue. The Parkade construction was one of the largest concrete pours in the City; 1800 truckloads of concrete were delivered to the project site. The Developer’s original preliminary budget was based on extremely limited information; the pre-design was for 266 underground stalls and 68 surface stalls. The projected cost of the Parkade was increased due to the following:

- The design was altered to cover the entire land area to maximize site coverage, which increased the underground stalls to 289 and decreased the surface stalls to 62, which resulted in an increase of \$1,520,343.30.

The project also encountered unforeseen items which were not typical of a parkade construction. The items required the Parkade build to be in two phases vs one phase and consisted of:

- having to relocate the private utilities and the major fibre optic cable in 6th Avenue.
- tanking of the foundation, including a raft slab, and utilizing sheet piles instead of shotcrete.
- additional dewatering of the site to enable pouring of the foundation (pumping approximately 250,000 gallons per day for six months in 2018/2019).
- miscellaneous items including (removal of numerous underground foundations, oil tanks, upgraded overhead doors, and an upgraded generator)

These items increased the Parkade cost by approximately \$2,321,708.55.

Other factors that arose during construction which further increased costs were:

- US tariffs, an extremely busy and volatile construction market with a shortage of skilled labour, and an increase in construction costs that amounted to an overrun of \$2,947,334.97.

In addition to the above referenced information, the table below provides a detailed breakdown of further expenditures associated with the cost increase.

Pre-tender Price (based on quantity surveyor)	
Original budget	\$ 12,613,000.00
Adjustments September 2019	
mechanical tender results	\$ 255,891.00
electrical tender results	\$ 395,429.99
fire suppression tender results	\$ 48,860.00
retaining walls on parkade due to grade changes	\$ 299,704.00
Concrete redi mix powder increase 2019	\$ 19,872.04
insurance additional 1 year of construction	\$ 135,192.00
rebar change in design for parkade structure	\$ 18,792.80
cctv	\$ 15,201.35
door access control	\$ 20,500.00
Controls system for mechanical	\$ 178,685.00
perimeter parkade fence around site due to grade changes as per BC Bldg code	\$ 170,692.00
parkade separation fence public to residence side for security purposes	\$ 9,260.00
legal fees related to cross easement for air space parcel 1 and 2	\$ 7,200.03
survey related to title for air space parcel 1 and 2	\$ 6,243.97
trellis work over ramps	\$ 78,308.00
parkade insulation material	\$ 195,861.00
parkade insulation labour	\$ 70,000.00
parkade drains	\$ 14,179.00
parkade drain labour	\$ 6,502.50
parkade surface waterproofing membrane	\$ 694,510.00
additional sheet piling	\$ 9,300.00
BC hydro bonding to parkade structure and fencing at each PMT as per BCH requirements	\$ 54,678.36
Adjustments July 2018	
additional 23 stalls - design change to maximize site coverage	\$ 1,520,343.30
1 vs 2 phases, foundation, sheet piles, dewatering	\$ 2,321,708.55
US tariffs on steel and labour market	\$ 2,947,334.97
Contingency	\$ 400,000.00
Total Adjustments	\$ 9,894,249.86
Total with Adjustments	\$ 22,507,249.86

Spending to date on this project is \$22,452,331.47.

Benefits of the Parkade

The City expects the Parkade and the residential development to be tremendously valuable over the life of the project. For example, based on today's City portion of the tax rate after the 10-year tax

exemption has expired, and once the four phases of the Developer's project are complete, it is estimated that the City will receive approximately \$36,000,000 in municipal taxes over a 40 year period.

The development of the Parkade and the residential units are anticipated to create the following number of jobs over the life of the project:

- Estimated Direct Jobs: 308 – these are those that work directly on the project, such as project planners, designers, engineers, and construction
- Estimated Indirect Jobs: 319 – these represent suppliers of materials for the project, such as steel, concrete, wood, and more
- Total estimated Jobs: 627

The development of the Parkade provided opportunity for the City to sell vacant surface parking lots for development, such as the Marriott Hotel and Hyatt Hotel sites. The City investment in the Parkade and the Developer's residential project were one of the key components in the investment decisions made by the developers of the Hyatt Hotel Project and the Student Housing Project. It is estimated that after the ten-year exemption, the City will receive approximately \$20 million in taxes over 50 years from the Hyatt Hotel Project and \$10 million in taxes from the Student Housing Project.

The new parkade (off street parking) provides parking, which allows other C1 zoned properties to be developed with 100% site coverage.

The Parkade provides the foundation and services for a new childcare facility to be called the YMCA Park House Care and Early Learning Centre, which will be built above the City parkade development, with construction to commence Spring 2021. \$4 million in grant funding received by the City for this development is comprised of a \$3 Million grant from the Province's Childcare BC New Spaces Fund and \$1 Million in funding from the Union of BC Municipalities Community (UBCM) Child Care Space Creation Program. This funding provides for a total number of 85 licensed childcare spaces.

Administration feels that the construction of the Parkade and the residential development has helped the City achieve Council's focus area of advancing progress in the Downtown.

SUMMARY AND CONCLUSION:

As a result of the cost overruns on numerous City projects, in a report to Council dated November 13, 2020, Administration recommended to the Standing Committee on Finance and Audit that the City Manager's capital budget transfer approval be reduced to the lower of 5% of the capital project budget, or \$100,000 per project. City Council approved the recommendation at the November 23, 2020 Council Meeting. The approved reduction in the City Manager's capital budget transfer approval creates a more transparent process wherein Administration must seek Council's approval for capital project expenditures over the threshold.

Further, Administration is cognizant that Council is concerned with rising project cost overruns and will be assessing the current state of the capital program delivery structure in order to provide a roadmap forward on how to improve the structure to a level that is on par with leading peer municipalities and how to reduce cost overruns.

RESPECTFULLY SUBMITTED:

Ian Wells, Acting Deputy City Manager

APPROVED:

Walter Babicz, Acting City Manager

Meeting Date: 2020/12/07