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<b>SUBJECT</b>	Budget Revision - Gateway Health Building, UBC Vancouver (Nursing, Kinesiology, UBC Health, & Integrated Student Health Services)
<b>SUBMITTED TO</b>	Property Committee
<b>MEETING DATE</b>	September 13, 2023
<b>SESSION CLASSIFICATION</b>	Recommended session criteria from Board Meetings Policy: OPEN
<b>REQUEST</b>	<b>APPROVAL REQUESTED</b> IT IS HEREBY RESOLVED that the Property Committee recommends that the Board of Governors approve an increase of \$5 million to the capital budget for the Gateway Health Building at UBC Vancouver to \$194,910,700, to be funded through the Retained Risk Fund (\$3 million) and the Academic Capital Fund (\$2 million).
<b>LEAD EXECUTIVE</b>	Frank Laezza, Vice-President Finance & Operations
<b>SUPPORTED BY</b>	Gage Averill, Provost and Vice-President Academic, UBC Vancouver John Metras, Associate Vice-President Facilities Bhushan Gopaluni, Vice-Provost and Associate Vice-President Faculty Planning, UBC Vancouver Jennifer Sanguinetti, Managing Director, Infrastructure Development Yale Loh, Treasurer Aubrey Kelly, President & CEO, UBC Properties Trust

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#### PRIOR SUBMISSIONS

The subject matter of this submission has been considered by the Property Committee on the following occasions:

1. [March 16, 2022](#) (OPEN SESSION) – Board 3 Approval, Funding Release \$181,110,700  
Action/Follow up: Authorization to award construction contracts.
2. [April 7, 2021](#) (OPEN SESSION) – Board 2 Approval, Funding Release \$5,350,000  
Action/Follow up: Authorization to issue development permit and to proceed to working drawings and tender.
3. [December 3, 2020](#) (OPEN SESSION) – Interim Funding Release \$950,000  
Action/Follow up: Additional time needed to proceed to Board 2 in April 2021
4. [December 5, 2019](#) (OPEN SESSION) – Board 1 Approval, Funding Release \$2,500,000  
Action/Follow up: Proceed with architect selection and schematic design

The following Executive Summary provides an update from the date of the most recent submission.

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#### EXECUTIVE SUMMARY

In accordance with the [Capital Projects Policy](#), this approval request for Gateway Health Building is provided as part of the project management process for construction projects over \$5,000,000. The Board of Governors has delegated to the Property Committee the authority to make decisions on its behalf for construction projects between \$5 million and \$20 million. The aggregate estimated value of Gateway Health Building is \$189,910,700.

Further, the Capital Projects Policy requires that for capital project budget increases greater than 15% of the project budget or \$2.5 million, Board approval is required. Approval is therefore requested to increase the budget for the Gateway Health Building project by \$5 million to \$194,910,700.

The project commenced construction following Board 3 approval in March 2022 and confirmation of tender pricing having been received at or below budget for 80% of construction tenders. The approved capital budget for the project was \$189.9 million based on a Class “A” cost estimate with a projected variability of +/- 5%. The budget was based on 80% of tenders as is typical for UBC major capital project which are undertaken using the Construction Management project delivery method. Remaining tenders at the time of construction start included the mass timber supply. The approved budget included \$14.5 million in construction and escalation contingency.

UBC Properties Trust (UBCPT), the project manager, advised the university that as of July 15, 2023, contingency for the project has been fully used to address a variety of unanticipated change orders related to site issues and supply of mass timber, including the coordination of the hybrid mass timber system. UBCPT estimates that the project will be completed at \$5 million over the originally approved budget. The following is a summary explaining the causes and planned mitigations:

The causes:

- Excavation issues attributed to the encountering of contaminated soils, additional shoring measures to respond to poor soil conditions.
- Underground utility issues related the relocating/replacing of utility services that were not shown in as-built drawings.
- Structural issues relating to the post-tender procurement of mass timber and design coordination of the hybrid mass timber structural system.
- Significant variance in millwork budget from the Board 3 budget estimate

Planned mitigations:

The project team has already undertaken a variety of value-engineering measures to contain the cost increase. These are already factored into the revised project budget and estimated \$5 million cost increase.

The team is considering a series of additional, identified, cost saving measures and will hold any savings achieved through these measures as contingency until project completion. Some of these items include streamlining and simplifying systems and furniture purchases to ensure only essentials are acquired at this time.

The project team acknowledges significant lessons learned relating to mass timber construction; these will be articulated within the Board 4 report.

**Funding Sources for Budget Increase**

It is proposed that the \$5 million increase be funded by the Retained Risk Fund (\$3 million) and the Academic Capital Fund (\$2 million). The Retained Risk Fund (RRF) is intended to cover cost increases on major capital projects due to unanticipated issues encountered during construction. The contaminated soil issue, unexpected site servicing costs, and mass timber supply issues would all qualify for relief from the RRF. The RRF for the Vancouver campus currently has a balance of approximately \$13.5 million. The proposed \$3 million contribution to the project would bring the RRF down to the minimum threshold of 1% of current major project portfolio value. \$3 million is therefore the maximum amount that can come from the RRF.

The remaining funding is proposed to come from the Academic Capital Fund which was already the major funding source for the project. Other funding sources can also be pursued, including a potential contribution from the provincial government in support of the use of mass timber cost on the project, a government priority.

