



SUBJECT	Gateway Health Building, UBC Vancouver - Budget Update
SUBMITTED TO	Property Committee
MEETING DATE	June 2, 2025
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Frank Laezza, Vice-President Finance & Operations
SUPPORTED BY	Gage Averill, Provost and Vice-President Academic, UBC Vancouver Bhushan Gopaluni, Vice-Provost and Associate Vice-President Faculty Planning John Metras, Associate Vice-President Facilities Denise Brown, Director, Capital Planning and Development Yale Loh, Treasurer Aubrey Kelly, President & CEO, UBC Properties Trust

PRIOR SUBMISSIONS

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

1. [November 20, 2024](#) (OPEN SESSION) – Budget Revision (for information only)
Action/Follow up: For Information; present final budget in mid-2025 for approval.
2. [September 13, 2023](#) (OPEN SESSION) – Budget Revision, Increase by \$5,000,000
Action/Follow up: Authorization to award construction contracts.
3. [March 16, 2022](#) (OPEN SESSION) – Board 3 Approval, Funding Release \$181,110,700
Action/Follow up: Authorization to award construction contracts.
4. [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.
5. [December 3, 2020](#) (OPEN SESSION) – Interim Funding Release \$950,000
Action/Follow up: Additional time needed to proceed to Board 2 in April 2021
6. [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 assumes familiarity with the prior submissions and provides a status update from the date of the most recent submission.

EXECUTIVE SUMMARY

This report provides a progress update and preliminary budget status for the Gateway Health Building project, ahead of a formal request for a budget increase to be presented to the Board of Governors in September 2025.

Construction began following Board 3 approval in March 2022, with 80% of construction tenders confirmed at or below budget. The initial approved capital budget was \$189.9 million.

In July 2023, UBC Properties Trust (UBCPT) reported full use of the project contingency to address a series of unanticipated change orders, including site-related challenges and coordination complexities related to the Cree mass timber system. The Board approved a \$5 million budget increase in September 2023, bringing the revised budget to \$194.9 million.

Subsequently, in November 2023, UBCPT identified that the schedule and budget presented by the initial construction manager were no longer viable. The construction manager was replaced in December 2023. A new "anchor budget" of \$208 million—reflecting revised scope, schedule, and value engineering—was developed by August 2024 and presented to the Executive and Board in November 2024 for information.

As of April 2025, the project remains on track to complete within this \$208 million estimate, representing a \$13.1 million (6.7%) increase over the current approved budget of \$194.9 million. The key drivers of the cost increase, and corresponding mitigation strategies, remain unchanged from those presented in November 2024.

A formal request for a revised budget will be submitted to the Board of Governors in September 2025.

Key Drivers of Cost Increases

The current budget estimate of \$208 million reflects several challenges encountered throughout the project, including site conditions, coordination complexity, and legacy procurement issues. The primary causes include:

- **Unforeseen excavation issues**, including contaminated soils and the need for additional shoring due to poor soil conditions.
- **Underground utility conflicts**, requiring relocation or replacement of services not captured in existing as-built drawings.
- **Complex mass timber supply and fabrication**, involving a multi-vendor supply chain across Oregon, Washington, and British Columbia.
- **Challenging envelope and structural coordination**, due to the integration of a prefabricated envelope system with a hybrid mass timber structure and a proprietary flooring system being used for the first time in North America.
- **Incomplete and mismanaged procurement** by the former construction manager, requiring re-tendering and scope clarification.
- Sharp increases in insurance premiums, affecting overall project costs.
- **Contractor delay claims**, stemming from scheduling impacts and change order disputes.

Planned mitigation strategies:

Since the last report, the project team has implemented several cost-saving measures to manage the cost increase, such as the removal of the atrium feature staircase and minimizing wood panel finishing and closely monitoring the project schedule and budget. Construction is progressing toward the target occupancy date of December 2025. Contingency use remains within the expected range, aligning with the revised project budget and estimated cost increases, including the following:

- **Tariffs:** The primary approach is to source alternative products that do not incur tariff costs, as has been done with furniture as an example. As for items that must be sourced from the US, UBC may consider having a cash allowance for tariff related costs as these costs have not been factored into the budget forecast. Given the uncertainty surrounding the tariffs, it is currently challenging to provide an accurate estimate. The CM (Heatherbrae) has been instructed to track all tariff related costs separately for now. By the September Board date, UBCPT should have a clearer understanding as most items are expected to have arrived on-site, or in town.

- **Labour Shortage:** The project team is leveraging existing relationships with trade contractors to secure additional labour and enable weekend work. The strategy has been implemented with the mechanical, electrical and sheet metal trades, improving the situation through increased on-site forces and multiple meetings with company owners.
- **Trade Performance:** Like the item above, the project team has assigned Heatherbrae, a highly reliable and experienced builder, to the project to ensure consistency to the project.
- **Cladding Contractor:** Payments are being withheld based on deficiency lists, as financial leverage remains the most effective strategy. Weekly schedule updates are requested, daily site reviews are conducted, and the issue has been escalated to the company president to maintain pressure.

