

**MINUTES OF THE REGULAR MEETING OF COUNCIL HELD IN THE COUNCIL
CHAMBER, CITY HALL, 141 WEST 14th STREET, NORTH VANCOUVER, BC, ON
MONDAY, MARCH 4, 2019**



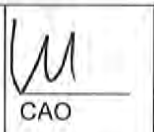
REPORT

9. Harry Jerome Community Recreation Centre Update: Potential Cost Reductions and Enhanced Project Management Measures – File: 02-0800-30-0002/1

Report: Deputy Director, Strategic Initiatives and Services, February 25, 2019

Removed from the agenda.



 Department Manager	 Director	 CAO
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The Corporation of **THE CITY OF NORTH VANCOUVER**
STRATEGIC INITIATIVES & SERVICES DEPARTMENT

REPORT

To: Mayor Linda Buchanan and Members of Council

From: Heather Reinhold, Deputy Director, Strategic Initiatives & Services

SUBJECT: HARRY JEROME COMMUNITY RECREATION CENTRE UPDATE:
POTENTIAL COST REDUCTIONS AND ENHANCED PROJECT
MANAGEMENT MEASURES

Date: February 25, 2019 File No: 02-0800-30-0002/1

The following is a suggested recommendation only. Refer to Council Minutes for adopted resolution.

RECOMMENDATION:

PURSUANT to the report of the Deputy Director, Strategic Initiatives & Services, dated February 25, 2019, entitled "Harry Jerome Community Recreation Centre Update: Potential Cost Reductions and Enhanced Project Management Measures":

THAT to reduce the capital and long-term operating costs of the Harry Jerome Community Recreation Centre (HJCRC), staff be directed to reduce the HJCRC project scope by:

- reducing the aquatic component from a 53 M 8-lane pool to a 26.5 M 10-lane pool;
- removing the curling component and reallocating a portion of underground parking to surface parking;
- removing rooftop uses;
- reducing the south building from a four storey to three storey configuration;
- reducing the windows throughout;

THAT enhanced project management measures be integrated into the project;

THAT a reduced budget request, based on a reduced project scope and including external project management, be referred to the fall revised 2019-2028 Project Plan for consideration;

AND THAT staff be directed to proceed with the construction documentation phase and report back prior to issuing tenders for construction.

ATTACHMENTS:

1. Minutes excerpt Council November 26, 2018
2. HJCRC Site Plan Comparison – July 2018 / February 2019
3. Director of Finance report, July 18, 2018 "Harry Jerome Financing Structure and Risk"

PURPOSE:

On November 26, 2018, Council directed staff to review a variety of cost containing and risk mitigation strategies for the HJCRC project (see Attachment #1). In response, options are outlined below for Council's consideration regarding project scope reduction and risk mitigation through enhanced project management.

DISCUSSION:

Since Council's July 2018 resolution directing staff to proceed with the HJCRC project, the HJCRC project team have been working through the design development phase with the previously approved program scope. In November 2018, Council modified the direction, requesting staff to explore options for cost reduction and risk mitigation. At this point in the project, changes to design and scope will result in cost and schedule impacts (detailed below); however, while still in the design development phase and with completion of the most recent project cost estimate, it is most practical to adjust project scope now and prior to proceeding to the next phase. Once the design development phase is complete (anticipated for early March without project changes) the project will transition into the contract document phase. In this subsequent phase, construction details and specifications are produced to a high level of detail. There would be increasingly larger cost and schedule impacts to facilitate program changes. Staff will not proceed with the contract document phase until the program is fully confirmed by Council. In either scenario, the project will seek a comprehensive green building strategy including aggressive reductions in carbon intensity (more than 50% over building code requirements) as well as the highest accessibility standards (Rick Hansen Foundation Accessibility Certification "Gold").

Potential Project Scope Reductions

Based on Council's direction in November 2018, and as part of the design development phase, the HJCRC project team have explored strategies for Council's consideration to mitigate the capital cost of the HJCRC project, as well as reducing the long-term operating costs.

Five potential program reductions have been identified and are all recommended.

1. Reduction of Aquatics Component from a 53 M 8-lane Pool to a 26.5 M 10-lane Pool:

There has been significant discussion and input over the years on inclusion of a 50 M pool. Staff, North Vancouver Recreation Commission (NVRC) and the PERC (Professional Environmental Recreation Consultants) report (2015) have previously recommended a 25 M 10-lane pool. From an environmental sustainability perspective, a 50 M pool is an expanded component that is energy intensive and has cost implications for long-term operations. (Note that a 50 M pool includes two bulkheads which extends the actual size to 53 M. A 25 M pool has one bulkhead, adding 1.5 M to the total length.)

Capital Cost: Reduction of pool size would result in a capital cost reduction of \$4,626,700 (inclusive of soft costs / contingencies).

Operating Cost: Reduction of pool size would result in a reduction in operating costs. Pools are the most expensive component to operate by a significant margin. Energy use is also higher than any other component. Net operating costs are challenging to calculate with a high specificity due to the wide range of variables which include revenue prediction, programming variations, long-term user rates, guarding variations and age of facility. Based on a consultant and NVRC review, as well as a comparison of other aquatic facilities within BC, the reduction in net operating costs could range from \$200,000 up to \$1.0 million annually. As noted above, comparison to other facilities is challenging as each facility has varying types of amenities which will impact the ability to specify the aquatics portion of utilities, staffing and maintenance costs.

2. Removal of Curling Arena and Reallocation of Parking:

The inclusion of curling in HJCRC was not contemplated in the PERC studies. Curling was discontinued at HJCRC in 1999 and provided instead through a service contract with the North Shore Winter Club. The contract with the North Shore Winter Club has since ended (1999-2014). Currently, curlers travel off the North Shore to neighbouring municipalities, such as New Westminster, Vancouver and Richmond.

With removal of the curling component, there would also be an opportunity to reallocate a portion of underground parking to surface parking (estimated at 71 stalls).

Capital Cost: Removal of curling would result in a capital cost reduction of \$12,760,700 (inclusive of soft costs / contingencies).

Reallocation of underground parking to surface parking would result in an additional capital cost reduction of \$5,001,400 (based solely on a per stall cost estimate).

Operating Cost: Removal of curling would result in a corresponding reduction in the estimated operating cost. Based on a comparison of net operating

costs for other curling facilities within the Lower Mainland, it is reasonable to assume the reduction in net operating costs could range from \$150,000 – \$250,000 annually.

3. Removal of Rooftop Uses (Sports Court / Walking Track):

The current plan includes sport courts and a walking track on the rooftop of the arena component. To accommodate this activity on the roof, enhanced structural capacity, elevator access and building area for a user washroom are all required. In addition, to fit within the structural framework of the arena area, the size of the sports courts do not meet recreational standards or the expressed stakeholder needs. With a focus on reducing costs and delivering high quality public facilities, it is recommended that the sports courts and walking track be deleted from the HJCRC scope.

It is recommended that the delivery of sports courts be accommodated through a future project at an alternate location within the City where they can be built at-grade (no structural premium).

Walking opportunities are integrated into the project with the construction of the Green Necklace and both an internal HJCRC walking loop (150m) and external ravine loop (with stairs) (328m).

Capital Cost: Removal of the rooftop uses (sports court / walking track) would result in a capital cost reduction of \$3,093,100 (inclusive of soft costs / contingencies).

Operating Cost: There would be operational costs for the rooftop space including staff time required for remote and periodic supervision, oversight and customer service, as well as janitorial and maintenance requirements. This has not been quantified in operating estimates.

4. Reduction of South Building Form (Four floors to Three floors)

The building massing of the south building can be simplified by removing the uppermost floor (4th floor). The program components located on the 4th floor (children's program and preschool component) can be relocated to an expanded 3rd floor. Through co-locating program components onto the 3rd floor, efficiencies in programming can be gained and the overall total area of the building reduced. The refinement to the design would provide cost savings through elimination of one elevator, reduced structural costs and elimination of costs associated with roof-top access for the south building.

Trade-offs associated with expanding the 3rd floor area include increased shading and reduced landscaping between the south and north buildings; however, an adjustment can be made to the design to allow for increased hardscape in this area which would complement the adjacent building program.

Capital Cost: A reduction of the south building form would result in a capital cost reduction of \$2,086,500 (inclusive of soft costs / contingencies).

Operating Cost: The removal of an elevator and a reduction in building area will reduce the maintenance and janitorial costs. This has not been quantified in operating estimates.

5. Reduction of Building Windows

Through the design development phase, a review and analysis of all exterior windows (glazing) was undertaken. The vast majority of the windows are included at the main entry, main corridor and the south building; there are minimal windows on the remainder of the facility. Without compromising the usability of interior spaces, windows could be reduced by 6% across the building form.

In addition, a detailed review and daylight modeling study was undertaken for the windows adjacent to the arena area. Within the current design, windows are included in two locations adjacent to the arena: between the arena and the internal building corridor, and between the internal building corridor and the exterior ravine space. The windows between the arena and the internal building corridor provide views into and out of the arena, enhance the interaction between ice and non-ice users, encourage involvement into ice activities and promote an overall sense of connection and wayfinding within the building. Internal visual connections between program elements is a common design strategy in community recreation centres and was also a desire expressed by the public during the engagement phase. It is recommended that these interior windows be retained and the windows reduced by at least 50% along the adjacent interior corridor to the exterior to ensure that direct sunlight does not impact the ice quality or the player experience. This will be further refined through the contract document phase.

Capital Cost: A reduction in building / arena windows will result in a capital cost reduction of \$204,600 (inclusive of soft costs / contingencies).

Operating Cost: A reduction in building / arena windows will require less energy use (heating / cooling) and will require less maintenance. This has not been quantified in operating estimates.

Redesign Implications of Potential Project Scope Reductions:

To integrate these revisions into the design development phase, it is anticipated to take approximately 6 weeks of additional work at a cost of ~\$358,000.

For a high-level comparison of the building footprints between the July 2018 schematic design and the proposed February 2019 reduced project scope, please see Attachment #2.

For clarity, the combined capital reduction of the recommended potential project scope reductions is summarized below:

Potential Project Scope Reductions (inclusive of soft costs & contingencies)	
(1) Reduction of 53 M 8-lane Pool to a 26.5 M 10-lane Pool	(\$ 4,626,700)
(2) Removal of Curling Component & Reallocation of Parking	(\$ 17,762,100)
(3) Removal of Rooftop Uses (Sports Court / Walking Track)	(\$ 3,093,100)
(4) Reduction of South Building Form	(\$ 2,086,500)
(5) Reduction of Building Windows	(\$ 204,600)
Redesign Implications	
Redesign Fees	\$ 358,000
Proposed Combined Capital Reduction	(\$ 27,415,000)

As reported in the July 2018 report, the total estimated net operating cost for the existing scope is \$2.5 million per year. (The current net operating cost of the existing HJCRC is \$1.1 million per year.) With the recommended project scope reductions, it is anticipated that the net operating cost could be reduced as follows:

Potential Operating Cost Reductions (Per Year)	
(1) Reduction of 53 M 8-lane Pool to a 26.5 M 10-lane Pool	(\$200,000 – \$1,000,000)
(2) Removal of Curling Component	(\$150,000 – \$250,000)
(3) Removal of Rooftop Uses (Sports Court / Walking Track)	Modest Reduction
(4) Reduction of South Building Form	Modest Reduction
(5) Reduction of Building Windows	Modest Reduction
Proposed Combined Annual Net Operating Reduction	(\$350,000 - \$1,250,000)

In addition to the reductions in capital cost and net operating costs, with the proposed project scope reductions, the long-term maintenance and lifecycle costs would also be reduced. Long-term maintenance and lifecycle costs are significant, in particular for maintenance and equipment intensive components such as aquatics and curling. A lifecycle cost analysis will be undertaken as part of the next phase of the work.

