

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON OCTOBER 20, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	NORMAL SCHOOL RENOVATIONS CAPITAL BUDGET UPDATE PROJECT #GG1558

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer:

- a) The existing construction contract with Tonda Construction Limited **BE INCREASED** by \$1,842,918.29 to an upset limit of \$8,038,875.29 excluding HST in accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy;
- b) The existing contract with The Ventin Group Ltd. (+VG Architects) **BE INCREASED** by \$113,186.25 to an upset limit of \$577,186.25 excluding HST in accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy;
- c) The financing for this project **BE APPROVED** as set out in the Sources of Financing Report attached as Appendix "A"; and
- d) The Civic Administration **BE AUTHORIZED** to undertake all administrative acts which are necessary in connection with the project.

PERTINENT REPORTS RELATED TO THIS MATTER

- April 21, 2015 – Phase II – Award of Construction Contract for the Renovations to the Normal School, Corporate Services Committee
- August 26, 2014 – Construction Manager/General Contractor for the Renovations to the Normal School, Corporate Services Committee
- March 25, 2014 – Architect to Act as Prime Consultant for the Normal School Renovation, Corporate Services Committee
- February 4, 2014 - Confidential Report, Corporate Services Committee
- November 26, 2012 - Information Report, Finance and Administrative Services Committee.
- July 16, 2012 - Information Report, Finance and Administrative Services Committee.

BACKGROUND

PURPOSE:

The purpose of this report is to increase the construction contract with Tonda Construction Limited and the design services contract with The Ventin Group (+VG Architects) for the renovations and lease hold improvements to the Normal School located on 165 Elmwood Ave. East. The renovations and lease hold improvements to this facility are to accommodate the lease agreement with the YMCA of Western Ontario.

CONTEXT:

At its regularly scheduled meeting of April 28, 2015, City Council resolved that a contract be awarded to Tonda Construction Limited in the amount of \$6,195,957.00 excluding HST for the renovations to the Normal School. This direction was given as part of the City's fulfilment of its obligations defined in the lease agreement with the YMCA of Western Ontario. In accordance with the lease agreement, the City will provide a move-in ready facility to the YMCA of Western

Ontario by June 2016 and the YMCA will operate and maintain the facility at its own expense for a period of 10 years.

At its regularly scheduled meeting of April 1, 2014 City Council resolved that a contract be awarded to the Ventin Group (+ VG Architects) in the amount of \$464,000.00 excluding HST for the design services for the renovations and lease hold improvements to the Normal School.

DISCUSSION:

Tonda Construction Limited and the Ventin Group (+ VG Architects) are requesting an increase to their contracts due to the expanded scope of work made necessary by the following:

Site Plan Requirements Cost: \$309,000

The original scope of work was focused on interior leasehold improvements to the Facility along with a barrier free entrance. The entrance addition was expanded to 3 stories to allow for an exit stair to meet current building codes along with the barrier free entrance. This then triggered a full site plan approval application that required the following items be added to the project;

- Fire route and exit through the site onto Wortley Road;
- Full tree preservation plan and enhanced landscape features;
- Upgraded water service for site fire protection; and
- Additional pedestrian sidewalks on site and throughout the parking lot.

Ontario Heritage Trust Cost: \$336,500

Ontario Heritage Trust is the provinces heritage agency that oversees the conservation easement agreement on the Normal School site as per the Ontario Heritage Act. Any alterations or additions at this site necessitate the approval of the Ontario Heritage Trust which required the following be met;

- That the 3 story rear exit stair and barrier free entrance addition be fully transparent and reversible; and
- That all excavations onsite be monitored and documented by an archaeologist.

Existing Conditions Cost: \$409,069

A number of unknown site and facility conditions were discovered upon commencement of the work such as;

- Undocumented asbestos in various locations throughout the facility;
- collapsed combined sanitary and storm services which must be replaced with code compliant separate services; and
- ground water control issues and rainwater leaders attached to the combined storm/sanitary line which required the addition of perimeter drainage around the entire facility and which need to be separated from the combined services; and
- Addition of perimeter drainage around the entire facility for groundwater control and removal of rain water leaders from the combined storm/sanitary sewer line.

Elevated Tenders Results Cost: \$923,100

A number of the sub trade tenders closed at higher than anticipated values resulting in significant additional costs to the project. Tenders for Mechanical, Sprinklers, Electrical and Finishes all closed higher than anticipated. Tonda Construction Limited and the Ventin Group (+VG Architects) attempted to accommodate the overages into the existing budget through value engineering and redesign. To date the contractor and consultant team have achieved approximately \$650,000 in savings through value engineering, re-design and re-tendering.

Both contractor and architect will continue to value engineer the renovation work where possible through to the completion of the project.

Total Cost Impact: \$1,977,669 (\$2,012,475 including net HST)

The total cost impact includes all applicable consultant fees and permits..

The project is still on schedule to meet the terms of the lease agreement completion date of June 2016 with the YMCA of Western Ontario.

FINANCIAL IMPLICATIONS:

The financial cost implications associated with the \$2,012,475 increase is highlighted in the chart below:

	Original Approval	Revised Request	Increase Budget Required
Engineering (The Ventin Group Ltd)	\$464,000	\$577,186	\$113,186
Land Acquisition	\$1,755,007	\$1,755,007	\$0
Construction (Tonda Construction Limited)			
Phase I	\$511,000	\$511,000	\$0
Phase II	\$6,195,957	\$8,038,875	\$1,842,918
City Related Expenses *	\$275,000	\$296,565	\$21,565
Applicable HST	\$126,208	\$161,014	\$34,806
Total	\$9,327,172	\$11,339,647	\$2,012,475

* Additional City Related Expenses of \$21,565 excluding HST are being requested at this time for monitoring of the excavation on the Normal School grounds by an archaeologist as required by the Ontario Heritage Trust.

In order to fund the unanticipated additional costs, an additional \$2.0 million of debt financing will be required. The additional debt servicing costs associated with the additional \$2.0 million debt can be accommodated in the "base" multi-year 2016 to 2019 budget forecast as a result of the \$1.0 million of operating funding that was set aside on February 28, 2013 for a ten year period. The \$1.0 million of operating funding was prudently set aside to service debt associated with the completion of this project. Furthermore, the YMCA will contribute \$450,000 in an annual lease payment for ten years once they make their first lease payment (projected to be September 2016). This funding was primarily intended to support the debt servicing costs with any remaining balance contributed to a capital reserve fund.

Lastly, pursuant to Section 10 of the lease agreement with the YMCA, the YMCA “will lead a capital campaign to raise funds to support the initial capital needs of the building” and “will also assist in approaching all senior levels of government to secure further funds to support the required capital investment into the building”.

ACKNOWLEDGEMENTS:

This report was prepared by John Devito, Facilities Design & Construction and Alan Dunbar, Financial Planning & Policy.

SUBMITTED BY:	REVIEWED AND RECOMMENDED BY:
JOHN DEVITO MANAGER, FACILITIES DESIGN & CONSTRUCTION	TIM WELLHAUSER DIVISION MANAGER, FACILITIES
	RECOMMENDED BY:
	LARRY PALARCHIO DEPUTY CITY TREASURER AND DIRECTOR, FINANCIAL PLANNING & POLICY

Attach: Appendix “A” – Sources of Financing
 cc: Anna Lisa Barbon, Director, Financial Services
 Bill Warner, Manager, Realty Services
 John Freeman, Manager, Purchasing and Supply
 Jim Yanchula, Manager, Urban Regeneration