



BRIEFING NOTE FOR DEPUTY MINISTER SANDRA CARROLL

Heavy Duty / Commercial Transport Program Relocation from Great Northern Way Campus

A Joint Submission from BCIT and VCC

September 26, 2013

A. Purpose

BCIT must relocate its five motive power programs currently located at the Great Northern Way Campus (GNW) as a result of construction of Emily Carr University of Art and Design's new campus. This briefing note provides an update to actions and preliminary analysis requested by former Deputy Minister James Gorman. An analysis of the following three options is provided:

Option A – Leasing for BCIT/VCC on Annacis Island

Option B – Permanent Build for BCIT/VCC at BCIT Burnaby campus.

Option C – C1, C2, C3 – Temporary Build for BCIT programs only at BCIT Burnaby Campus

B. Actions requested by Deputy Minister Gorman

The July 24th briefing note identified three options as referenced on page 2 of the attachment *Briefing Note for Deputy Minister James Gorman*. The former deputy minister, as a result of reviewing the briefing note, requested that BCIT and VCC canvass the market to examine further possible options. \$75K was provided for planning costs as noted in the Ministry letter dated July 31, 2013.

1. Both organizations jointly issued a Request for Information to the real estate marketplace looking for an opportunity to lease an existing facility that could be modified to accommodate both organizations' programs.
2. BCIT also issued a Request for Information to explore the feasibility of constructing prefabricated facilities on its Burnaby location to accommodate its program requirements only.

C. Key Findings

The key findings from the Request for Information exercises are summarized below and reference *Heavy Equipment Land Transportation Centre Relocation* in Section D and *Scenario Schedules* in Section E. The market has told us that:

1. Industry Interest:
 - a. There were two responses received despite considerable notification to the marketplace. One of the respondents was unable to verify compliance with the program requirements.
 - b. There were six responses received for the prefabricated building solution. These were a combination of modular and prefabricated construction solutions.

2. Schedule:

- a. There are no scenarios within the responses, either leasing or building on the Burnaby BCIT site, which would allow BCIT to move its five programs off the GNW site by February 1, 2014. If this date remains in effect, BCIT will be forced to close its programs and pay for movement and storage of equipment. The impact of program closure is summarized in Section F, *Impact to BCIT Students and Staff*.
- b. The schedule for a leasing solution for a facility located on Annacis Island (Option A) is estimated by the respondent at 6 months after Treasury Board and Ministry approvals. BCIT's consultants have recommended adding three more months to this six-month estimate (reference Section E, *Scenario Schedules*).
- c. The schedule for a new facility to accommodate both VCC and BCIT on the Burnaby campus (Option B) will likely take more than 24 months after Treasury Board and Ministry approvals.
- d. The schedule for a prefabricated building solution (Option C) on the BCIT Burnaby Campus will likely take between 12 to 18 months after Treasury Board and Ministry approvals are provided. This is a very preliminary timeline, as the RFI cannot bind contractors to a fixed schedule (reference Section E, *Scenario Schedules*).
- e. A further one month period for moving and installation of equipment and furnishings prior to occupancy should be added to each scenario.
- f. For the Annacis Island leasing scenario, the Ministry will need to clarify long-term lease (acquisition) approval timelines.

3. Costs:

- a. Both Burnaby relocation options B and C have smaller space requirements, as they are able to utilize existing campus services (gym, library, cafeterias, etc. and vacant space at the BCIT Burnaby campus). Option C does not include a rail program.
- b. The operating costs for the smaller footprint scenario (Option C) at the Burnaby campus (BCIT programs only) are 10% that of the Annacis Island scenario.
- c. Year 1 total facility costs, including capital, range from \$4.6M (Annacis Island) to \$0.8M (Burnaby Campus), (reference line 14 in Section D, *Heavy Equipment Land Transportation Centre Relocation*).
- d. The Present Value Cost (25 years) ranges from \$73.1M (Annacis Island Lease) to \$22.1M (Burnaby Campus) (reference Line 16 in Section D, *Heavy Equipment Land Transportation Centre Relocation*).

