



The Corporation of the District of Saanich

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LEGISLATIVE DIVISION
DISTRICT OF SAANICH

Report

To: Mayor and Council

From: Harley Machielse, Director of Engineering
Suzanne Samborski, Director of Parks, Recreation & Community Services

Date: 6/12/2024

Subject: Saanich Operations Centre Redevelopment – Project Update

RECOMMENDATION

That Council receive this report for information.

PURPOSE

This report shares the progress made to date with the planning for the redevelopment of the Saanich Operations Centre (SOC) as well as identifying recent certain external factors that have impacted the project. Council should expect a detailed report with recommendations and request for support into the next phases of public procurement within the next few months.

DISCUSSION

Background

At the June 13, 2022, Council meeting, Council directed staff to continue to develop the redevelopment project into the next phases of planning and pre-procurement analysis. Key points of the report included a deeper examination of engaging the private sector as an investor and partner to optimize the utilization of public lands. The envisioned investment primarily focuses on enabling non-District applications at the current Saanich Operations Centre site, notably for commercial and multi-storey residential purposes. Engaging with the private sector not only advances the vision for the Quadra/McKenzie Centre and supports housing initiatives but also allows for financial leveraging of the property. This strategy aims to enhance project affordability by generating revenue that offsets the District's overall capital investment needs.

SOC Redevelopment Activity Update

1. Marketplace Engagement and Pre-procurement Analysis

The District's development procurement consultant, Infrastructure BC (IBC) has conducted two separate rounds of consultations with various selected private sector developers. A package containing the District's Business Case and latest site plans were forwarded prior to the meetings to allow participants to better understand the project. Engagement generated valuable

feedback and subsequently provided IBC better understandings of the concerns and general views of the various participants. Most notably, the responses were uniformly positive and confirmed marketplace interest and capacity to become partners with the District. Specific topics included views on the scope of the residential development and the interest to construct the District's Operations:

- Pleased to see a moderately high capacity of residential units of 600 to 1200 units being able to be accommodated on this site, but caution on need to phase over several years to accommodate market absorption.
- Request to have the District being firm and directive on numbers of affordable housing units it requires. The number of affordable housing units have a direct impact on the residual land value.
- If land lease is intended, long term quantity on number of years be established at a minimum of sixty years. The investment community desires to invest in and construct a quality development. Shorter term leases generally do not facilitate this.
- A contract outlining the Private Sector investor to have the responsibility and role in the design and construction of the SOC effectively transfers that risk to the private sector investor.
- Participants were pleased to understand the District's activities in reducing the project risk, by advancing the rezoning and environmental due diligence.

2. Design Development

While the conceptual site master plan provided in the business case has not dramatically changed, design development has advanced and responded to the District's recently approved OCP and the ongoing Quadra McKenzie Corridor Plan. The District's recent Provincial Housing Order has also been considered by the Project Team for its' potential impact on the project scope. Not only has a residential unit capacity increase prompted further analysis but also the consideration of an affordable housing component. While private sector investment is needed to realize the residential and commercial uses, the District remains committed to creating a vibrant public realm through street side improvements that integrate with District's transportation initiatives, Development Permit Area Design Guidelines and greenspace opportunities such as the restoration of Public Works Creek. The incorporation and consideration of all of these matters requires a balanced perspective that supports a financially viable outcome. The project's foundations of public works services delivery and highest and best use of the public asset are driving a project scope that is appropriate and affordable.

As illustrated herein, the primacy of satisfying District Operations requirements through the placement of a north to south oriented linear building comprised of Public Works staff areas, Workshops, Fleet, Stores and Storage sitting adjacent to fleet vehicle storage is relatively unchanged. The non-District operations areas however are responding to increased height and density as per the OCP.