Risk Mitigation Measures – Enhanced Project Management:

Two enhancements to the HJCRC project structure are being proposed to mitigate risk and increase project transparency.

1. External Project Management:

It is proposed that external project management is secured, through a competitive Request for Proposal process, for the duration of the HJCRC project. Scope of work for external project management would include, but not be limited to:

- Communications: coordinate information to the HJCRC project team, stakeholders and general public
- Design: manage the design team and process to ensure quality, schedule and cost targets are being achieved
- Procurement: liaise with CNV Purchasing through the execution of design and construction tenders ensuring fairness and transparency

- **Scheduling:** prepare, monitor and update the master schedule, by tracking progress against baseline critical path
- **Budget and Cost Control:** prepare master budget and cash flow projections and update as needed to reflect necessary adjustments
- **Quality Control:** implement quality control program and tracking system
- **Risk:** prepare risk management plan to identify project exposure and establish risk mitigation measures
- **Project Reporting:** report on schedule, risk items, project costs and forecasted costs through a monthly reporting structure

External project management will allow for additional oversight and capacity to deliver the project and will ensure that City staff have the capacity to undertake overall project oversight, internal coordination, as well as existing work plans.

2. HJCRC Citizens Committee of Experts:

It is proposed that a HJCRC Citizens Committee of Experts be established. The purpose of the Committee will be to provide an additional layer of oversight, accountability and transparency for the project. Through regular updates to the Committee by the HJCRC project team, the Citizens Committee of Experts will be able to help guide the overall effectiveness of the project. The Terms of Reference for the committee will be shared with Council at a future date.

Two additional risk mitigation measures related to HJCRC are possible. These options are being further assessed and updates will be provided to Council for consideration.

- **Pay Parking:** There is potential to include pay parking within the HJCRC project. Within the Lower Mainland there are several community recreation centres in areas with parking demand which have pay parking. Pay parking can offset the capital cost of parking. As well, pay parking can be implemented as a TDM strategy to reduce vehicle traffic and manage parking demand. Prior to implementing pay parking, the development of an area-wide parking policy and plan would be required to manage the parking supply and address potential spillover impacts into residential areas where there are currently no parking restrictions. This can occur prior to the new HJCRC opening as part of the City's long-range mobility plan which will include a city-wide parking and curbside management strategy that applies demand-based management principles to rate setting.
- **Early Closure of Existing HJCRC:** There is potential to close the existing HJCRC complex prior to the completion of the new facility. This will enable greater flexibility in phasing of the Harry Jerome Neighbourhood Lands (HJNL) and reduce the requirement for bridge financing. This however is not without impact to users. The Harry Jerome complex (comprised of three buildings) serves more than 272,000 visits per year through a wide variety of services, plus special events and space rentals. The centre provides 1,570 programs annually for 7,800 registrants. Rentals bring in another 5,400 visits. Closure of these

spaces will result in reduction in service and the relocation of some services to other recreation centres and venues where possible. It will be a significant challenge to find alternate spaces within the neighbourhood.

FINANCIAL IMPLICATIONS:

Project Estimates:

Project estimates are being undertaken for this project as part of the design process at four key intervals, as follows:

- Class 'D': Concept Design - Order of Magnitude: +/-50% (10% design completion)
- Class 'C': Schematic Design - Preliminary Design: +/-15% (25% design completion)
- Class 'B': Design Development - Detailed Design: +/-10% (50% design completion)
- Class 'A': Tender Drawings - Pre-Tender Design: +/- 5% (95% design completion)

Class 'B' Estimate:

As part of the design development phase, a Class 'B' estimate has now been completed. The Class 'B' estimate is based on the program as detailed in the Schematic Design (presented July 2018). The estimate was prepared by an independent Professional Quantity Surveyor, based on current day considerations of construction on the North Shore, world market uncertainties and a re-evaluation of recent escalation rates. The Class 'B' estimate represents project costs +/-10%.

The Class 'B' cost estimate for the HJCRC project (based on program scope as approved in July 2018) is as follows:

	CLASS 'B' (Feb 2019)	CLASS 'C' (July 2018)
Construction & Soft Costs	\$ 181,014,900	\$ 166,963,600
Contingencies & Escalation	\$ 28,872,900	\$ 32,337,300
Project Oversight (Internal / External)	\$ 2,891,000	\$ 1,391,000
HJCRC TOTAL	*\$ 212,778,800	\$ 200,691,900

**Additional items included in the 2019 Class 'B' estimate not included in 2018 Class 'C' are as follows: \$1.5 million for External Project Management and \$500,000 for BC Hydro capacity design (cost of required physical upgrades still to be determined).*

Within the Class 'B' estimate there are a few items worth noting:

- Present day bids for items experiencing the greatest escalation impact (such as steel) were acquired to verify estimates
- Pricing includes the cost impact of USA tariff on steel and aluminum
- An escalation rate of 9% to June 2020 (anticipated construction start date) is included
- In determining the escalation rate, a trade by trade analysis was undertaken

Class 'B' Reduced Scope

As part of undertaking the Class 'B' estimate, each of the project scope reduction options were assessed by the Professional Quantity Surveyor.* With incorporation of all

five recommended project scope reductions, the Class 'B' estimate would be adjusted as follows:

	CLASS 'B' CURRENT SCOPE	CLASS 'B' REDUCED SCOPE
Construction & Soft Costs	\$ 181,014,900	\$ 157,559,200
Contingencies & Escalation	\$ 28,872,900	\$ 24,913,600
Project Oversight (Internal / External)	\$ 2,891,000	\$ 2,891,000
HJCRC TOTAL	*\$ 212,778,800	*\$ 185,363,800

* The reallocation of parking from underground to surface has been completed to a Class 'D' estimate (+/- 20%).

The Class 'B' estimate does not contemplate any grant contributions; however, as per Council's resolution of February 11, 2019, an application to the Investing in Canada's Infrastructure Program (ICIP) fund has been made, requesting a grant of \$20 million. Staff will update Council on any updates or outcome of the grant application process; a decision from the senior levels of government is not anticipated until Fall 2019.

Lastly, as part of reviewing HJCRC costs, throughout the schematic and design development process, the HJCRC project team has benchmarked specific component costs against other recreation centers in the Metro Vancouver area on a cost per square foot basis per component type (eg. aquatic space). This unit rate comparison has been helpful in the design process and ensured alignment with the project budget from early design stages to more detailed planning. This benchmarking exercise evaluated municipally-owned, institutional quality recreation projects. It is important to note however that a detailed comparison of complete facilities (as opposed to specific components) is an extremely complex exercise, in that no two projects are ever completely alike and that variables such as program, lot size, site complexity, location, year of construction, applicable codes and project delivery can cause costs to vary significantly from one project to the next.

HJCRC Financing

The July 23, 2018 report of the Director of Finance set out the proposed financing plan for the projects within the Harry Jerome precinct, including the new HJCRC and the non-recreational amenity projects (Attachment #3). Primarily financed by the long-term lease revenues from the HJNL, the construction of the new HJCRC will only initiate with acceptable funding availability and risk mitigation measures in place.

As part of the overall funding structure, there are a number of additional related projects included. An overall cost summary is outlined below. It is important to note that while the HJCRC project costs have been refined through successive development, the non-recreation amenity projects are based on initial conservative estimates and assume no additional capital from partnerships or senior levels of government.

Harry Jerome Precinct Projects

	Existing HJCRC Scope	Reduced HJCRC Scope
HJCRC	\$ 212,778,800	\$ 185,363,800
Lawn Bowling	\$ 6,500,000	\$ 6,500,000
Silver Harbour Interim	\$ 3,000,000	\$ 3,000,000
Temporary Skatepark	\$ 350,000	\$ 350,000
subtotal	\$ 222,628,800	\$ 195,213,800

Non Recreational Amenities

New Park / Green Necklace (HJNL)	\$ 6,500,000	\$ 6,500,000
Non Market Housing Units (80)	\$ 15,400,000	\$ 15,400,000
Childcare (37 spaces)	\$ 5,000,000	\$ 5,000,000
subtotal	\$ 26,900,000	\$ 26,900,000

TOTAL PRECINCT COSTS \$ 249,528,800 \$ 222,113,800

With the Class 'B' estimate, the HJCRC costs are better refined however they do exceed slightly the funding provided from the HJNL. However, as a whole, the total precinct costs, when including the current HJCRC project scope and non-recreational amenities, is higher than the total revenue for the HJNL and additional sources of revenue are required. A reduced HJCRC scope scenario provides some savings.

NEXT STEPS:

The HJCRC project team is currently in the final stages of design development. Assuming direction from Council to proceed with the recommended cost reductions, the anticipated timeline would be as follows:

PROJECT SCHEDULE (with reduced scope)	START	FINISH
Council - Project Approval to Proceed	July 2018	
Council - Confirmation of Project Scope	March 2019	
HJCRC Redesign Stage	Mar 2019	April 2019
HJCRC Contract Document Stage	May 2019	Feb 2020
Council – Approval to Proceed to Tender	Nov 2019	
HJCRC Tender & Permits	Jan 2020	May 2020
Silver Harbour Relocation (Interim)	Sept 2021	Sept 2023
HJCRC Construction	June 2020	Mar 2023

HJCRC Commissioning	April 2023	Oct 2023
HJCRC Project Completion	Nov 2023	

If direction was given to proceed based on the original Schematic Design scope, the project would remain on the same timeline as presented in July 2018 (project completion Sept 2023).

Without confirmation of direction from Council, the HJCRC project should be paused. It is possible to pause the project; however, there are costs associated with delays. Most significantly, the project is currently carrying \$15.4 million in escalation contingency assuming a projected construction commencement date of June 2020 and a delay will likely require an increase in the escalation costs carried. In addition to financial considerations, delays will cause a loss of momentum and likely the reassignment of consultant team members to other projects, leading to a loss of project knowledge and continuity.

With confirmation to proceed, as part of next steps, the following will also need to be finalized: consolidation of the two lots comprising the HJCRC lands and a review of final lot coverage and setbacks.

As part of the contract document stage, two additional cost estimates will be completed. Throughout the contract document phase, the HJCRC project team will continue to review and seek out cost saving opportunities. To keep to an efficient construction schedule, staff will seek endorsement from Council to proceed with a construction tender for site demolition, site prep and site servicing prior to full building tender.

Updates on Related Projects:

In 2018, following Council direction, a feasibility study for the Mickey McDougall Site and Building was undertaken which included consideration of both Flicka Gymnastics Club and the North Vancouver Lawn Bowling Club. Updates on both of these projects are outlined below.

Flicka:

In the spring of 2018, staff and Flicka Gymnastics Club undertook a Feasibility Study for the Mickey McDougall building. Three options for the use of the Mickey McDougall Building were detailed. The preferred option for Flicka at that time was to repurpose the building with minor renovations. Flicka's Board of Directors provided a resolution indicating the Mickey McDougall Community Recreational Centre does have the potential to operate as a gymnastics facility. It also noted the need to establish and negotiate financial and logistical considerations for a possible lease. In June 2018 at the Flicka AGM, the membership expressed concerns that this repurpose option may not best accommodate the current program. It requested a sub-committee be established to investigate other options that would at minimum, meet the needs of the current and future community demand for gymnastics.

In November 2018, Council directed staff to discuss a variant of Option 3 (a new replacement facility) with Flicka. Over the past few months, staff have met with Flicka to discuss future potential options. Flicka has indicated they are working towards developing a proposal for a new facility located at the Mickey McDougall site to meet future needs, as well as current growth, in their programs. To realize their goal, Flicka has stated that they would seek support with potential contributions of funding, land (a long-term lease), a permissive tax exemption, as well as support to approach other levels of government for funding. Staff will continue to work with Flicka to review progress with their proposal as well as discussing Flicka's options for an interim temporary facility if required.