The reader should note that costing and scheduling for all options is very preliminary and is based on information received from the RFI process.

4. Next Steps

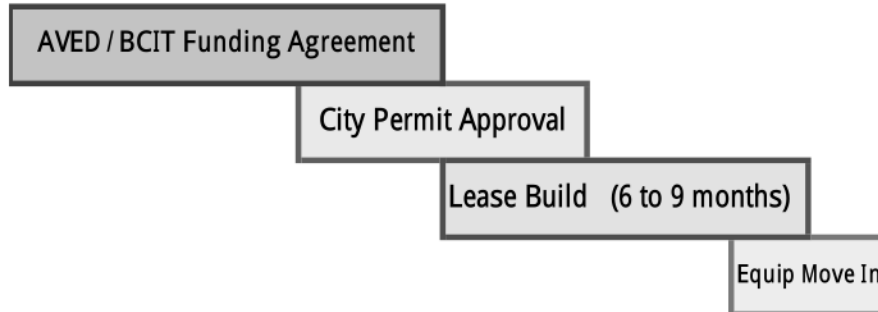
Further analysis of any scenario, lease, prefabricated or new build, will require consultant services to develop the design requirements.

D. Heavy Equipment Land Transportation Centre Relocation

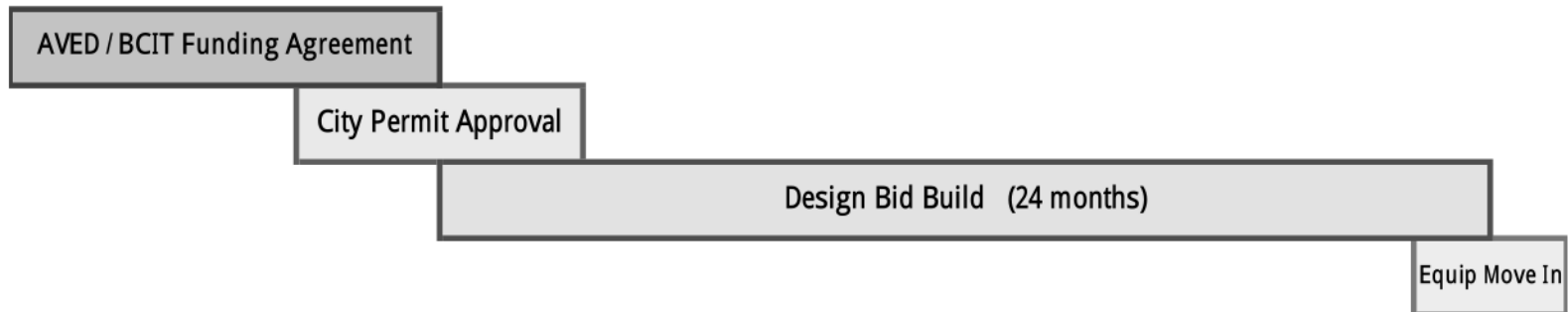
Heavy Equipment Land Transportation Centre Relocation							
1	Current	Option A	Option B	Option C1	Option C2	Option C3	
2. Location	GNW	Annacis Island - Satellite Campus	Burnaby Campus - Permanent Build	Burnaby Campus - Permanent Build	Burnaby Campus - Temp. Build	Burnaby Campus - Temp. Lease	Notes
3. Ownership	Lease	Lease	BCIT	BCIT	BCIT	Lease	Options B and C1: costing from quantity surveyor and pro-rated for option C1. Options C2 and C3: Leading proponent's response to Request for Information.
4. Scope	BCIT (Includes Rail & Forklift)	BCIT / VCC (Includes Rail & Forklift)	BCIT / VCC (no rail)	BCIT Only (no rail)	BCIT Only (no rail)	BCIT Only (no rail)	
5. Program Area (Gross Sq.Ft)	69,500	142,000	104,000	37,000	37,000	37,000	Burnaby Campus options use less sq. ft. to achieve the same student spaces by leveraging existing assets on campus at BCIT and increased simulator based learning.
6. Student Spaces	200	300	300	200	200	200	Option B has student enrolment flexibility
7. Space for Program Expansion	No	yes	no	no	no	no	Burnaby Campus options include additional land for expansion
8. Construction Capital Cost One Time	n/a	\$23.1M	\$44.8M	\$15.9M	\$12.4M	\$4.0M	Option A = cost of BCIT tenant improvements only (i.e. excludes landlord deferred maintenance costs for roof, HVAC, etc.) Options B through C2 = construction cost for new facility Option C3 = site services cost preliminary estimate
9. Equipment FF&E Cost One Time	n/a	\$6.3M	\$6.3M	\$6.3M	\$6.3M	\$6.3M	Estimated cost of acquiring, delivering, and installing required furniture and equipment.
