



TOWN OF SIDNEY

REPORT TO COUNCIL

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TO: Mayor & Council

FROM: Andrew Hicik, Director of Corporate Services

DATE: June 19, 2018 **FILE NO.:** 1700-20-2018

SUBJECT: Community Safety Building Budget Update

PURPOSE:

To provide an update on the latest projected cost of, and funding for, the Community Safety Building.

BACKGROUND:

The total budget for the Community Safety Building (CSB) has been increasing gradually since the second project component went to tender in spring of 2017. The reasons for this are well documented, and staff have been fully transparent in this regard, but chief among them is the extremely busy construction market in Greater Victoria. At the time the last tender award (TP6) was approved, in late April, staff indicated that we were working on a final budget estimate with our cost consultant; this is now being brought forward for information.

DISCUSSION:

The first formal budget amendment provided to Council after the start of construction was in October of 2017. At that time, it was evident that the project delays had resulted in the construction period falling within an extremely hot regional market, with very little competition in the tendered bids. The estimated project budget at that time was increased to \$14 million. Subsequent budget updates were provided with various tender package awards – the last one being TP 6 in April of this year – gradually increasing the project budget to an estimated \$15 million.

An article in the April edition of Town Talk updated the community on the project, and reassured everyone that the borrowing for the project would remain well within early projections, thanks to the anticipated proceeds from the sale of the fire hall/parking lot lands.

The cost consultants at Kinetic Construction have been working with Town staff on a final budget estimate that both parties could agree upon. With only one tender package remaining – primarily for civil works on and off site – a final project budget has been estimated at \$16.5 million. This includes all construction costs, as well as soft costs (design, engineering, connections, permitting, etc.) and fit-out costs of the building. With the first \$150,000 of the project funded through two small allocations of surplus, the amount remaining to be funded is \$16,350,000; this amount may be considered the current budget for the project.

The following table provides a concise summary of the project budget, as well as the proposed funding sources. Each of the funding sources will be discussed in more detail below.

Total Project Cost	\$ 16,350,000
<u>Less:</u>	
Proceeds from sale of existing fire hall site	(7,000,000)
BCEHS lease payments	(2,500,000)
Gas Tax revenues	(500,000)
Surplus	(620,000)
Rebates/Recoveries	(30,000)
Infrastructure Reserves (for Offsites)	-
Net Borrowing Amount	\$ 5,700,000

Site Sale Proceeds

Council recently approved a sale agreement for the site of the existing fire hall, as well as the adjacent parking lot. The agreement calls for a base sale price of \$9 million for the two properties. It is suggested that \$7 million of this amount be allocated to funding the CSB; the disposition of the additional \$2 million may be considered later, but this also may be used to reduce the amount of borrowing required for the project.

The sale of the fire hall property was always considered a funding source for the CSB project. Early estimates for proceeds of this sale were extremely conservative. The sale of the adjacent parking lot was an additional option to minimize the amount of borrowing required for the project; the cost escalation moved the sale of this additional land to a primary consideration. A higher and better use for both of the sold properties was always envisioned in the Town's Local Area Plan for downtown, and was one of the factors considered in the siting of a new fire hall.

It should be noted that the construction and real estate market that has led to our cost escalations is the same market that has allowed us to capitalize on the proceeds of our land sale; the latter has helped to offset the former.

BCEHS Lease

Keeping the Ambulance service in Sidney was one of the primary motivators in advancing this project quickly. The lease for their current station was expiring, and the private land on which it is located is being marketed for development. Had we lost the ambulance service to another location on the Peninsula, valuable response time would have been lost to Sidney residents. In early 2018, Council approved a formal lease agreement with BCEHS that will keep the ambulance here for at least 20 years, with an additional 20 years in potential renewals. The formal agreement calls for a contribution of \$2.5 million to the overall project, which covers the incremental cost of the Ambulance station over the initial 20-year term; lease payments for renewal terms would be net revenue for the Town.

The original project budget included a smaller Ambulance station; ongoing discussion with BCEHS increase the scope and cost of this component from \$1.2 million to \$2.5 million, which was another major factor in the overall budget increase.

Gas Tax Revenues

\$500,000 in Gas Tax revenue has been earmarked as funding for the CSB since early in the project. This funding source is meant to cover some of the incremental costs of making this a post-disaster building, which was another key motivator in pursuing a new fire hall.