Lawn Bowling:

In July 2018, Council endorsed the redevelopment of the North Vancouver Lawn Bowling (NVLB) clubhouse and greens at the Mickey McDougall site. The lawn bowling project will deliver a new City-owned clubhouse (6,850 sq.ft.), along with two lawn bowling greens (artificial turf fields). The facility and greens will be leased to the North Vancouver Lawn Bowling Club (NVLB). Since July 2018, staff have been working with the NVLB Club on the design development. The site preparation and greens will be ready to tender very shortly, with the clubhouse tender anticipated in early spring 2019. It is anticipated that NVLB Club will be operational in the new facility mid to late 2019. The Lawn Bowling project has a pre-approved budget of \$6.5 million.

INTER-DEPARTMENTAL IMPLICATIONS:

This project and report has been developed by the HJCRC project team with input by the Leadership Team on February 13, 2019.

RESPECTFULLY SUBMITTED:


Heather Reinhold
Deputy Director, Strategic Initiatives & Services

Harry Jerome Community Recreation Centre

Submitted by: Mayor Buchanan

Moved by Mayor Buchanan, seconded by Councillor Girard

WHEREAS the Harry Jerome Community Recreation Centre (HJCRC) project has identified several key risks inherent in its current scope and implementation;

WHEREAS the HJCRC project has a total project budget of \$200.7 million;

AND WHEREAS the current HJCRC project requires the City to establish bridge financing of \$90M externally and \$20M internally for construction to mitigate the inherent risks;

THEREFORE BE IT RESOLVED that staff are directed to implement the following risk mitigation and cost containing approaches:

THAT a letter be sent to the District of North Vancouver requesting formal written correspondence on their commitment to adhere to the current cost sharing agreement for recreation for all components within the new HJCRC;

THAT staff bring forward a report considering a change of scope for HJCRC, up to date cost estimates and related cost mitigations for:

- a 25m pool vs 50m pool;
- evaluating use of windows in the arenas (to minimize operating and capital costs);
- other architectural features that can be minimized for cost savings; and
- any additional recommendations minimizing cost and risk exposure;

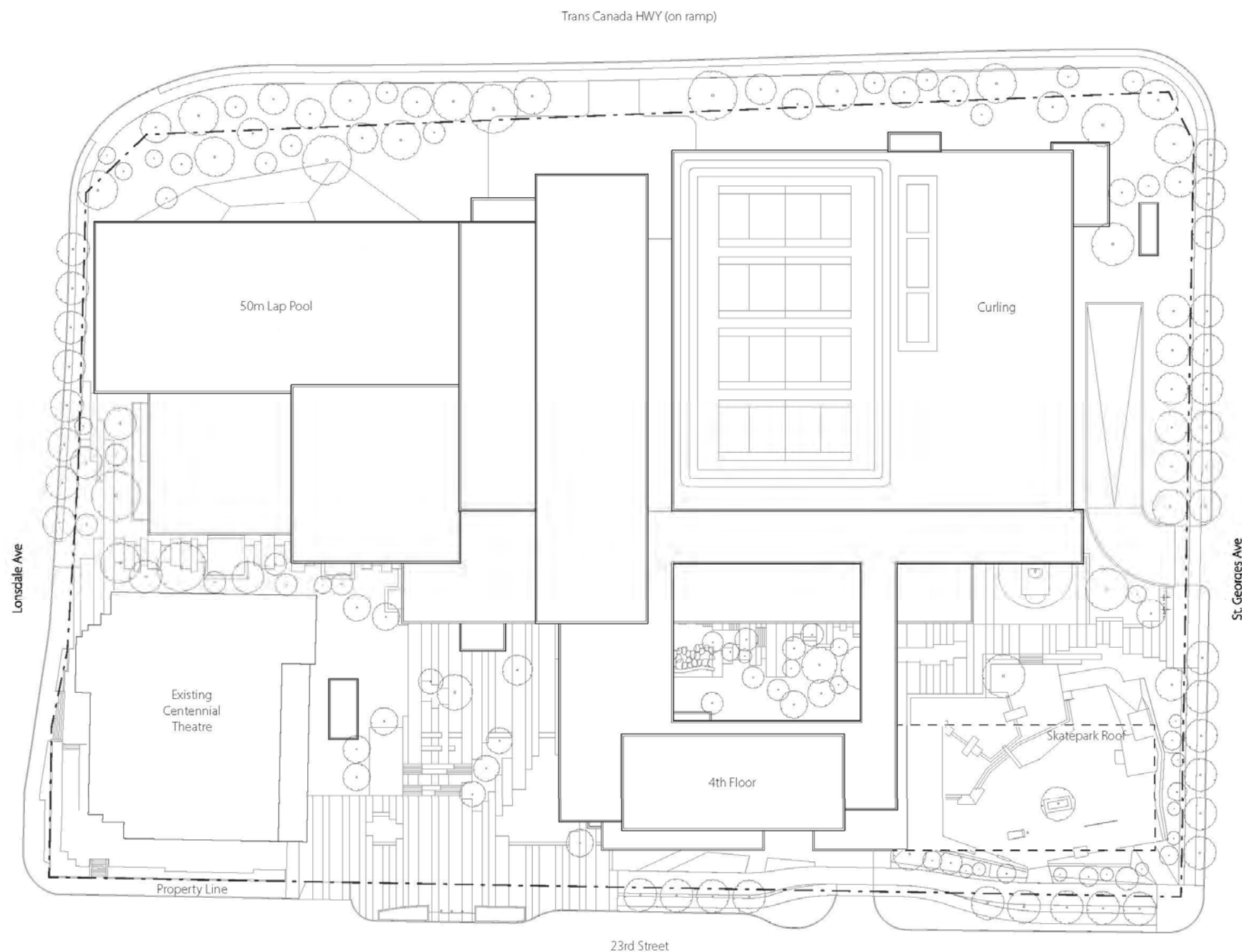
THAT staff reopen the three options presented in the report dated July 18, 2018 with Flicka Gymnastics Club to determine whether Option 3 is a viable choice for Flicka in partnership with the City (where Flicka raises cost of capital towards a new building);

THAT staff report back to Council with satisfactory risk mitigation measures that include:

1. an implementation schedule or plan that negates the requirement of borrowing by the City of North Vancouver;
2. an enhanced project management and oversight structure including creation of a citizens committee of experts;

AND THAT staff issue the construction tender for HJCRC only upon Council's direction and approval of satisfactory risk mitigation measures for the project.

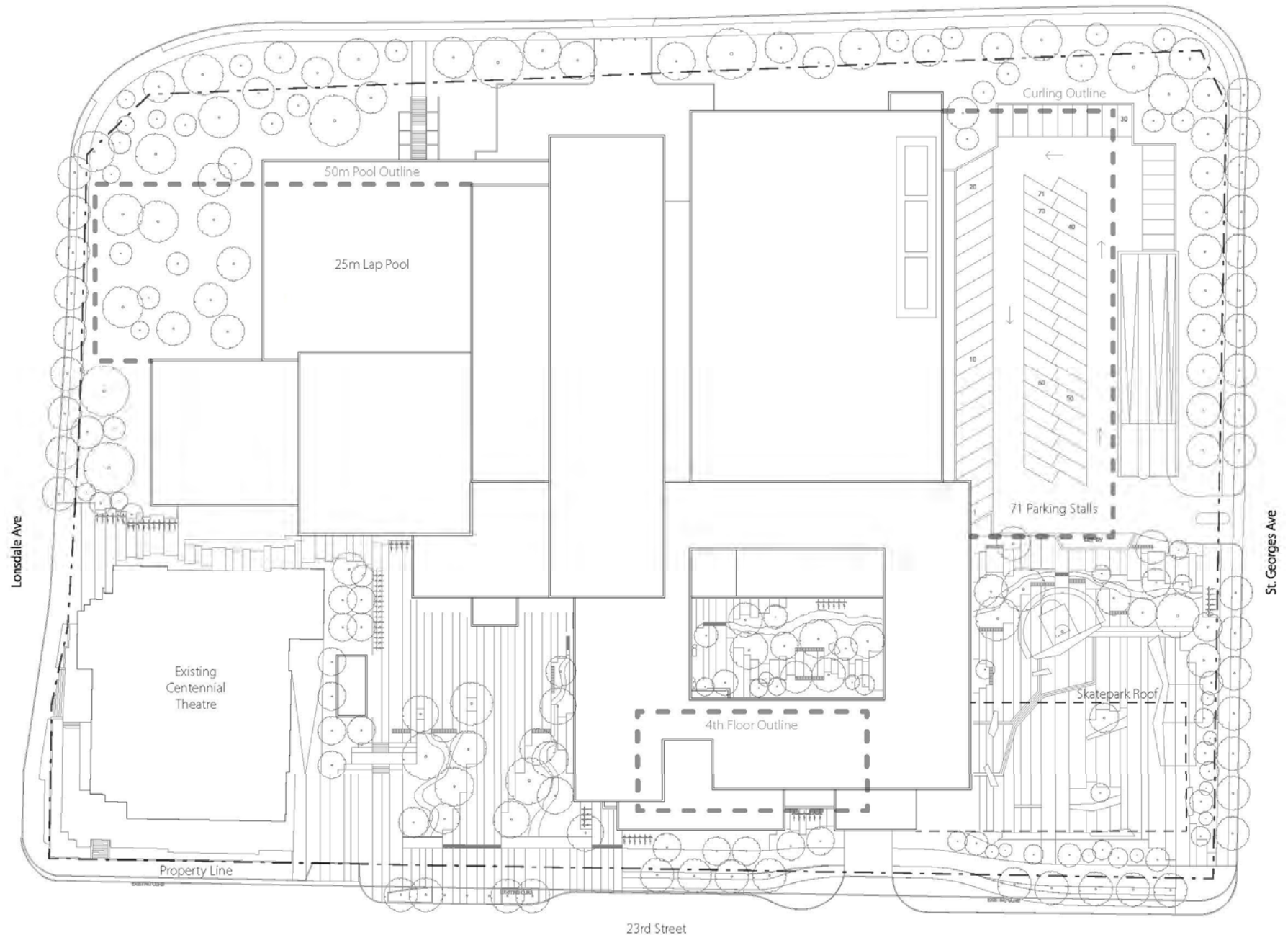
HJCRC SITE PLAN – JULY 2018
(53 M POOL / CURLING / ROOFTOP USE)



HJCRC REDUCED SCOPE SITE PLAN – FEBRUARY 2019

(26.5 M POOL / NO CURLING / SURFACE PARKING / NO ROOFTOP USE)

Trans Canada HWY (on ramp)



23rd Street

MINUTES OF THE REGULAR MEETING OF COUNCIL HELD IN THE COUNCIL CHAMBER, CITY HALL, 141 WEST 14th STREET, NORTH VANCOUVER, BC, ON MONDAY, JULY 23, 2018.