10. Year 1 lease cost	\$0.5M	\$1.4M	n/a	n/a	n/a	\$0.6M	1st year annual lease expense. Lease escalates at each 5-year renewal.
Year 1 Operating Cost \$8.59 / SqFt	\$0.6M	\$1.2M	\$0.9M	\$0.3M	\$0.3M	\$0.3M	1st year annual operating costs, increasing 1.5% per year for inflation thereafter.
12. Year 1 Property Taxes (Entire Property)	n/a	\$0.2M	n/a	n/a	n/a	n/a	1st year property taxes for Option A, increasing 1.5% per year for inflation thereafter.
13. Year 1 Combined Facility Costs (Excluding Capital)	\$1.1M	\$2.8M	\$0.9M	\$0.3M	\$0.3M	\$0.9M	= Row 10 + Row 11 + Row 12
13a. Annual Facility Cost / Student Space (Excluding Capital)	\$5,475 / space	\$9,354 / space	\$2,978 / space	\$1,586 / space	\$1,586 / space	\$4,646 / space	=Row 13 / Row 6
14. Estimated Interest and Principal Payments	\$0.0M	\$1.8M	\$1.9M	\$0.7M	\$0.5M	\$0.2M	Option A: annual additional lease payment if landlord finances BCIT tenant improvements at 6% over 25 years. Options B through C3: annual loan payment if province finances construction costs at 3% over 40 years.
15. Year 1 Total Facility Costs (Including Capital)	\$1.1M	\$4.6M	\$2.8M	\$1.0M	\$0.8M	\$1.1M	=Row 13 + 14
16. Annual Facility Cost / Student Space (Including Capital)	\$5,475 / space	\$15,378 / space	\$9,379 / space	\$4,995 / space	\$4,235 / space	\$5,502 / space	=Row 15 / Row 6
17. Present Value Cost (25 Year) Provincially Financed @ 3%	n/a	\$73.1 M	\$56.6 M	\$23.3 M	\$22.1 M	\$30.1 M	Present value of 25 years of costs for each option, if Row 8 costs financed at 3%. Option B costs include payout of mortgage balance in year 25. Option C2 requires another purchase of portables after 25 years.
18. Preliminary Estimate - Facility Completion (end of month) assumes TB and AVED approval provided by Dec 31/13		Oct 2014	Jan 2016	between Jan 2015 to Jun 2015			Assumes Treasury Board and AVED approvals provided by Dec 31/13