Surplus

Once costs began to escalate in 2017, a \$500,000 allocation of surplus was recommended as additional funding for the project. An additional \$120,000 is indicated as funding in this latest update. This is money set aside from recovery of Fire Department costs in the BC Interior during last summer's wildfires, and is specifically intended for interior fit-out and equipment.

Rebates/Recoveries

This amount is for Fortis rebates on efficient, gas-powered appliances, as well as a recovery from CREST for the design work associated with a radio room that is being planned for the CSB.

Infrastructure Reserves

This was another source of funding proposed last fall to cover cost escalations. It was supposed to pay for some of the offsite works (road, sidewalk, etc.) along Eighth Street that were not a core component of the project, but were still required to comply with Town bylaws. Now that we have an established, higher figure for site sale proceeds, it is proposed that this funding source be eliminated, and the funds left in the reserve for actual infrastructure replacement.

Borrowing

Borrowing was always identified as the largest funding source for the CSB project. The Town received approval for borrowing up to \$10 million for the project; \$3 million of this amount has already been drawn, with the impact included in the 2018 tax increase of 2.43%. Under the current funding proposal, it is estimated that an additional \$2.7 million will need to be borrowed for the Town's portion of the building. This would mean a total of \$5.7 million, which is on the lower end of the range we've always predicted: \$5-\$8 million. The estimated tax impact of an additional \$2.7 million in borrowing would be approximately 1.25% for the average residence, all things being equal; however, it should be noted that growth in the tax base – including the potential addition of the development on the fire hall lands – will lower this impact on existing residents and businesses, as additional taxpayers would be available to shoulder some of the burden. Any further allocation of sale proceeds to this project would lower the borrowing amount even more.

It should be noted that while \$7 million in sale proceeds is being recommended here for CSB funding, the minimum amount that is required – in order to remain within the allowable \$10 million borrowing bylaw – is \$5.2 million. With \$2.5 million for the Ambulance station, the Town is limited to a total of \$7.5 million for its own needs. As noted above, the BCEHS lease payments fully cover their \$2.5 million, which is why we make reference to the "Town portion" of borrowing only in most of our discussions.

FINANCIAL IMPACTS:

The financial implications of the latest CSB budget estimate have been covered in detail above. What should be noted, however, is a comparison with the City of Victoria, who have recently approved a budget for a new CSB of their own, which also includes a co-located ambulance station. Sidney's CSB totals 30,063 square feet, including the BCEHS component of 6,119 square feet. At a total cost of \$16.5 million, this equates to a cost-per-square-foot of \$549. Victoria's budget is \$33.7 million, for a building totaling 41,700 square feet; this projects to a cost-per-square-foot of \$809, which is significantly higher than the Sidney CSB. Our costs are not out of line in today's market.

As the CSB project nears the issuance of its final tender package, staff are looking at all possible synergies to keep costs impacts to a minimum. Since the commencement of construction, a staff team consisting of the CAO, Director of Corporate Services and Fire Chief, have attended a minimum of two construction meetings a month in order to ensure that this complex project remains on track. Recently, the paving work associated with the CSB was rolled into the Town's annual paving tender; this has resulted in considerable savings for both the CSB and other Town paving project through the additional volume of work being tendered. These same synergies will be pursued for the Downtown Employee Parking Lot project, which has recently been initiated.

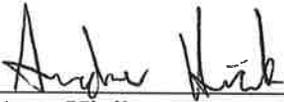
While the total project cost seems daunting, the costs should be considered over the expected lifespan of the asset. In pursuing a post-disaster CSB, Town Council has made a pro-active decision on behalf of the community that will ensure that emergency services may be relied upon for the next two generations. Replacement of the CSB should not be an issue for this community for at least the next 12 terms of Council.

RECOMMENDATIONS:

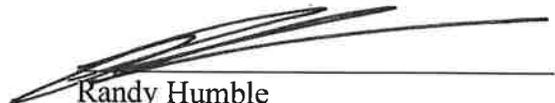
1. That this report be received for information; and
2. That \$7 million of the proceeds from the sale of the fire hall and parking lot sites be dedicated to funding the Community Safety Building.

Respectfully submitted,

I concur,



Andrew Hicik
Director of Corporate Services



Randy Humble
Chief Administrative Officer