The project team acknowledges significant lessons learned relating to mass timber construction and prefabricated envelope systems and will be articulated within the Board 4 report.

Risks:

Canadian tariffs present a new and significant risk to the budget as trades may incur tariffs on imported materials related with the project. The impact of tariffs remains unknown at this time. While the project team is working to minimize claims, there is a possibility that the tariff-related charges may be passed onto the project.

Funding Sources for Budget Increase

It is currently proposed that the \$13.1 million increase be funded by the Academic Capital Fund (\$12.1 million) and Retained Risk Fund (\$1 million).

Funding Source	Revised September 2023	Revised June 2025
Internal Loans		
Academic Capital Fund (ACF)	\$132,943,400	\$145,028,230
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	\$3,000,000	\$4,000,000
Total Board 3 Capital Cost and Funding	\$194,910,700	\$207,995,530

APPENDICES

1. Revised Capital Budget (June 2025)
2. Revised Project Schedule (June 2025)
3. Site Map

SUPPLEMENTAL MATERIALS (optional reading for Governors)

1. Recent Construction Progress Photos (as of April 2025)

Appendix 1 – Revised Capital Budget (June 2025)

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

Project Capital Cost Breakdown	Revised Budget September 2023	Revised Budget June 2025	Variance
Construction Costs			
Construction	153,511,000	174,192,900	20,681,900
Public Realm	Included	Included	Included
UBC Municipal Services	400,000	Included	Included
GSAB Demolition (50% of Demo Cost)	750,000	Included	Included
Servicing (including BC Hydro relocation)	Included	Included	Included
Contingency	3,026,700	3,750,000	723,300
Total Construction	157,687,700	173,850,000	177,942,900
Cash Allowances			
FF+E	4,312,000	3,700,000	-612,000
UBC IT	1,950,000	1,535,000	-415,000
Secure Access/Signage/Moving	435,000	785,000	350,000
Classroom AV	4,400,000	Included	Included
Non-Classroom AV	Included	500,000	Included
Total Cash Allowances	11,097,000	10,682,000	6,520,000
Soft Costs			
Consultants	16,400,000	20,423,815	4,023,815
Preconstruction/Permits	1,550,000	1,210,567	-339,433
Total Soft Costs	17,950,000	21,480,000	21,634,382
Building Subtotal	186,734,700	206,012,000	206,097,282
Project Management	4,285,000	2,723,917	-1,561,083
Building Total	191,019,700	208,797,000	208,821,199
GST	3,184,000	3,450,000	266,000
Construction Period Financing ¹	1,300,000	1,450,000	150,000
Escalation	0	0	-
IIC Initiated & Funded Additional Scope ²	-2,350,000	-7,482,669	-5,132,669
Retained Risk	1,757,000	1,757,000	-
Project Total	194,910,700	207,995,530	13,084,830

Gross Building Area (Square Feet)	270,551	270,551	n/a
Cost per Square Foot (\$/SF)	720	769	n/a

¹ Construction period financing estimate is based on forecasted rates and schedules and are subject to change based on actual costs and project schedule.

² IIC initiated and additional scope items are funded separately and not included in the project budget.

Appendix 2 – Revised Project Schedule (June 2025)

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

Milestone	Target (September 2023)	Target (December 2024)	Current Target (June 2025)
Executive 1 ¹	June 2017	June 2017	June 2017
New Building Site Selection Committee	October 2019	October 2019	October 2019
PPAC ²	October 2019	October 2019	October 2019
Executive 2+3	October 2019	October 2019	October 2019
Board 1	December 2019	December 2019	December 2019
Board Update & Interim Funding Release Request	December 2020	December 2020	December 2020
Board 2	April 2021	April 2021	April 2021
Board 3	March 2022	March 2022	March 2022
Board Approval – Budget Revision #1	September 2023	September 2023	September 2023
Board Approval – Budget Revision #2			September 2025
Construction Start	April 2022	April 2022	April 2022
Construction Completion	July 2024	October 2025	November 2025
UBC Occupancy	December 2024	December 2025	December 2025
UBC Facilities Handover Process	December 2024	December 2025	March 2026
Board 4	December 2026	December 2027	March 2028

¹The project received Executive 1 approval on June 7, 2017 under the former working name “Community Health Sciences”

²Property & Planning Advisory Committee + Senate Academic Building Needs Committee

Appendix 3 - Site Map



Supplemental Materials 1 – Recent Construction Progress Photos (as of April 2025)



Recent Construction Progress Photo (April 2025): View from University Boulevard (south-west corner)



Updated Rendering (April 2025): View of interior atrium demonstrating the value engineering exercises