E. Scenario Schedules

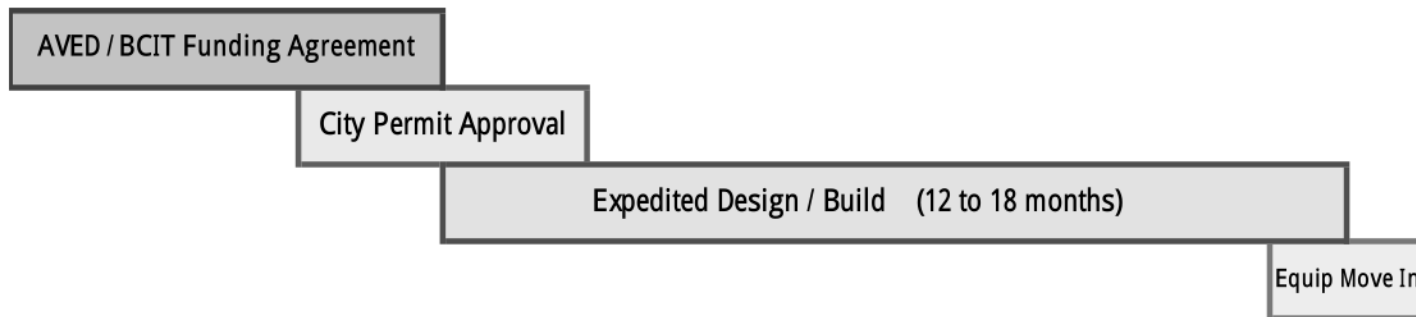
Option A: BCIT / VCC All Programs - Lease Build Solution at Annacis Island



Option B: BCIT / VCC All Programs - Permanent Build on BCIT Burnaby Campus (No Rail Program)



Option C: Prefabricated Building Solution on BCIT Burnaby Campus (BCIT Only & No Rail Program)



F. Impact to BCIT Students

Key statistics include:

1. Over a fiscal year approximately 450 students receive training at GNW
2. Approximately 200 students are on site at a given period
3. Waitlist for Heavy Duty Foundation is approximately 3.5 years
4. Apprentice students have been accepted 2 years in advance of program commencement
5. BCIT delivers 20 intakes at GNW in Apprentice Training
6. BCIT delivers 6 intakes at GNW in Foundation Training
7. Training programs range from 6 weeks to 36 weeks
8. BCIT receives 885K in ITA Grants and approximately 900K in tuition each fiscal year
9. 8 Full-time Faculty and 3 Full-time Support Staff are employed at GNW
10. High employment rates in all programs

Any delay or postponement of training will impact students, particularly the apprentices.

Apprentices have scheduled their training in conjunction with their employers and have developed a long term plan when they attend training. A delay in training affects the advancement of the apprentice's progression through the apprentice system. This delay impacts their wage advancement and the ability to function at a higher skill level, which impacts the employer. The apprentice is an integral part of the employer's workforce management and employers plan on the apprentice's ability to work at an advanced level.

In order to avoid disruption, a transition plan is required and will be customized according to the move date. The ideal scenario is that a new site is fully developed and a move takes place over a short timeframe, such as two weeks.

Below is an example scenario to illustrate the impact of the relocation of BCIT GNW facilities:

1. February 1, 2014 move from GNW with full facilities available in February 2015
 - Approximately 35 cancelled intakes with over 500 students impacted – Significant Impact
(Note: intakes starting January 2014 that span into February are included in these figures)

G. Recommendations

We are making two recommendations of which the first recommendation is optimal:

1. Adhere to the original plan calling for vacating the Great Northern Way campus by 2016 and build a new facility at the BCIT Burnaby Campus for both VCC and BCIT programs with flexibility for the programs to grow.
2. If the above is not possible, and in light of the short timelines available, we recommend leasing the facility located on Annacis Island.

Attachment:

1. *Briefing Note for Deputy Minister James Gorman dated July 24, 2013*



BRIEFING NOTE FOR DEPUTY MINISTER JAMES GORMAN
Heavy Duty/Commercial Transport Program Relocation BCIT/VCC

July 24, 2013

Purpose

BCIT must relocate its motive power programs currently located at Great Northern Way (GNW) as a result of construction of Emily Carr University's (ECU) new campus. This is an urgent issue for BCIT given that, should a suitable alternate location not be secured within the timeframe, BCIT's motive power programs would be suspended. This briefing note outlines BCIT motive program relocation options, in partnership with Vancouver Community College (VCC) and a recommendation.