The most significant design development to the project concerns the Lochside Drive opportunity for a relocated Parks operation. The District purchased property at 4088, 4094 and 4098 Lochside Drive in February of 2024 to enable District Parks Operations to move off the current SOC site and relocate within the next two to three years. This strategic opportunity and major project change came about through analysis confirming a very positive fit for staff and operations into the Lochside property as well as the resulting value proposition of decreased program build requirements and costs on the SOC site. Additional available land area for private sector investment increases the value proposition for the District. The design team has updated the SOC program and conceptual plans accordingly.

The District's design consultant TKA+D/RDH Architects continues to advance the planning of the site. Distinct tasks have included analysis of temporary accommodation requirements and refinement of parcels and identification for increasing density particularly given the departure of the Parks operations to the Lochside location. Site planning has also considered updated civil and transportation infrastructure incorporating the District's recent planning of the McKenzie and Borden street improvements and underground infrastructure upgrades.

3. Site Due Diligence

Three important topic areas have been advanced to have clearer definition of scope and responsibility for the District. Environmental consultant SLR Consulting has completed a further round of sub-surface contamination which has confirmed the known presence of salt concentrations exceeding provincial water standards. Reporting and application to the Ministry for pre-approval for an exemption to delineate these identified higher concentration areas is in progress. The workplan has been updated to include a full-site Approval in Principle (AIP) and

physical and risk-based remediation plans, based on current development schemes of the parcel(s).

Archaeological site investigations for First Nations artifacts subsequent to a desktop overview assessment have been conducted. Notices of Intent and invitations to attend the site investigations were issued to the local First Nations groups. Concluding reports suggest that as no artifacts were found that the District could proceed on a chance-find basis for future excavations on the site.

As Public Works Creek forms a tributary of the Blenkinsop watershed and is a potential fish bearing stream, the creek falls under the jurisdiction of the Province's Water Sustainability Act and requires a comprehensive plan and approvals should the creek need to be moved or altered as part of the redevelopment. The District's Streamside Environmental Protection Area (SPEA) setback requirements and interpretation of the Riparian Areas Protection Regulation (RAPR) are currently included as design constraints for master site planning. Consultants include a Registered Professional Biologist working with District staff (both Water Resources and Parks Environmental and Planning) and the design consultant. The District continues to investigate the impact and natural habitat restoration potential to this feature, however is keen to understand scope and minimize critical impacts to both the site plan as well as project budget. Ultimately, any requested alterations are dictated by the Ministry of Environment and work is underway to present such plans to Provincial staff for their review and comment. The District is intent on striking a balance between regulatory requirements, costs and the establishment of a renewed publicly accessible natural amenity.

4. Integrating Quadra/McKenzie Plan Activities

Engineering and Planning staff have been coordinating activities and schedules as it relates to the Quadra McKenzie Study (QMP). As the project has progressed, Engineering staff have been working in tandem with Community Planning staff to provide progress updates. Notable opportunities such as the four QMP public engagement activities in December 2023 and January 2024 have seen Engineering and Parks staff in attendance to facilitate conversation and to respond to questions from public participants about the SOC project. Anecdotal responses have continued to reflect the high level of interest residents have in the project. Verbal support was provided to the project concerning residential uses that are hoped to be sufficient in number to meaningfully contribute to District housing mandates. Concerned comments focused on McKenzie traffic volumes and environmental stewardship of the site.

5. Re-zoning application

The business case proposed to have District re-zone the property to remove a major project risk element for the private sector involvement. As a result, City Spaces was hired to lead the District's rezoning application. Consultation with residents has been undertaken for the project through the development of the business case, ongoing updates to our website, and through planning initiatives such as the OCP and QMP updates. The consultant is currently planning to conduct a drop-in session in early fall prior to the application being made approximately late

September/ early October. Specific focus of invitation will be made to local residents and the community associations of North Quadra and Quadra/ Cedar Hill.

The consultant with support from staff is working towards submitting a rezoning application by Q3 of this year. Should the application meet District’s requirements, the property could see a rezoning report to Council by the winter of 2024/25.