REPORTS OF COMMITTEES, COUNCIL REPRESENTATIVES AND STAFF

19. Harry Jerome Financing Structure and Risk – File: 02-0800-30-0002/1

Report: Director, Finance, July 18, 2018

Moved by Councillor Clark, seconded by Councillor Bell

PURSUANT to the report of the Director, Finance, dated July 18, 2018, entitled “Harry Jerome Financing Structure and Risk”:

THAT staff continue with the design, tendering and construction of the Harry Jerome Community Recreation Centre (HJCRC) and negotiation of a land lease agreement for the Harry Jerome Neighbourhood Lands (HJNL) with Darwin Properties for financing the project;

THAT the Community Amenity Contributions of 150 East 8th Street and the proceeds of the density sale (excluding Block 62 density) to 1441 St. Georges Avenue be set aside and allocated in the following order of priority:

1. funding of the HJCRC and HJNL projects, net of Tax Sale Land Reserve Fund and British Columbia Municipal Financing Authority borrowing;
2. any excess funding to be used for the construction of a 37-space childcare facility or 80 non-market housing units at the HJNL site; and
3. unused funding of 150 East 8th Street to be allocated 80% to the Civic Amenity Reserve Fund and 20% to the Affordable Housing Reserve Fund, and unused funding of density sale revenue to be allocated to the Civic Amenity Reserve Fund;

THAT staff be authorized to make arrangements in a timely manner, to secure \$90 million bridge financing from the British Columbia Municipal Financing Authority for the purpose of funding the tender and construction of HJCRC project;

THAT staff be authorized to internally borrow \$20 million in bridge financing from the Tax Sale Lands Reserve Fund for the purpose of funding the tender and construction of HJCRC project;

THAT staff implement the risk mitigation measures as set out in the report;

THAT (Funding Appropriation #1826) an amount of \$4,125,000 be appropriated from the Civic Amenity Reserve Fund (Harry Jerome Project Fund) for the purpose of funding the HJCRC project oversight, detailed design and construction;

Continued...

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REPORTS OF COMMITTEES, COUNCIL REPRESENTATIVES AND STAFF – Continued

19. Harry Jerome Financing Structure and Risk – File: 02-0800-30-0002/1 – Continued

THAT (Funding Appropriation #1825) an amount of \$3,000,000 be appropriated from the Civic Amenity Reserve Fund (Harry Jerome Project Fund) for the purpose of funding Silver Harbour Seniors' Activity Centre interim move, rent and tenant improvements;

THAT (Funding Appropriation #1824) an amount of \$6,500,000 be appropriated from the Civic Amenity Reserve Fund (Harry Jerome Project Fund) for the purpose of funding the detailed design and construction of the relocated Lawn Bowling facility;

THAT the September 2018, City Revised Budget consider an allocation of \$6,125,000 for the purpose of further funding the HJCRC project oversight, detailed design and construction;

AND THAT should any of the above amounts remain unexpended at December 31, 2024, the unexpended balances shall be returned to the credit of the respective fund.

CARRIED

Councillor Buchanan, Councillor Keating and Mayor Mussatto are recorded as voting contrary to the motion.



The Corporation of **THE CITY OF NORTH VANCOUVER**
FINANCE DEPARTMENT

REPORT

To: Mayor Darrell R. Mussatto and Members of Council

From: Ben Themens, Director of Finance

SUBJECT: HARRY JEROME FINANCING STRUCTURE AND RISK

Date: July 18, 2018 File No: 02-0800-30-0002/1

RECOMMENDATION:

PURSUANT to the report of the Director of Finance, dated July 18, 2018, entitled, "Harry Jerome Financing Structure and Risk":

THAT staff continue with the design, tendering and construction of the Harry Jerome Community Recreation Centre (HJCRC) and negotiation of a land lease agreement for the Harry Jerome Neighbourhood Lands (HJNL) with Darwin Properties for financing the project;

THAT the Community Amenity Contributions of 150 East 8th Street and the proceeds of the density sale (excluding Block 62 density) to 1441 St. Georges Ave be set aside and allocated in the following order of priority:

1. funding of the HJCRC and HJNL projects, net of Tax Sale Land Reserve Fund and British Columbia Municipal Financing Authority borrowing;
2. any excess funding to be used for the construction of 37 space childcare or 80-unit non-market housing at the HJNL site; and
3. unused funding of 150 East 8th Street to be allocated 80% to the Civic Amenity Reserve Fund and 20% to Affordable housing Reserve Fund and unused funding of density sale revenue to be allocated to the Civic Amenity Reserve Fund;

THAT staff be authorized to make arrangements in a timely manner, to secure \$90 million bridge financing from the British Columbia Municipal Financing Authority for the purpose of funding the tender and construction of HJCRC project;

THAT staff be authorized to internally borrow \$20 million in bridge financing from the Tax Sale Lands Reserve Fund for the purpose of funding the tender and construction of HJCRC project;

THAT staff implement the risk mitigation measures as set out in the report;

THAT (Funding Appropriation #1826) an amount of \$4,125,000 be appropriated from the Civic Amenity Reserve Fund (Harry Jerome Project fund) for the purpose of funding the HJCRC project oversight, detailed design and construction;

THAT (Funding Appropriation #1825) an amount of \$3,000,000 be appropriated from the Civic Amenity Reserve Fund (Harry Jerome Project fund) for the purpose of funding Silver Harbour Seniors' Activity Centre interim moves, rent and Tenant Improvements;

THAT (Funding Appropriation #1824) an amount of \$6,500,000 be appropriated from the Civic Amenity Reserve Fund (Harry Jerome Project fund) for the purpose of funding the detailed design and construction of the relocated Lawn Bowling facility;

THAT the September, 2018, City Revised Budget consider an allocation of \$6,125,000 for the purpose of further funding the HJCRC project oversight, detailed design and construction;

AND THAT should any of the above amounts remain unexpended at December 31, 2024, the unexpended balances shall be returned to the credit of the respective fund.

PURPOSE:

This report discusses the financing of the Harry Jerome Community Recreation Centre (HJCRC) project through the lease of City lands on the south side of East 23rd Street between Lonsdale and St Georges, the Harry Jerome Neighbourhood Lands (HJNL).

The report also aims to further follow-up on the June 26, 2017 Council resolution requesting that staff be directed to proceed with the schematic design of the new HJCRC as follows:

"6. Investigation of interim financing solutions to fund construction of the HJCC prior to the commencement of construction of the development lands south of 23rd Street"

The report also discusses the risks related to the financing of the project over the next six years. It is important to note that with the exception of the amount spent on design of the HJCRC and reimbursement of rezoning and request for proposal (RFP) preparation costs to Darwin if the City was to cancel the project, the City has limited risk exposure until it enters into firm agreements for the construction of the HJCRC and HJNL.

BACKGROUND:

The City of North Vancouver issued an RFP in July, 2017 for the "Acquisition and Development of City Lands" located on the south side of East 23rd Street between Lonsdale and St Georges. The RFP invited proponents to submit offers for 90 or 75 year long term lease or a fee simple purchase. The RFP stipulated that the lands would be acquired for the purpose of multifamily residential and mixed development in the range of approximately 500,000 square feet.

Following a review of the offers, Council adopted a resolution authorizing staff to negotiate with Darwin Properties an agreement to lease the lands for a 99-year period. Such a lease term is anticipated to generate approximately \$210 million contribution to the City. It is worth noting that the amount is an estimate that may fluctuate, as it is dependent on the overall density contemplated and approved by Council as well as market pricing adjustments.

Rezoning of the lands is complete and negotiation to finalize the land lease and development phases are progressing well.

Preliminary design of the HJCRC is also progressing well. Based on the Schematic Design, a Class 'C' estimate has now been completed. HJCRC costs are higher than initially anticipated; increasing financial risks but remaining within funding provided from the HJNL.

DISCUSSION:

The contemplated financing structure of the HJCRC project and HJNL transaction creates some risks for the City. The principal purpose for developing the HJNL is to raise sufficient funds to help enable the construction of the new HJCRC. This will be the primary objective of the efforts and the revenue generated from the HJNL transaction should go to this amenity in priority. The proposed HJCRC project includes several significant components such as an aquatic centre with a 50 M pool and leisure pool, an arena, a curling facility, multipurpose spaces, fitness centre and gymnasium as well as sports courts and walking track on the roof of the Centre. The new Centre must be developed with an appropriate amount of parking and also provide space to accommodate the Silver Harbour Seniors' Activity Centre who will be relocated from their existing location which is scheduled for redevelopment as part of the Darwin land transaction.

Other items that potentially are to be funded from the land transaction include:

- Relocation of the North Vancouver Lawn Bowling Club to the Mickey McDougall site including construction of a new lawn bowling club and greens;
- Construction of a new park including a walking route and new public open space in the HJ development lands to partially offset the loss of the Norseman Field;
- Construction of a section of the Green Necklace through or around the HJ development lands; and
- Construction of a temporary skatepark.

As part of the project, Council also requested that staff consider the inclusion of non-recreational city amenities and improvements on the site including non-market housing units and a childcare. Finally, it is important to note that no capital improvement related funding has been set aside for Flicka Gymnastic.

Project Pricing Risk

Based on Class 'C' estimate of the HJCRC, the current cost of the project, excluding non-recreational city amenities, is estimated at approximately \$237 million and is broken down as follow:

Table 1 – Project Preliminary Estimate

HJCRC Land Development amenities	
HJCRC Class C estimate incl. silver harbour	\$ 200,692,000
Lawn Bowling relocation	}
Silver Harbour (Relocations, TI's, Rent)	
Temporary Skatepark	
	\$ 9,850,000
Sub-Total:	\$ 210,542,000
Non-recreational amenities and improvements	
Park Redevelopment	\$ 6,500,000
Non-market housing units (80 units)	\$ 15,400,000
Childcare (37 spaces)	\$ 5,000,000
Sub-Total:	\$ 26,900,000
Total:	\$ 237,442,000

The HJCRC estimate of \$201 million includes approximately 400 parking stalls. The amount also includes approximately \$32 million (22% of the \$144 million construction cost) for contingencies and cost escalation. There is significant uncertainty with regard to cost escalation given recent construction/tender pricing increases. The City will only be in a position to affirm the project price at the time of contract tendering and to decide at that time whether to proceed with that price or to implement mitigation measures before awarding a contract. After the award of the contract, any cost escalation risk (excluding project contingency risk) will be borne by the private contractors. This risk could be further mitigated by adjusting the project scope.

At this time, on its own, anticipated HJNL funding is insufficient to fund the non-recreational amenities. The current cash flow model considers using Parks DCC funding to fund the park redevelopment. Park DCC's may be used to fund approximately 50% of eligible park construction costs. Other amenities should be deferred to a latter phase of the project to reduce risks of a shortfall if the tendered price of the HJCRC project comes over the Class "C" estimate as well as to allow the identification of other funding sources. For instance, Harry Jerome dedicated funding that has been set aside in the past six years may provide a surplus that could be used to fund non-recreational amenities near the end of the project. Funds from the Affordable Housing Reserve, which are anticipated to grow significantly in the coming years from potential development activities, could also offset the cost of the non-market housing. Delaying the implementation of non-market housing will also provide the opportunity to assess and adjust for the impact, if any, on the affordability of residential units built on leased land. It is expected that a long-term land lease could result in discounted residential unit pricing.

The March 8, 2018, report to Council suggested that developer's Community Amenity Contributions (CACs) or density sale (excluding from Block 62) of two Council approved developments (150 East 8th Street and 1441 St. Georges Ave.) be included in the HJCRC funding budget to enhance the project contingency reserve. Once construction cost is confirmed, unrequired funding from this source could be allocated in priority to fund non-recreational amenities if needed or returned to usual CAC's allocation reserves (80% Civic

Amenity Reserve Fund and 20% Affordable Housing Reserve Fund) or density sale related reserve, the Civic Amenity Reserve Fund.

At this time, the review does not consider potential external contributions from the Federal Grant program or that may be forthcoming from development activities in other areas of the City as well as potential additional revenue that could be generated through the sale of other City-owned lands. Developer's CACs could generate significant revenue in the Civic Amenity Reserve Fund which could be used to mitigate cash flows issues. Such funding is subject to approval of major development applications by Council, economic fluctuations and project scheduling. While such funding is often used by Planning department to enhance projects or considered in the City Financial Plan to fund projects in future years, future conditional funding of this nature is not recognized in the Plan's current year or as available to fund a project where funding certainty is required.