Background

Motive Power programs consist of Heavy Duty Mechanic, Diesel Mechanic, Commercial Transportation Mechanic, Railway Conductor and Forklift training. Each program is in high demand and has a high employment rate with a growth trajectory over the next decade. In fact, these programs align with the skills-shortage that BC and Canada now face and support the Government's strategic goals.

Demand for skilled workers in the Asia Pacific and Northern Gateways is on the rise and is projected to grow by 4% between 2011 and 2015. This growth, along with an aging labour force, is contributing to industry's inability to acquire enough skilled workers from the educational system. The lack of skilled, professional transportation workers has an enormous impact on the local, national, and international economy.

Motive Power Training

BCIT and VCC deliver 42% of the province's training in commercial transport, diesel, heavy-duty mechanics, and rail. Training in this sector, across BC, is outlined below.

- **Commercial Transport:** BCIT(44%), VCC(22%), TRU(16%), NLC(12%), Camosun(4%), CNC(3%)
- **Heavy Duty:** VCC (15%), BCIT(14%), CNC(13%), Okanagan(12%), TRU(12%), VIU(12%), NLC(9%), COTR(8%), NWCC(3%), Selkirk(1%), UFV(1%)

Rail Conductor Training

BCIT's Railway Conductor is the only training program in the Province for major rail companies and short line operations. Over the next five years, 10,000 new staff will be required by Canadian rail companies.

Forklift Training

In BC all forklift operators must have valid training certification. BCIT has been asked by industry to expand and include material handling, warehouseman and logistic programs, including rail car loading.

Unique Capital Program Requirements?

For over a year, BCIT and VCC have actively sought new motive power program space that will meet unique needs such as reinforced concrete floors, special ventilation, access ramps and access to a rail spur. The building site must also allow for transit access, parking, student services, and other amenities of a typical post-secondary educational campus environment. Finding a new facility for these programs has proven to be a complex challenge.

Land Transportation Centre

To address these growing needs it is BCIT and VCC's plan to consolidate our offerings into one Lower Mainland Transportation Centre, a strategy initially tabled in respective capital plans in 2010 as well as in 11/12 and 13/14. The Transportation Centre will represent the first tangible capital outcome of BCIT and VCC's recently signed agreement to collaborate whenever possible.

Current Situation

BCIT's programs at GNW will be displaced by the construction of the new ECU. BCIT's current lease (~\$1.1m/yr) ends in January of 2016. With the approval of ECU it is anticipated and confirmed with Partnerships BC, that the construction date could be accelerated to the Fall of 2014. This is not a viable schedule for BCIT if it wishes to build a new facility - but it will be challenging in any scenario. Thus BCIT is urgently seeking a new location to ensure continuity of its critical skills programming.

Concurrently, VCC is operating its HD/CT programs in a space that is inappropriate for their heavy equipment training, currently being serviced at 177% utilization and extending into campus parking areas. Moving to more appropriate space will allow BCIT and VCC to better meet BC's needs for these programs. By vacating the GNW site, BCIT also helps facilitate the vision set out by the GNW Trust—a vision that foresees the creation of a vibrant district for the digital media and creative sectors in BC.

Options

1. Do Nothing

ECU at GNW will force suspension of BCIT programs or ECU's new campus will be significantly delayed. VCC's current challenges will continue. The skills gap will be made worse. Aboriginal students, relying on the Rail program, will be denied training or will seek training outside of BC.

2. Build New on Burnaby Campus

This will take the longest time to realize. It will significantly delay ECU at GNW and will require more capital investment up front. It will, however, result in a purpose-built facility that serves both BCIT and VCC. It will be owned by BCIT and operated at less expense by taking advantage of existing services and facilities already located on the Burnaby campus.