External Factors and Context Changes

1. Official Community Plan (OCP) updates.

When District staff first considered project scope, District program area requirements did not exceed four stories for a modest sized floorplate of a building on McKenzie. Council subsequently through the Business Case encouraged staff to consider a more progressive integration of the site and increased density. The newly established OCP height limit of eighteen stories has set the new height and density consideration for the project. Given the current and projected economics of construction, greater density and height readily translates into a more efficient and lower cost per square foot of construction. The increase in density also provides an opportunity to respond to the provincial governments order to increase housing in the District. The project team is considering the impact to the project team as it relates to the project’s density, phasing, risks, and finances. Additional information related to this is expected in the next Council update at the end of summer.

2. Construction Escalation

Cost estimating done through various stages of plan development over the past two years would indicate that escalation increases estimated to be decreasing from 2023 to 2027 from 8% -10% down to 3.5% did not materialize. Current estimates suggest the figures are more in the 8% down to 5% range meaning that estimated total project budgets two years ago will have an upward pressure on the total project budget. Staff are continually being advised that local labour shortages and certain materials with supply chain problems pose project implementation challenges in the years ahead. An updated project estimate will be part of the Council update at the end of summer.

NEXT STEPS, PROJECT SCHEDULE

As the schedule currently proposes site construction to begin no sooner than 2027, the next three years includes a lengthy sequence of activities that will require significant resources to complete. The following outline reflects current plans and will be re-confirmed in the upcoming Council report.

Feasibility Study Phase II	
Private sector investment pre-procurement analysis and recommendation.	Q3 2022 to Q3 2024
Elector approval for District borrowing (AAP)	Q4 2024 to Q1 2025
Private sector procurement	Q4 2024 to Q4 2025

Site planning advancement to Class C, full project implementation budget confirmed.	Q4 2025 to Q4 2026
Feasibility Study Phase III	
Adoption of Master Development Agreement (Approval by Council)	Q4 2026
Implementation	
Documentation completion; submission for Development and Building Permits	Q4 2026 to Q4 2027
Construction	Q4 2027 to Q4 2029

ALTERNATIVES

1. That Council receive the information provided within this report and await the upcoming procurement and transaction analysis report.
2. That Council provide alternate direction for staff to undertake and report back on.

FINANCIAL IMPLICATIONS

The 2024 Financial Plan includes a funding provision for the next phase of work. The five-year capital budget also incorporates the high-level projected capital costs based on the proposed implementation schedule. These numbers will be refined annually as the project moves from its current Class D estimate through to a higher level of cost certainty.

While the funding strategy for the project incorporates a combination of reserve funds and borrowing, precise details of the strategy cannot be determined until decisions have been made with respect to potential partnerships on the site. The timing for the District to borrow will be determined once the necessary cash flows are identified.

Funding for the project through borrowing will be determined by residents through an electoral approval process. The project aims to start this process in Q4 2024 to Q1 2025. Additional engagement will take place during the elector approval process to ensure a well-informed decision is made.

STRATEGIC PLAN IMPLICATIONS

This initiative aligns strongly with Council's 2023–2027 Strategic Plan goals:

- community well-being
- affordable housing, land use and infrastructure management
- organizational excellence
- economic diversification
- climate action and environmental leadership

CONCLUSION

The redevelopment of the Saanich Operations Centre reflects the District's commitment to provide critical municipal services to residents. Staff are diligently progressing the planning and procurement analysis, aiming to present their findings to the Council in the coming months. By including updated cost estimates, timelines, and processes, the community will gain a clearer understanding of the project's trajectory, its alignment with the District's current priorities and financial requirements, and the opportunities available for marketplace participation. A comprehensive report covering these aspects is anticipated to be submitted to the Council following the summer period.

Prepared by



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ADMINISTRATOR'S COMMENTS:

I endorse the recommendation from the Directors of Engineering and Parks, Recreation and Community Services.



Brent Reems, Chief Administrative Officer