Funding Source	Board 3 March 2022	Revised August 2023
Internal Loans		
Academic Capital Fund (ACF) <sup>1</sup>	\$130,943,400	\$132,943,400
UBC Central (classrooms/UBC Health/\$10 million of Integrated Student Health Services budget)	\$34,053,700	\$34,053,700
Faculty of Education	\$1,000,000	\$1,000,000
Kinesiology (KUS) Student Fees	\$1,000,000	\$1,000,000
School of Nursing Student Fees	\$500,000	\$500,000
External Sources		
Donor Fundraising / VP Students (balance of Integrated Student Health Services)	\$12,862,700	\$12,862,700
CFI / Faculty of Arts (Language Sciences Initiative)	\$2,818,700	\$2,818,700
UBC Properties Trust (Commercial Retail Unit shell costs)	\$732,200	\$732,200
School of Kinesiology (Education)	\$3,500,000	\$3,500,000
Faculty of Applied Science	\$2,000,000	\$2,000,000
School of Nursing (Applied Science)	\$500,000	\$500,000
Retained Risk Fund	\$0	\$3,000,000
<b>Total Board 3 Capital Cost and Funding</b>	<b>\$189,910,700</b>	<b>\$194,910,700</b>

## APPENDICES

1. Revised Capital Budget
2. Project Schedule
3. Site Map

## PRESENTATIONS

1. Gateway Health Building – Budget Revision

## SUPPLEMENTAL MATERIALS (optional reading for Governors)

1. Recent Construction Progress Photos (as August 2023)

## Attachment 1 – Revised Capital Budget

UBC Properties Trust has provided the following updated project cost estimate for the Gateway Health Building.

Project Capital Cost Breakdown	Board 3	Revised Budget
	March 2022	August 2023
<b>Construction Costs</b>		
Construction	128,960,700	153,511,000
Public Realm	2,000,000	Included
UBC Municipal Services	400,000	400,000
GSAB Demolition (50% of Demo Cost)	750,000	750,000
Servicing (including BC Hydro relocation)	2,150,000	Included
Contingency	6,449,000	3,026,700
<b>Total Construction</b>	<b>140,709,700</b>	<b>157,687,700</b>
<b>Cash Allowances</b>		
FF+E	4,312,000	4,312,000
UBC IT	1,950,000	1,950,000
Secure Access/Signage/Moving	435,000	435,000
Classroom AV	2,750,000	4,400,000
Non-Classroom AV	1,650,000	Included
<b>Total Cash Allowances</b>	<b>11,097,000</b>	<b>11,097,000</b>
<b>Soft Costs</b>		
Consultants	17,484,000	16,400,000
Preconstruction/Permits	2,100,000	1,550,000
<b>Total Soft Costs</b>	<b>19,584,000</b>	<b>17,950,000</b>
<b>Building Subtotal</b>	<b>171,390,700</b>	<b>186,734,700</b>
Project Management	4,285,000	4,285,000
<b>Building Total</b>	<b>175,675,700</b>	<b>191,019,700</b>
GST	2,863,000	3,184,000
Construction Period Financing <sup>1</sup>	1,300,000	1,300,000
Escalation	8,315,000	0
IIC Initiated & Funded Additional Scope		-2,350,000
Retained Risk	1,757,000	1,757,000
<b>Project Total</b>	<b>\$189,910,700</b>	<b>194,910,700</b>
<i>Gross Building Area (Square Feet)</i>	270,551	270,551
<i>Cost per Square Foot (\$/SF)</i>	702	720

<sup>1</sup>To be verified by central finance

## Attachment 2 - Project Schedule

Milestone	Target Date Board 3 (March 2022)	Current Target (August 2023)
Executive 1 <sup>1</sup>	June 2017	June 2017
New Building Site Selection Committee	October 2019	October 2019
PPAC <sup>2</sup>	October 2019	October 2019
Executive 2+3	October 2019	October 2019
Board 1	December 2019	December 2019
Board Update & Interim Funding Release Request	December 2020	December 2020
Board 2	April 2021	April 2021
Board 3	March 2022	March 2022
Construction Start	April 2022	April 2022
Construction Completion	July 2024	July 2024
Occupancy	August 2024	December 2024
Board 4	September 2026	December 2026

<sup>1</sup>The project received Executive 1 approval on June 7, 2017 under the former working name "Community Health Sciences"

<sup>2</sup>Property & Planning Advisory Committee + Senate Academic Building Needs Committee

Attachment 3 - Site Map





# Gateway Health Building Budget Revision

September 13, 2023

**John Metras, Associate Vice-President Facilities**



# Introduction and summary



## Gateway Health Building project:

- Will house Schools of Nursing & Kinesiology, UBC Health, Integrated Student Health Services
- Has commenced construction and is on track for December 2024 completion
- Has continued significant & meaningful engagement with Musqueam



# Additional details



- Significant cost challenges have been encountered, largely with mass timber & site issues
- Value engineering ongoing
- \$5 million budget increase bringing total to \$194.9 million (\$3 million RRF, \$2 million ACF)

# Additional details – Site Map



# Additional details – Construction Progress



View from above showing elevator cores



Street level view

# Discussion and decision points



Updated of the Gateway Health Building budget as follows:

1. approval to increase the budget by \$5 million to \$194,910,700 with the cost funded through the Retained Risk Fund (\$3 million) and Academic Capital Fund (\$2 million).

Supplemental Materials 1 – Recent Construction Progress Photos (as of August 2023)



Street level view



View from above showing elevator cores