3. Move to Leased Space Temporarily

A temporary move will allow BCIT enough time to build new on the Burnaby campus but it will still require lease improvement costs, costs associated with two moves. It will also cause disruption of programs over a longer period. This solution does not address VCC's challenges in the short term.

4. Move to Leased Space Long Term

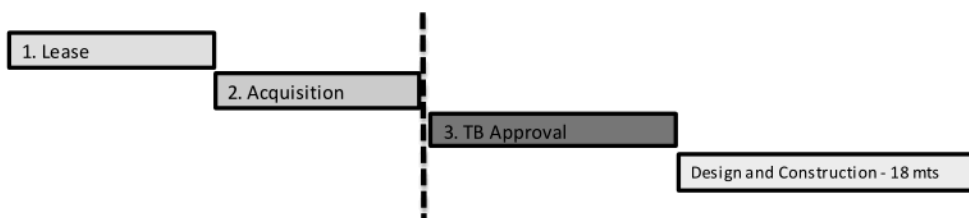
A facility located on Annacis Island has been identified. Estimated costs associated with this solution are outlined on page 4. The option requires further development.

This option can be realized more quickly than building new (see Heavy Equipment Land Transportation Centre New Facility). It meets many of the stated needs. Favourable lease and financing terms are being proposed by the owners. This solution allows a more timely response to the skills shortage, demonstrates inter-institute collaboration, removes a serious impediment to the ECU construction schedule and frees the GNW Trust to advance its plans. The Annacis Island industrial park is comprised of companies that hire our graduates and who will likely act as sponsors and partners in the near future. It is important to note that though this is the more timely option, unless its implementation is expedited, it might still impact the construction schedule at GNW.

Recommendation

At present the lease of the Annacis property (Option 4) appears to be the most feasible solution. However, it requires further study to confirm the suitability of the building and to confirm the cost of improvements. It is recommended that Option 4 be further developed.

1	Heavy Equipment Land Transportation Centre Relocation			
2	Location	GNW	Annacis Island	Notes
3	Ownership	Lease	Lease	
4	Scope	BCIT Complete Program (Including Rail & Forklift)	BCIT & VCC Complete Program (Including Rail & Forklift) with Satellite Campus Services	
5	Program Area (Gross Sq.FT)	69,500	142,000	
6	Student Spaces	200	300	
7	Property for Future Expansion	No	No	
8	Construction Capital Cost One Time	n/a	\$23.1M	Cost of BCIT tenant improvements only (i.e. excludes landlord deferred maintenance costs for roof, HVAC, etc.)
9	Equipment FF&E Cost One Time	n/a	\$5.0M	Estimated cost of acquiring, delivering, and installing required furniture and equipment.
10	Year 1 Lease \$9.75 / SqFt (Entire Property)	\$480,000	\$1,384,500	1st-year annual lease expense. Lease escalates at each 5-year renewal.
11	Year 1 Operating Cost \$8.59 / SqFt	\$615,000	\$1,219,780	1st-year annual operating costs, assuming a constant cost per sq. ft., increasing 1.5% per year for inflation thereafter.
12	Year 1 Property Taxes (Entire Property)	0	\$202,000	1st-year property taxes, increasing 1.5% per year for inflation thereafter.
13	Year 1 Combined Facility Costs (Excluding Capital)	\$1,095,000	\$2,806,280	= Row 10 + Row 11 + Row 12
14	Estimated Interest and Principle Payments	0	\$1,982,223 (25 yr)	Annual additional lease payment if landlord finances BCIT tenant improvements at 7% over 25 years.
15	Year 1 Total Facility Costs (Including Capital)	\$1,095,000	\$4,788,503	=Row 13 + 14
16	Annual Facility Cost / Student Space	\$5,475 / space	\$15,962 / space	=Row 15 / Row 6
17	Present Value Cost (25 Year) Provincially Financed @ 3%	n/a	\$73.1 M	Present value of 25 years of costs for each option, if Row 8 costs financed at 3%.
18	Present Value Cost (25 Year) Landlord Financed T.I. @ 7%	n/a	\$82.8 M	Present value of 25 years of costs, if landlord finances Row 8 costs at 7%.
19	Present Value Cost (25 year) Province pays capital costs	n/a	\$53.4 M	Present value of 25 years of costs excluding the cost of tenant improvements.
Estimated Construction Timeline After Treasury Board Approval				
Approval Stage	> Assumed Annacis Island would require lease negotiation phase.			
	> Assumed Annacis Island would require property acquisition approval.			
	> Assumed Annacis Island would require Treasury Board approval, including Business Case analysis.			
Project Design and Construction Stage	> Assumed this stage would "start" AFTER Treasury Board approval.			
	> Assumed "Integrated Project Delivery" to expedite process.			
	> The listed project duration DOES NOT include the time associated with the Approval Stage.			
Note: Partnerships BC Document dated July 2nd, 2013 indicates ECUAD @ GNW construction start Fall 2014.				