Darwin Leasing Offer

One of the City's due diligence steps has been to ensure that the proposed long term lessee of the development lands has the capacity to pay an amount of approximately \$210 million. The proposed lessee, Darwin, was the successful proponent further to the public Request for Proposals for acquisition and development of these lands to pay for HJCRC, and the City is currently in negotiations with Darwin on the details of the proposed land lease and development agreements. Given the potential financial consequences for the City if a lessee were to default under the terms of the Agreement once construction of the Harry Jerome has begun, the City is taking steps to understand and mitigate this risk.

For this reason, the preparation of the agreements between the City and Darwin will provide safeguards to protect the City's interests. Guarantees under the form of a deposit, letter of credit, parental company guarantee, and ownership security of various building spaces have been negotiated with Darwin and will provide some financial guarantees in case of default.

Note that if the City exercises its right to cancel the HJCRC project on the north lands and cancels any remaining phases of the long term development lease on the south lands, the City would be liable to Darwin for reimbursement of their rezoning costs and their Request for Proposal (RFP) preparation costs but not for other costs or potential economic loss.

Debt Financing

The City is setting aside an amount of \$2.6 million per year for the HJCRC project. It has been assumed that this amount could be used to offset the cost of debt reimbursement once the project is completed. Based on latest interest rate increases, staff estimate that an annual debt reimbursement of \$2.6 million would allow the borrowing of an amount of approximately \$50 million. Based on the fact that interest rates could increase further in the coming years, staff recommends that a conservative debt amount of \$45 million be considered in the financial modeling. Furthermore, as discussed below in the section discussion operation and maintenance costs, staff recommend minimizing the size of a long-term capital loan to offset the additional operation and maintenance cost of the larger facility.

To meet Council's requirement for interim financing solutions to fund construction of the HJCRC prior to the commencement of construction of the HJNL, staff could arrange construction borrowing during the project. At this time, the cost of the interest has not been considered in

the project cash flow. While construction-borrowing arrangements will be required to allow tendering, it is unclear if funding of this source will actually be required to fund construction. It is also important to note that based on current rates and City revenue, City residents approval through a referendum or an alternative approval process would be required if an amount in excess of \$90 million needs to be borrowed.

Cash Flow Analysis

The development of the cash flow and financing options for this project is challenging given the level of risk and uncertainty. It is important to note that there are two aspects with regards to the financial needs of the projects. First, the City must have sufficient funding to cover expenses upon receipt of invoices. However, a second, more stringent aspect is that funding needs to be in place prior to project tendering.

This translates into having solid financial agreements in place prior to tendering. For instance, staff considers that if the project is to be funded with a loan, the loan should be in place before tendering. Taking this into consideration, staff has made some assumptions with regard to the scheduling of the project's tendering and created a financing scenario. The results are summarized in the following table. The table includes assumptions regarding Darwin's lease payments on the basis of the agreement currently under negotiation.

Table 2 – Annual Cash Flow Summary Forecast

Estimated Cash Flow Summary (in million \$)

	Total	2018	2019	2020	2021	2022	2023
Financing Need - Project Tendering	\$ 237.4	\$ 19.8	\$ 15.6	\$ 157.3	\$ 8.9	\$ 15.4	\$ 20.4
HJCRC Design, Project Oversight and Constructio	\$ 200.7	\$ 10.3	\$ 15.3	\$ 157.3	\$ 2.4	\$ 15.4	\$ -
Lawn Bowling relocation	\$ 6.5	\$ 6.5	\$ -	\$ -	\$ -	\$ -	\$ -
Silver Harbour (Relocations, TI's, Rent)	\$ 3.0	\$ 3.0	\$ -	\$ -	\$ -	\$ -	\$ -
Temporary Skatepark	\$ 0.3	\$ -	\$ 0.3	\$ -	\$ -	\$ -	\$ -
<i>Non-recreational amenities and improvements</i>							
New park	\$ 6.5	\$ -	\$ -	\$ -	\$ 6.5	\$ -	\$ -
Non-market housing units (80 units)	\$ 15.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15.4
Childcare (37 spaces)	\$ 5.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.0
Funding Sources	\$ 255.0	\$ 27.7	\$ 53.0	\$ 112.6	\$ 73.4	\$ 2.6	\$ (14.3)
Civic Amenity Reserve	\$ 24.4	\$ 14.0	\$ 2.6	\$ 2.6	\$ 2.6	\$ 2.6	\$ -
Contributions - 2 Projects (CAC and Density Sale)	\$ 13.7	\$ 13.7	\$ -	\$ -	\$ -	\$ -	\$ -
Park DCC Reserve	\$ 3.2	\$ -	\$ -	\$ -	\$ 3.2	\$ -	\$ -
Darwin - 3 phase payments	\$ 213.7	\$ -	\$ 50.4	\$ -	\$ 87.6	\$ -	\$ 75.7
MFA Borrowing	\$ -	\$ -	\$ -	\$ 90.0	\$ -	\$ -	\$ (90.0)
Internal Borrowing	\$ -	\$ -	\$ -	\$ 20.0	\$ (20.0)	\$ -	\$ -
Cumulative Annual Excess Funding	\$ 17.6	\$ 7.9	\$ 45.3	\$ 0.6	\$ 65.1	\$ 52.3	\$ 17.6

Based on a 2020 HJCRC project tendering, a significant funding shortfall would occur that year. The scenario assumes that the City will arrange for a \$90 million loan, the maximum amount available without going through a referendum or an alternative approval process. The City will also adopt a resolution to provide \$20 million through internal borrowing from internal reserves, mainly the Tax Sales Land Reserve Fund. This will provide \$110 million of funding to allow project tendering with a surplus of less than \$1 million. The borrowing is expected to be reimbursed (\$20,000,000) in 2021 and (\$90,000,000) in 2023 with proceeds from the Darwin

land lease. Most of the amount advanced by the City should be considered as bridge financing until final property transfer to Darwin.

The review of the above table provides the following information:

- 1) The City should make arrangements to borrow \$90 million and allow internal borrowing of \$20 million by 2020, for interim construction financing until Darwin takes possession of the various phases, to allow the project to proceed. The project cash flow defers \$15 million for the purchase of some of the interior fit-out items in 2022 to better match cash outlays with expected funding receipt. As an alternative, the HJCRC project could be (1) tendered and/or built in further phases, or (2) delayed by one or two years, noting that phasing of the project may be limited by the fact that underground parking should ideally be built in one phase and that construction prices have been increasing steadily for a number of years.
- 2) The project should only proceed if an initial contribution of at least \$50 million is provided by Darwin prior to project tendering.
- 3) The proposed scenario would not leave much room to accommodate substantial cost overruns. The tendering and construction of the project could be compromised if prices quoted by contractors turn out to be above budget estimates.
- 4) If needed, the available funding could potentially be increased by \$15 - \$20 million if the childcare and non-market housing components are excluded from the project or, alternatively, if childcare is provided by a for-profit entity at reduced City cost and non-market housing is funded from the Affordable Housing Reserve Fund.
- 5) The forecast anticipates that the project could be completed with \$17.6 million in excess funding. The excess funding should be kept as a contingency fund and used for other purposes only following project completion. The recommendation proposes that any excess funding be used in priority to restore the Community Amenity Contribution of 150 East 8th Street and the proceeds of the density sale to 1441 St. Georges Ave.
- 6) The model assumes that the City reimburses the \$90 million MFA loan in its entirety. The interest and long-term loan repayment savings could provide additional operating funding to cover the potential increase of the new Centre operation and maintenance costs.
- 7) Table 2 aims to ensure that financing will be available for tendering purposes. Actual disbursements will occur only once work or products have been delivered. Assuming no issues/delays regarding the Darwin agreement, it is likely that some of the funding provisions included in the table will not be used to their full extent.
- 8) Ultimately, there could be a substantial pricing differential if the City was in need of seeking a new HJNL purchaser as market conditions cannot be predicted, and revenues will fluctuate with values at time of land transfer. Some guarantees have been requested from Darwin to mitigate risk in this regard.

Risk Mitigation

This report has identified a number of risks. If Darwin or any developer were to default at any stage after the first phase on the development lands, the City has identified a number of factors to mitigate the risk to the City. For this reason, the preparation of the agreements between the City and Darwin will provide safeguards to protect the City's interests. This is important. For example, in the absence of sound mitigation in the agreements, if Darwin was to default on the agreement or substantially delay payments, the project could be delayed and/or the City could find itself significantly in debt with little or no available funding in its Tax Sales Land Reserve Fund. The City would cease receiving annual interest revenue from the Tax Sales Land Reserve Fund to fund some of its capital projects. Furthermore, in the event of lease payment default, the City would need to increase taxes by approximately 6% to pay an estimated \$5 million annually in principal and interest on a potential \$90 million loan.

Many of the risks identified in this report should be expected in a project of this magnitude. Accordingly, the Recommendation on page 1 of this report recommends to continue with the design, tendering and construction of the Harry Jerome Community Recreation Centre and discussion of a land lease agreement with Darwin Properties. However, the Recommendation also directs staff to implement the risk management measures discussed in this report.

Given the size of this project in comparison to the City relatively small financial resources, there are a number of identified project risks to mitigate. For the purpose of minimizing risks, staff have compiled the following potential measures for consideration:

- 1) set aside projected excess funding as a contingency until project completion and prioritize allocation of HJNL proceeds to refunding the project debt;
- 2) phase project to match revenue and expenses as much as possible;
- 3) defer optional non-recreation amenities included in the Darwin agreement to a latter phase of the HJNL project;
- 4) monitor Darwin's permitting/construction/sale progression;
- 5) include disbursement deadlines in Darwin's agreement to control compliance or default;
- 6) request guarantees and/or bonding from Darwin in addition to deposits, and provide for City resumption of the pre-zoned and subdivided and serviced future phases of the lands in the event of any default;
- 7) identify additional funding sources e.g. CAC's, Affordable Housing Reserve, DCC's and surplus land sales;
- 8) Convert part of the MFA bridge financing into a long-term loan (this may reduce funding availability to fund operation and maintenance cost of the new HJCRC); and/or
- 9) Seek senior government funding such as Federal Grant Program.

Operation and Maintenance Cost – Impact on Debt Financing

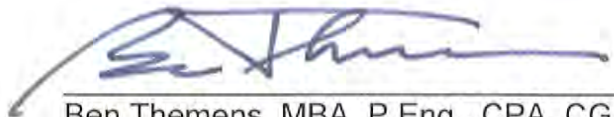
It is important to note that preliminary cost estimates indicate that the operation and maintenance (O&M) cost of the proposed new HJCRC will be approximately \$1.4 million more than the current Centre. There currently is no provision for O&M cost increases in the City budget and there is uncertainty with regard to the District of North Vancouver cost sharing contribution. However, at this time, considering the fact that the current funding scenario of the project is not anticipating the use of long-term debt, the amount set aside annually for the construction of the new HJCRC will suffice to fund anticipated additional O&M costs. This being

said, Council may want to consider the implementation of pay parking to allow the recovery of some of parking related costs.

INTER-DEPARTMENTAL IMPLICATIONS:

This report has been prepared with the assistance and information received from the Strategic Initiatives & Services and Planning departments. The report has been reviewed by the Major Project Team on July 17, 2018.

RESPECTFULLY SUBMITTED:



Ben Themens, MBA, P.Eng., CPA, CGA
Director of Finance

HARRY JEROME COMMUNITY RECREATION CENTRE

March 2019



Purpose:

To respond to Council's request for options to minimize HJCRC cost and risk exposure.

