

VIA EMAIL

February 4, 2020

Kevin Lorette
General Manager, Planning and Protective Services
Capital Regional District
625 Fisgard Street
Victoria, BC V8W 1R7

Dear Kevin:

Re: Nigel House Cost Escalation – Request for CRD Support

As you know, Broadmead Care is part of a remarkable partnership with BC Housing, the District of Saanich, Greater Victoria Housing Society, Garth Homer Society, and Island Community Mental Health to redevelop the nine-acre Nigel Valley into a new master-planned community of social housing and health services called the Nigel Valley Neighbourhood Project.

Broadmead Care's project, Nigel House, will be comprised of 41 long-term care beds, 37 assisted living beds, and 10 affordable housing units. The long-term care beds will play a vital role in the continuum of services available to Island Health for adults who are difficult to house because of disabilities, mental health and/or behavioural problems, and other significant co-morbidities.

The long-term care beds are being made possible through a funding partnership between Broadmead Care, Island Health, and the CRHD. Island Health is the primary funder providing the operating budget and a capital per diem for debt servicing. The CRHD has committed \$1M and Broadmead Care is providing \$6.5M.

Since the inception of the project, total costs have increased \$3.8 million from the original cost estimates, due to a historic increase in construction costs in the Victoria market. On behalf of our Board of Directors, our volunteers, and particularly the very special people we serve and care for at Nigel House, we would like to ask the CRHD if they would consider any additional funding to assist Island Health and Broadmead Care in addressing the cost escalation on this project.

Sincerely,



David Cheperdak, MPA, CHE
President & CEO

c.c. Kim Kerrone, Vice President, CFO, Legal Services & Risk, Island Health
Scott McCarten, Corporate Director, Capital Management & Finance Projects, Island Health
Michael Barnes, Senior Manager, Health & Capital Planning Strategies, CRD
Rick Nelson, Vice President, Finance & Information Technology, Broadmead Care

Nigel House Redevelopment

Background information regarding cost escalation:

Prepared for the CRHD Board of Directors

February 6, 2020

Why has the Nigel House project experienced cost escalation?

1. The financial pro formas used for the Nigel House Redevelopment project were originally developed using 2015 costing data from the Island Health Summit project.
2. Since the project's inception, Broadmead Care has moved forward as quickly as possible through the design development phase for its project and has worked closely with Saanich and our Nigel Valley Neighbourhood partners to try to move the rezoning process, etc. ahead as quickly as possible.
3. In general the Nigel Valley Neighbourhood Master Plan has proceeded well, although it has been much more time consuming than anticipated due to the complexity and scope of the project. There was a further significant delay due to serious internal issues experienced by one of the Nigel Valley partners. However, this issue was finally resolved in late September and the Nigel Valley rezoning and Development Permit received final reading at the November 4, 2019 Saanich Council meeting.
4. Broadmead Care has recently received notice from Saanich that our Development Permit Amendment will be approved soon, and we will be ready to move forward quite quickly in applying for our Building Permit and tendering the project.
5. The challenge is that during the planning and rezoning process (and the unanticipated delays) Victoria has experienced some of the highest construction levels in its history, resulting in a rapid cost escalation. In addition, there was a significant Building Code change in 2018 related to seismic safety requirements that increased construction costs by \$944,000. *These two factors (construction cost escalation and building code changes) are solely responsible for the increase in costs for this project.* The escalation costs, as determined through the Class costings in the design development process that we have completed over the past couple of years, are outlined in the spreadsheet already supplied to the CRHD.
 - a. The original cost of the project as agreed to with Island Health in our 2018 Project Development Agreement was \$17,320,000 (gross capital cost). The revised gross capital cost is now \$21,448,875 (this includes a 5% escalation for 2020 as recommended by our quantity surveyor for the first half of 2020).

Does Broadmead Care have confidence that the project can be completed within the new cost projections?

1. Broadmead Care has used a highly regarded quantity surveyor throughout the design development process and through each Class costing. We are also working closely with Durwest, a well respected Construction Manager, and have a high degree of confidence in the current construction numbers. We now have a 60% Class A costing that includes a near final number for all mechanical and electrical work and have included a 5% escalation factor for the first part of 2020 as recommended by our quantity surveyor.
2. However, to be clear, Broadmead Care has little control over the timelines to get our project "in the ground". Our objective is to be underway late this Fall, however this timeline will be determined by the timing of municipal approvals for both the civil works (being led by BC Housing), the subdivision approvals, land transfer agreements and the approvals (Building Permit etc.) required for our project.

Prepared by: David Cheperdak, President & CEO