1	Heavy Equipment Land Transportation Centre New Facility			
2	Location	GNW	Burnaby Campus	Notes
3	Ownership	Lease	BCIT	
4	Scope	BCIT Complete Program (Including Rail & Forklift)	BCIT & VCC Complete Program (Including Rail & Forklift)	
5	Program Area (Gross Sq.FT)	69,500	104,000	
6	Student Spaces	200	300	
7	Property for Future Expansion	No	Yes	Burnaby Campus includes additional land for expansion
8	Construction Capital Cost One Time	n/a	\$44.8M	Construction cost for new facility
9	Equipment FF&E Cost One Time	n/a	\$5.0M	Estimated cost of acquiring, delivering, and installing required furniture and equipment.
10	Year 1 Lease \$9.75 / SqFt (Entire Property)	\$480,000	n/a	
11	Year 1 Operating Cost \$8.59 / SqFt	\$615,000	\$893,360	1st-year annual operating costs, assuming a constant cost per sq. ft., increasing 1.5% per year for inflation thereafter.
12	Year 1 Property Taxes (Entire Property)	0	n/a	1st-year property taxes, increasing 1.5% per year for inflation thereafter.
13	Year 1 Combined Facility Costs (Excluding Capital)	\$1,095,000	\$893,360	= Row 10 + Row 11 + Row 12
14	Estimated Interest and Principle Payments	0	\$1,920,485 (40 yr)	Annual loan payment if province finances construction costs at 3% over 40 years.
15	Year 1 Total Facility Costs (Including Capital)	\$1,095,000	\$2,813,845	=Row 13 + 14
16	Annual Facility Cost / Student Space	\$5,475 / space	\$9,379 / space	=Row 15 / Row 6
17	Present Value Cost (25 Year) Provincially Financed @ 3%	n/a	\$56.6 M	Present value of 25 years of costs, if Row 8 costs financed at 3%. Includes payout of mortgage balance in year 25.
18	Present Value Cost (25 Year) Landlord Financed T.I. @ 7%	n/a	n/a	No tenant improvements if building at Burnaby campus.
19	Present Value Cost (25 year) Province pays capital costs	n/a	\$20.4 M	Present value of 25 years of costs excluding the construction costs.
Estimated Construction Timeline After Treasury Board Approval				
Approval Stage		> Assumed Treasury Board approval required, including Business Case analysis.		
Project Design and Construction Stage		> Assumed this stage would "start" AFTER Treasury Board approval.		
		> Assumed "Integrated Project Delivery" to expedite process.		
		> The listed project duration DOES NOT include the time associated with the Approval Stage.		
Note: Partnerships BC Document dated July 2nd, 2013 indicates ECUAD @ GNW construction start Fall 2014.				