1. Project Evolution
2. Project Details: Program Components & Site Factors
3. Updated Cost Estimate
4. Potential Cost Reductions
5. Next Steps

Project Evolution:

Research & Study

- Buildings
- Program
- Site

Stakeholders

- Varied relationships and structure

Project Approach

- Financing
- Timing

Project Evolution:

Council Resolutions regarding Site/Location:

- New HJCRC to be located on north side of 23rd Street
- Relocation of Skatepark with interim facility during construction
- Relocation of Silver Harbour (interim and permanent)
- Relocation of Lawn Bowling
- Relocation of Flicka Gymnastics Club

Resolutions regarding Program:

- Proceed to Detailed Design based on HJCRC Schematic Design
- Include a Curling (6 sheet) Facility and a community focused 50 M pool
- Include Silver Harbour and request land transfer

Project Details: Program Components

Existing Scope:



Social Spaces for gathering and casual activities



Aquatic Centre: 53 M / 8 lane pool, leisure pool, hot tubs, steam room and sauna



Fitness Centre



Gymnasiums (x2)



Silver Harbour Seniors' Activity Centre



Youth Centre



Spaces for children and their families



Multi-purpose rooms



Arts and cultural spaces



Arena with 500 spectator seats



Curling Facility (6 sheet)



Food services



Outdoor sports court



New skate plaza



Underground Parking (400 stalls)

Project Details: Site Factors



Site Factors:

- North Shore Location
- Site Access
- Topography
- Site Area
- Construction Footprint

Class Estimates

Project estimates are undertaken as part of the design process at four key intervals:

- Class 'D': Concept Design - Order of Magnitude estimate: +/-50%
(10% design completion)
- Class 'C': Schematic Design - Preliminary Design estimate: +/-15%
(25% design completion)
- **Class 'B':** Design Development - Detailed Design estimate: +/- 10%
(50% design completion)
- Class 'A': Tender Drawings - Pre-Tender Design estimate: +/-5%
(95% design completion)

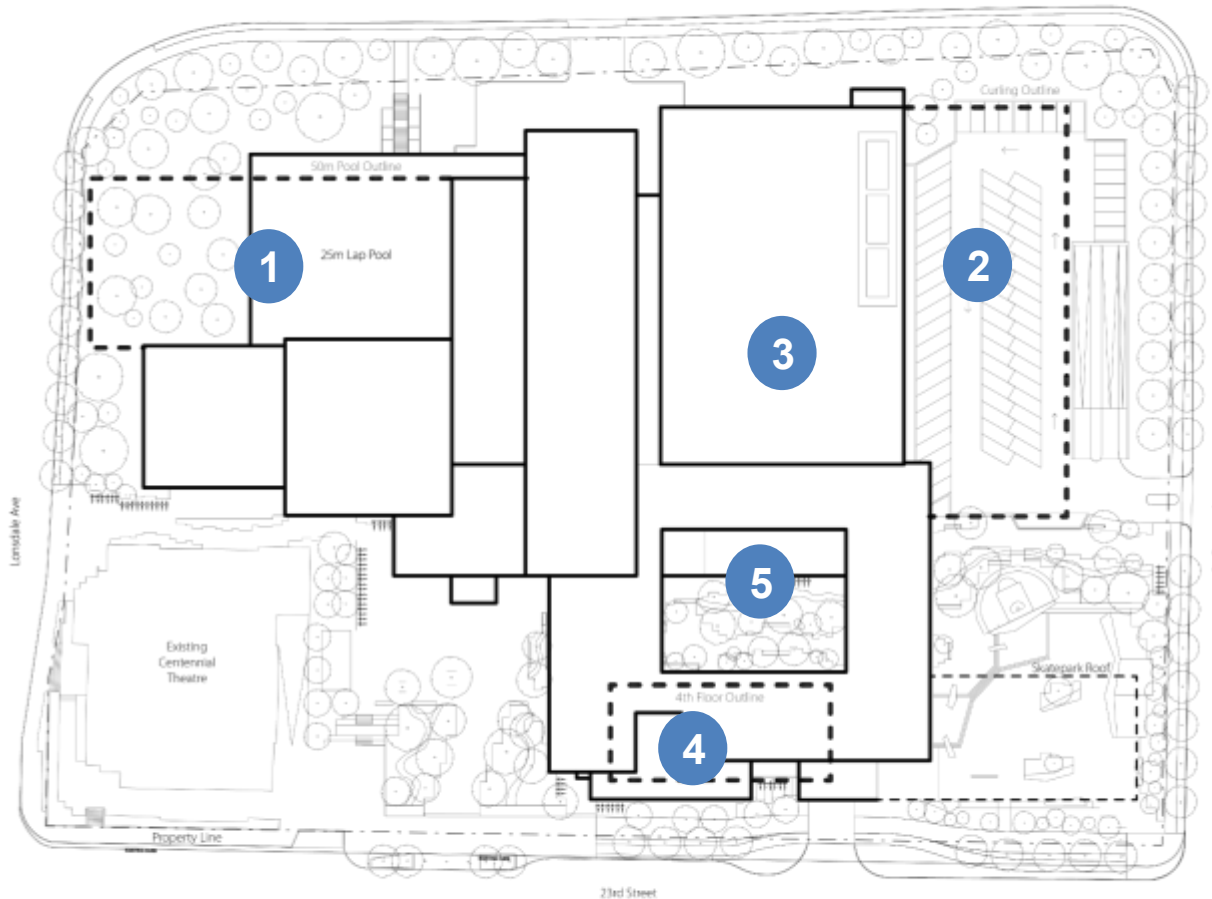
Class 'B' Estimate

	CLASS 'B' EXISTING SCOPE (Feb 2019)	CLASS 'B' REDUCED SCOPE (Feb 2019)	CLASS 'C' EXISTING SCOPE (July 2018)
Construction & Soft Costs	\$ 181,014,900	\$ 157,559,200	\$ 166,963,600
Contingencies & Escalation	\$ 28,872,900	\$ 24,913,600	\$ 32,337,300
Project Oversight (Internal / External)	\$ 2,891,000	\$ 2,891,000	\$ 1,391,000
HJCRC TOTAL	*\$ 212,778,800	\$ 185,363,800	\$ 200,691,900

** Additional items included in the 2019 Class 'B' estimate not included in 2018 Class 'C' are as follows: \$1.5 million for External Project Management and \$500,000 for BC Hydro capacity design (cost of physical upgrades still to be determined)*

Cost Reduction Options:

Trans Canada HWY (on ramp)

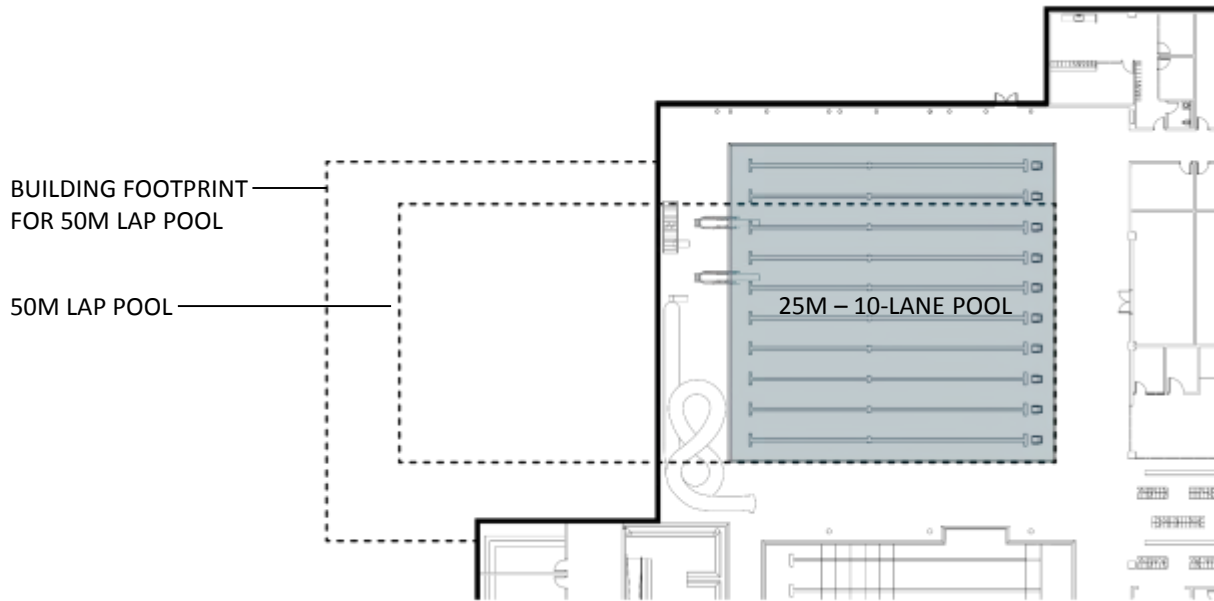


1. Aquatics
2. Curling
3. Rooftop Use
4. Building Form
5. Windows

Cost Reduction Option: Aquatics

Reduction of 53 M 8-lane pool to a 26.5 M 10-lane pool

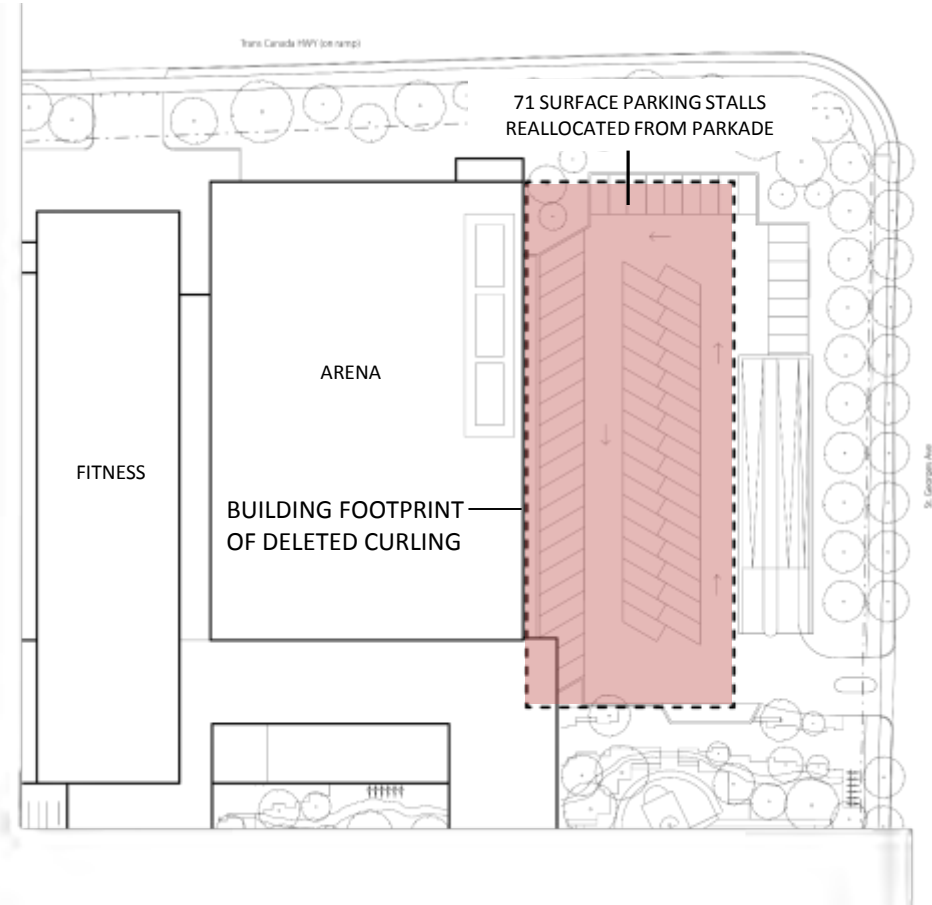
- PERC recommendation is for a 25 M pool
- Capital cost reduction: (\$4,626,700)
- Net operating cost reduction: (\$200,000 – \$1,000,000) per year



Cost Reduction Option: Curling

Removal of Curling Facility / Reallocation of Parking:

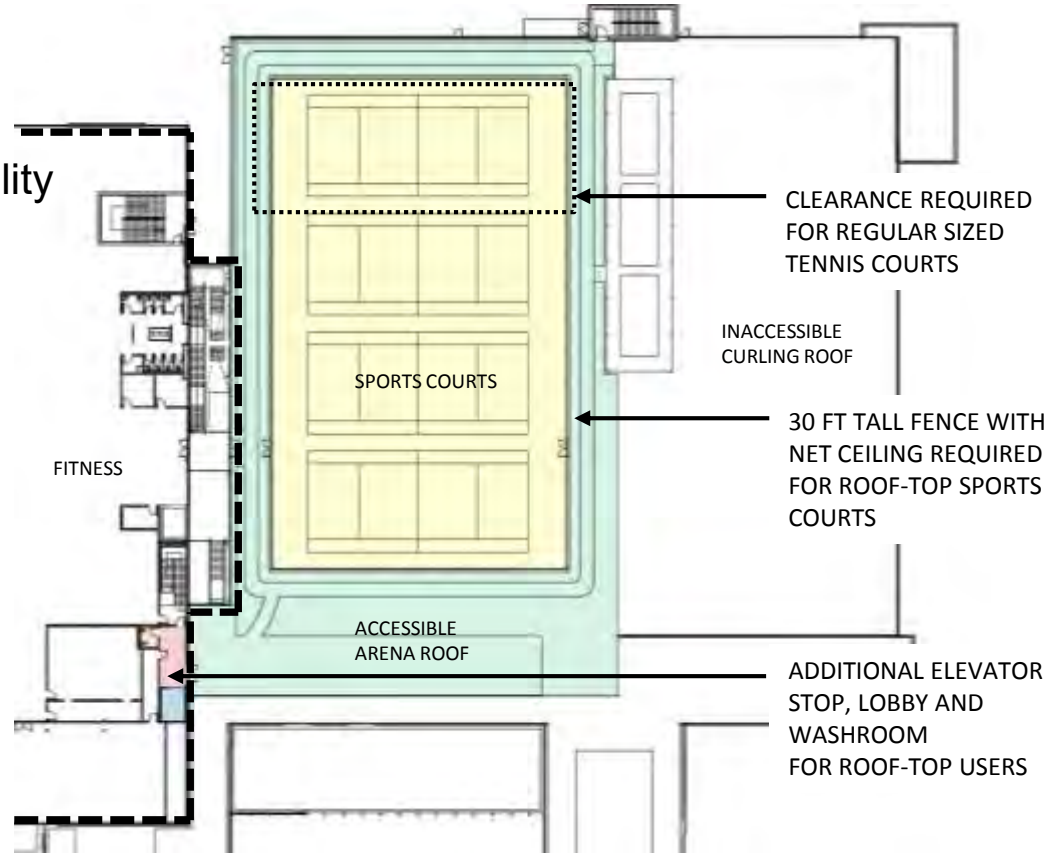
- Capital cost reduction:
(\$17,762,100)
- Net operating cost reduction:
(\$150,000 - \$200,000) per year



Cost Reduction Option: Rooftop Use

Removal of Rooftop Sports Courts & Walking Track:

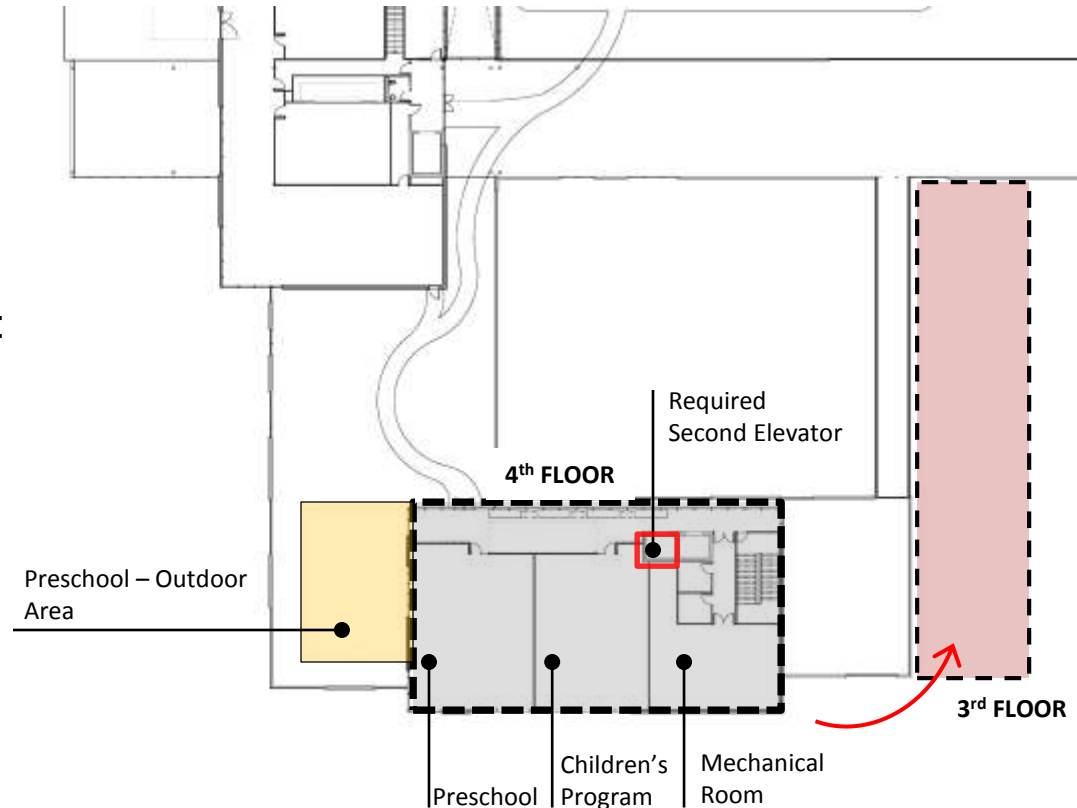
- Does not provide high quality facility
- Structural premium
- Capital cost reduction:
(\$3,093,100)
- Operating cost reduction:
Modest



Cost Reduction Option: Building Form

Reduction of South Building Form

- Four to Three Storeys
- Capital cost reduction: (\$2,086,500)
- Operating cost reduction: Modest



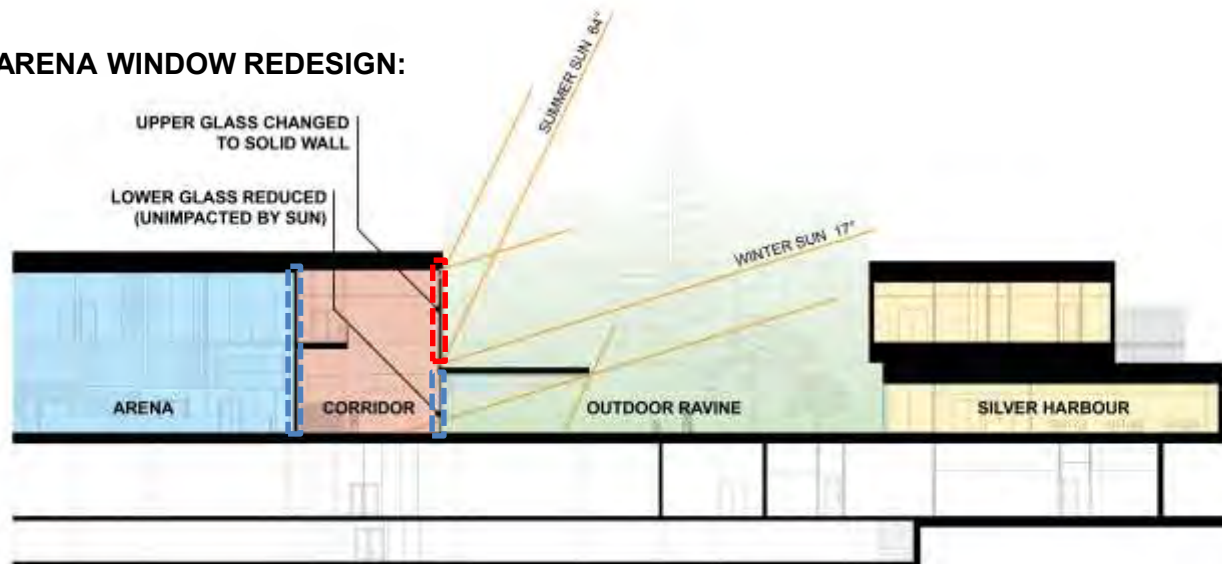
LEVEL 4 PLAN (BEFORE) | SOUTH BLOCK

Cost Reduction Option: Windows

Reduction of Windows

- Capital cost reduction: (\$204,600)
- Operating cost reduction: Modest

ARENA WINDOW REDESIGN:



Summary of Cost Reduction Options:

Potential Capital Cost Reductions (inclusive of soft costs & contingencies)

(1) Reduction of 53 M 8-lane Pool to a 26.5 M 10-lane Pool	(\$ 4,626,700)
(2) Removal of Curling Component & Reallocation of Parking	(\$ 17,762,100)
(3) Removal of Rooftop Uses (Sports Court / Walking Track)	(\$ 3,093,100)
(4) Reduction of South Building Form	(\$ 2,086,500)
(5) Reduction of Building Windows	(\$ 204,600)

Redesign Implications

Redesign Fees	\$ 358,000
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TOTAL Combined Capital Reduction	(\$ 27,415,000)
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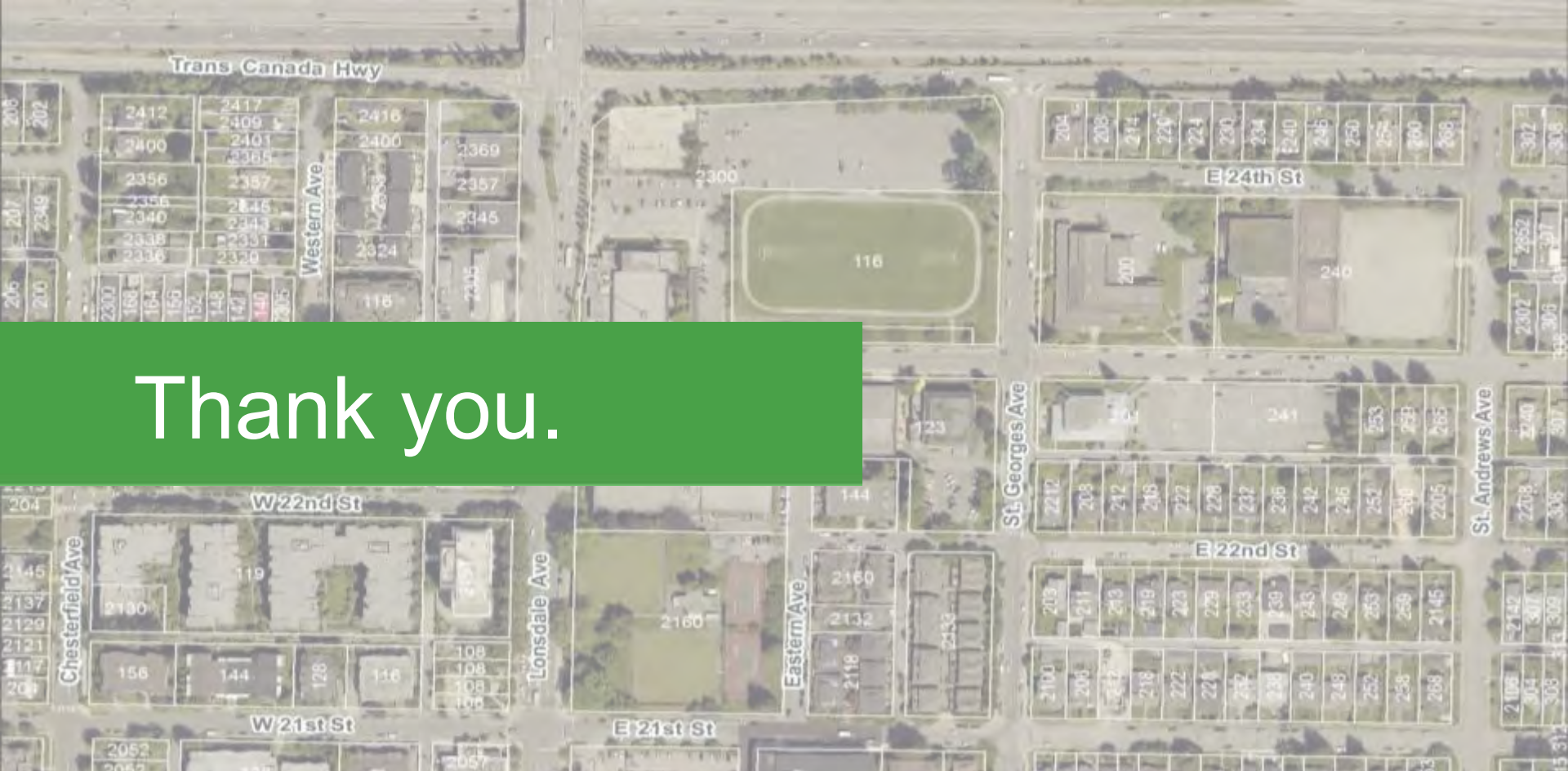
Summary of Cost Reduction Options:

Potential Net Operating Cost Reductions (per year)

(1) Reduction of 53 M 8-lane Pool to a 26.5 M 10-lane Pool	(\$200,000 – \$1,000,000)
(2) Removal of Curling Component	(\$150,000 – \$250,000)
(3) Removal of Rooftop Uses (Sports Court / Walking Track)	Modest Reduction
(4) Reduction of South Building Form	Modest Reduction
(5) Reduction of Building Windows	Modest Reduction
TOTAL Net Operating Reduction (per year)	(\$350,000 - \$1,250,000)

Next Steps

PROJECT SCHEDULE (with reduced scope)	START	FINISH
Council - Project Approval to Proceed	July 2018	
Council - Confirmation of Project Scope	March 2019	
HJCRC Redesign Stage	Mar 2019	April 2019
HJCRC Contract Document Stage	May 2019	Feb 2020
Council - Approval to Proceed to Tender	Nov 2019	
HJCRC Tender & Permits	Jan 2020	May 2020
Silver Harbour Relocation (Interim)	Sept 2021	Sept 2023
HJCRC Construction	June 2020	Mar 2023
HJCRC Commissioning	April 2023	Oct 2023
HJCRC Project Completion	Nov 2023	



March 2, 2019

Councillor Don Bell
City of North Vancouver
dbell@cnv.org

Dear Mr. Bell,

Re: Inclusion of curling in the new Recreation Centre

It is with mixed emotions that I talk about curling on the North Shore this month. On March 14 my curling team of 1985 (representing the North Vancouver Recreation Centre, now Harry Jerome) will be inducted into the North Shore Sports Hall of Fame, an amazing honour. On March 4, your council will review its decision to include curling in the new recreation centre, a very disappointing change in the plans.

After a long consultation process, I was extremely pleased with the vote to bring curling back to North Vancouver. I live in the District of North Vancouver but my mother lives in the City, so I was very interested in the process.

As a junior curler, I participated in curling at three curling clubs in North Vancouver – the North Shore Winter Club, the North Vancouver Recreation Curling Club, and the Capilano Winter Club. Many great curlers learned to play on the North Shore, and many more enjoyed the sport with their family and friends. When curling was eliminated from these facilities, people had to face the daunting traffic issues of the North Shore and cross the bridge to participate. School children and those unable to drive could no longer play.

As a person who has been involved in the sport of curling as a participant, coach, administrator and broadcaster, travelling across Canada and around the world to teach and cover the game, I don't understand how any community could fail to see the wonderful benefits of the sport of curling. It is one of the few sports that encourages participation from men and women of all ages, along with the visually impaired, deaf curlers, wheelchair curlers, and Special Olympic athletes. The game is inclusive, modified as needed, and taught by dedicated volunteers.

I hate to use the problems of one sport to make my case. But at a time when other winter sports are struggling with major problems, curling provides a great place for youth and families to play.

I am providing you with a quote from the Globe and Mail (a story published June 1, 2014 and updated May 12, 2018):

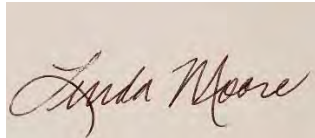
It remains Canada's national sport, a way to forge our identity, feed our passion. But for parents worried about the health of their children, hockey is no longer the game of choice. Faced with a near daily stream of new research about the alarming and often long-term effects of concussions on youth, more and more parents are balking at hockey's dangers, which includes a significantly higher risk of attempting suicide; links to anxiety and depression; and such emotional and cognitive symptoms as disturbed sleep, difficulty concentrating, frustration and forgetfulness. Confronted with all that, parents are enrolling their children in seemingly safer sports.

I acknowledge that the financial investment for any building is significant, but it seems that curling is the only sport that is routinely removed from plans without much thought to the impact on the community. This is a sport with so much to give.

I also object to the way that changes to the plans are placed on the council's agenda without notice to the group involved. This prevents the curling group, and its many skilled members, from providing any new information to councillors. It seems that those on council who last year wanted more review and thought now want to immediately push a new plan forward.

I have lived in North Vancouver for 63 years and have seen many changes to this community. I applaud the improvements that have been made to this area, and thank you and all the other dedicated mayors and councillors who have worked so hard to make this a great place to live. But I am also shocked by the decisions that fail to reflect the unique and important aspects of the North Shore. Curling is part of the history of North Vancouver and should be a part of its future.

Sincerely,

A handwritten signature in dark ink on a light beige background. The signature is written in a cursive style and reads "Linda Moore".

Linda Moore
1208 Gladstone Ave.
North Vancouver, BC V7L 4H3

Subject: FW: March 4th Agenda

From: Bruce Tout < >
Sent: March-03-19 3:53 PM
To: Karla Graham <kgraham@cnv.org>
Subject: Fwd: March 4th Agenda

Dear Councillors and Mayor,

In reviewing the March 4th agenda, I noticed that a staff presentation and I assume a council decision will be made reducing the present design scope of the New Harry Jerome Community Centre. There are a few observations I would like to make regarding the proposed scope reductions, particularly the pool.

1. Over the last 2 years there has been public consultation with residents, users, city staff and recreation staff. Open houses, town hall meetings, surveys and consultations with users and user groups were all part of the process in determining the present proposed Harry Jerome Design.
2. The present Harry Jerome design was through the hard work of City Staff and North Vancouver Recreation Staff in collaboration with recreation users and user groups. The design of the facility was based on an all-inclusive facility which would be a centre piece in the city for indoor recreation activity.
3. The 50-metre pool proposed, is a community pool designed to meet community needs, today and into the future. It is not an Olympic size pool or even a pool facility that meets national event standards for most aquatic sports. What it does allow is for many aquatic programs to be reinstated on the North Shore. Programs such as underwater hockey, inner tube water polo, scuba diving lessons, canoeing lessons and snorkeling were once all offered by the North Vancouver Recreation Commission.
4. The primary purpose for a 50-metre pool, is the flexibility and multi user ability. Whether the 50-metre pool has 8 lanes, 6, lanes or 5 lanes, the usability of a 50-metre pool is significantly more than a 25-metre pool due to the different bulkhead locations which provide many pool configurations. I would like to state, that a 6 lane 50 metre pool is a popular pool used across this country as a community pool. A 10 lane 25 metre pool is not. I believe there are only 2 in all of Canada.
5. The present operating cost of the current Harry Jerome pool is approximately \$800,000 per year. The average operating cost of the 8 lane 50 metre pool is approx. \$1.2 million per year. Some municipalities operate their 50- metre pool for less than the existing 25 metre Harry Jerome pool. I suggest you review the operating costs of the Kamloops Canada Games pool. Why are the costs so low? – usability, flexibility and pool rental potential reduce costs while simultaneously maintaining public access.
6. **Finally, and most importantly**, the current council is considering reducing the scope of a project which has been through a public review process and approved by a previous council. Being fiscally responsible is very important, but this has already been addressed with funds generated by the South

of 23rd development/ land lease. Now the present council is proposing bypassing due process and public input for an unknown agenda which probably involves redirecting funds from the Harry Jerome Project to other areas. To a resident of North Vancouver, this does not look very transparent, satisfactory or meet the requirements of public input.

In conclusion, I encourage you to do what is right for the community today and into the future. We all want a healthy community, but we need the facilities to do so. Let's not discard all the good work that has been put into this project for what I perceive as political gain. Let's continue to "Do the right thing."

Sincerely,

Bruce Tout - concerned citizen

Subject: FW: March 4 could prove to be a sad day for the residents of the CNV - please approve a 39m pool as a compromise

-----Original Message-----

From: Garcia, Joseph < >

Sent: February-28-19 9:43 PM

To: Linda Buchanan (Mayor) <l Buchanan@cnv.org>; Angela Girard (Councillor) <agirard@cnv.org>; Jessica Mcilroy (Councillor) <jmcilroy@cnv.org>; Tina Hu (Councillor) <thu@cnv.org>; Holly Back (Councillor) <HBack@cnv.org>; Don Bell (Councillor) <dbell@cnv.org>; Tony Valente (Councillor) <tvalente@cnv.org>; Barbara Pearce <BPearce@cnv.org>

Subject: March 4 could prove to be a sad day for the residents of the CNV - please approve a 39m pool as a compromise

Dear Mayor Buchanan and Council,

I am writing about the March 4 council meeting agenda. I noted the recommendation to scale back the HJ project. I suspect nothing I write will persuade those who have decided to support the resolution to change their mind.

That said, it must be pointed out that a 25m pool with enough additional room for one bulkhead is not a reasonable compromise. Its uses will be very limited. What will very likely occur is that 25m will be used for swimming lanes over other uses (on a more frequent basis) and other groups will significantly suffer. Think of the new Delbrook pool where our sports organization has not been able to rent the pool for a single hour.

The natural compromise is to build a 39m pool with one bulkhead so swimmers can use 25m and another group, concurrently, can use 12.5m. If you approve the recommendation then you will be advancing a substantially limited pool facility. The logical solution, although far from perfect, is to build a pool the size of the one in the West Vancouver Community Centre (39m). Please keep in mind that the facility must support the community for the next 50 to 70 years.

I implore you to please consider this option. Although the pool would be reduced in size by 25%, it would serve a much wider segment of the population. That is a win win solution. Nobody is happy but everybody gets what they need (more or less).

Kind Regards, Joe Garcia

Blake, Cassels & Graydon LLP

595 Burrard Street, Suite 2600, Vancouver BC V7X 1L3

PS I attach two pictures taken at the WVCC tonight. You can see dozens of children swimming in the 25m portion of the pool and a significant number using the diving boards in the 12.5m portion (unfortunately the majority were gathered speaking with a coach to the right and I did not realize I did not capture them in the picture).





Subject: FW: 50 meter pool

-----Original Message-----

From: Lucy M Turnham < >

Sent: March-02-19 12:52 PM

To: Karla Graham <kgraham@cnv.org>

Subject: 50 meter pool

Dear Mayor Buchanan and City Council, Thank you for supporting the 50 metre pool in our community. The City was the first community on the North Shore to build an indoor pool and I am so happy to see the City continuing to be a leader by building a 50 metre pool. This is a badly needed recreation facility that will not only deliver greater services to the City, it will be a fantastic asset for many generations. Thank you for your vision for the future. Yours truly,