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| TO: | CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 10, 2017 |
| FROM: | MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER |
| SUBJECT: | LEASEHOLD IMPROVEMENTS UPDATE - CITI PLAZA 355 WELLINGTON STREET |

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

- a) The existing leasehold improvement contract with I.F. Propco Holdings **BE INCREASED** by \$283,708.00 to an upset limit of \$1,133,708.00 (including HST) in accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy, it being noted that the City Treasurer, with the concurrence of the City Manager, has authorized this work to proceed as an urgent facilities matter in accordance with Schedule B of the Procurement of Goods and Services Policy;
- b) The financing for this project **BE APPROVED** as set out in the Sources of Financing Report attached as Appendix "A"; and
- c) The Civic Administration **BE AUTHORIZED** to undertake all administrative acts which are necessary in connection with the project.

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| PERTINENT REPORTS RELATED TO THIS MATTER |
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- June 20, 2016 – Confidential – Corporate Services Committee – Lease of Office Space – Citi Plaza – 355 Wellington Street
- July 19, 2016 – Confidential – Corporate Services Committee – Lease of Office Space – Citi Plaza – 355 Wellington Street

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| BACKGROUND |
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At its in camera meeting on July 26, 2016, the Committee of the Whole, resolved:

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, on the advice of the Manager of Realty Services, with respect to the lease of office space at 355 Wellington Street, known as Citi Plaza, the following actions be taken:

- a) *the lease between The Corporation of the City of London and I.F. PROPCO HOLDINGS (ONTARIO) 31 LTD., as Schedule "A", **BE APPROVED**; and*
- b) *the financing for the leasehold improvements associated with the lease in the amount of \$850,000, representing fit out costs of \$2,050,000 less inducements of \$1,200,000, **BE APPROVED** as set out in the Source of Financing Report hereto as Appendix "A".*

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| DISCUSSION |
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PURPOSE:

The purpose of this report is to increase the leasehold improvements contract with I.F. Propco Holdings related to the fit out of space for civic services at Citi Plaza.

CONTEXT:

I. F. Propco Holdings property manager Avison Young issued tenders to four (4) qualified bidders on November 21, 2016 for the required leasehold improvements. The tenders closed on December 2, 2016 with three (3) of the four (4) bids being disqualified as their bids were non-compliant with the terms and conditions of the tender documents. The only qualified bid was from the third (3rd) lowest bid and is \$283,708 above the anticipated leasehold improvement costs after an extensive value engineering process.

Two major factors are contributing to the overage, specifically:

- Only one compliant bid was received, noting that the two (2) lowest bids were deemed non-compliant;
- A compressed project schedule with required completion by March 15, 2017, noting that this deadline results in prospective contractors incurring additional costs (e.g. overtime) that would otherwise not be incurred with a less compressed schedule.

As indicated, Facilities along with the client group has undertaken an extensive value engineering exercise to identify cost savings and minimize the overage. The resulting design and corresponding cost reflect the requirements to maintain the functionality of the space.

FINANCIAL IMPLICATIONS:

The additional funding required is available within the approved capital budget for this project (capital project RC2650). While the additional funds required for the leasehold improvements represent a budget pressure, it is anticipated that Ontario Works Cost of Administration subsidy will be available to offset a portion of the cost of this project. As a result, it is expected that the net budget in this capital project will be sufficient to prepare the Citi Plaza space for occupancy.

ACKNOWLEDGMENTS:

This report was prepared with the assistance of John Devito, Facilities Design & Construction, Kyle Murray, Financial and Business Services and Bryan Baar, Realty Services.

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| SUBMITTED BY: | RECOMMENDED BY: |
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| TIM WELLHAUSER DIVISION MANAGER, FACILITIES | MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER |

Attach: Appendix "A" – Sources of Financing

- cc: Art Zuidema, City Manager
David Munteer, Acting City Solicitor
John Freeman, Manager – Purchasing and Supply
Bill Warner, Manager of Realty Services
Kyle Murray, Senior Financial Business Administrator

APPENDIX 'A'

#17011

Chair and Members
Corporate Services Committee

January 6, 2017
(Increase Leasehold Contract)

**RE: Leasehold Improvements Update - Citi Plaza
355 Wellington Street
(Subledger FG170001)
Capital Project RC2650 - OW Decentralization
I.F. Propco Holdings. - \$283,708.00 (inclusive of non-refundable H.S.T.)**

FINANCE & CORPORATE SERVICES REPORT ON THE SOURCE OF FINANCING:

Finance & Corporate Services confirms that the cost of this project can be accommodated within the financing available for it in the Capital Works Budget and that, subject to the adoption of the recommendations of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the detailed source of financing for this project is:

| <u>ESTIMATED EXPENDITURES</u> | <u>Approved Budget</u> | <u>Committed To Date</u> | <u>This Submission</u> | <u>Balance for Future Work</u> |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| Engineering | \$300,000 | \$12,817 | | \$287,183 |
| Construction | 1,209,835 | 850,000 | 283,708 | 76,127 |
| NET ESTIMATED EXPENDITURES | <u>\$1,509,835</u> | <u>\$862,817</u> | <u>\$283,708</u> 1) | <u>\$363,310</u> |
| <u>SOURCE OF FINANCING:</u> | | | | |
| Capital Levy | \$591,658 | \$591,658 | | \$0 |
| Debenture By-Law W.-5605-235 | 668,177 | 271,159 | 283,708 | 113,310 |
| Drawdown from Social Services Reserve Fund | 250,000 | | | 250,000 |
| TOTAL FINANCING | <u>\$1,509,835</u> | <u>\$862,817</u> | <u>\$283,708</u> | <u>\$363,310</u> |

Financial Note

1) Contract Price
Less: Previously Approved July, 2016

Add: HST @13%
Total Contract Increase
Less: HST Rebate
Net Contract Increase

| <u>This Submission</u> |
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| \$1,114,100 |
| 835,299 |
| 278,801 |
| 36,244 |
| 315,045 |
| 31,337 |
| <u>\$283,708</u> |

EH

Jason Senese
Manager of Financial Planning & Policy