

<b>TO:</b>	<b>CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE MEETING ON WEDNESDAY OCTOBER 11, 2017.</b>
<b>FROM:</b>	<b>LYNN LOUBERT ACTING MANAGING DIRECTOR, PARKS &amp; RECREATION and LYNNE LIVINGSTONE MANAGING DIRECTOR, NEIGHBOURHOOD, CHILDREN &amp; FIRE SERVICES</b>
<b>SUBJECT:</b>	<b>EAST COMMUNITY CENTRE TENDER 17-67 PROJECT #P015-RC2756</b>

<b>RECOMMENDATION</b>
-----------------------

That, on the recommendation of the Acting Managing Director, Parks and Recreation and the Managing Director, Neighbourhood, Children and Fire Services:

- (a) The bid submitted by Jasper Construction Corp., 344 North Rivermede Road, Concord, Ontario, L4K 3N2, at its tendered price of \$21,444,000.00 excluding HST **BE ACCEPTED**; it being noted that the bid submitted by Jasper Construction Corp. was the lowest bid received and meets the City's specifications and requirements in all areas;
- (b) The existing contract with MacLennan Jaunkalns Miller Architects Ltd. (MJMA) **BE INCREASED** by \$127,000.00 to an upset limit of \$1,089,200.00 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";
- (d) The Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this project;
- (e) The approvals given herein **BE CONDITIONAL** upon the Corporation entering into a formal contract with the contractor for the work; and
- (f) The Mayor and City Clerk **BE AUTHORIZED** to execute any contract or other documents, if required, to give effect to these recommendations.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
--

- Update on East Community Centre Build Project (CPSC – Jun. 2017)
- Parks and Recreation Strategic Master Plan – Interim Update (CPSC - Jan. 2017)
- Architect to Act as Prime Consultant for the East Community Centre (CPSC - Dec. 2015)
- Update on East Community Centre Build Project (CPSC - Dec. 2015)
- Parks and Recreation Strategic Master Plan Update (CPSC - Nov. 2009)

<b>2015-19 STRATEGIC PLAN</b>
-------------------------------

This project builds on all four of Council's Strategic Areas of Focus:

1. Strengthening Our Community – this centre will serve as a community hub for the local neighbourhood of Argyle and for the larger district including Huron Heights, East London, Hamilton Road, Glen Cairn, Westminster, and Jackson. "*Building amazing arts, culture and recreation experiences.*"
2. Building a Sustainable City – this new infrastructure project will create a "*beautiful place and space*" within the community
3. Leading in Public Service – a range of city services will now be available and allow the city to provide "*excellent service delivery*" to a previously underserved area

4. Growing Our Economy - this project, located within an existing neighbourhood, allows the City to contribute to “urban regeneration” of a key community space

## BACKGROUND

### Purpose

This report is submitted to seek Council approval to enter into a formal contract with Jasper Construction Corp. for the construction of the East Community Centre at 1731 Churchill Avenue.

### Context

The City of London retained the services of MacLennan Jaunkalns Miller Architects Ltd. (MJMA) in December 2015 to design a new community centre at East Lions Park. This community centre will include an indoor pool, gymnasium, activity room, multi-purpose community space, community kitchen, and artisan space and will serve the broad community in the East and Southeast areas of the city. Two community Open Houses were held: March 2016 - to launch the project and gather input on needs and desires, and, June 2016 - to gather feedback on a conceptual design. The final design is now complete with a design that the community is excited about and is in keeping with an appropriate scale and scope for this type of project. Construction is scheduled to begin in the Fall of 2017 with project completion in 2019.

## DISCUSSION

Tenders for the Construction of the East Community Centre were received August 16, 2017. The bid submitted by Jasper Construction Corp. was the lowest of 12 bids received and meets the City’s specification and requirements in all areas. A summary of bids received is attached as Appendix “B”. The bid submitted by Jasper Construction Corp. offers the best value to the City and it is recommended that they be awarded a contract for the work.

### Design and Costing

The original construction budget for this project (\$16.6 million) was established using industry standard cost guides (Altus Group Canadian Cost Guide and RS Means) and confirmed against recent similar projects across the Province. This budget was also in line with the cost per square foot plus inflation to construct the Stoney Creek Community Centre, YMCA and Library.

A number of cost estimates were completed during the detailed design phases by the cost consultant (see Table below). Thoughtful value engineering and scope reductions were realized without impacting the original desired features within the building at each of the cost phases. The final cost estimate (CLASS A) in May 2017 was still higher than the original budget and seemed out of line with current projects both within London (the South West Community Centre, YMCA and Library) and other similar projects tendered by the consultant team. The design team felt that there was the potential for this project to be over budget but were hopeful that the competitive bidding process would result in construction costs coming in closer to the original budget amount. A report to the Community and Protective Services Committee, prior to tender release in June 2017, identified a potential budget shortfall and a proposed strategy to deal with this shortfall should it occur.

	<b>Cost Submission Value</b>	<b>Revised Cost after Value Engineering</b>	<b>Major Value Engineering Items Identified</b>
<b>CLASS ‘C’</b> Jun. 2016	\$20,074,000	\$17,387,000	<ul style="list-style-type: none"> <li>• Change cladding material</li> <li>• Removed 5,000 sq ft (basement non-public space, pool deck, gymnasium (non-play space))</li> <li>• Remove wood ceiling over pool</li> <li>• Other minor adjustments</li> <li>• Addition of Rooftop Solar PV System* (addition to budget)</li> </ul>
<b>CLASS ‘B’</b> Nov. 2016 (revised)	\$20,842,000	\$19,212,000	<ul style="list-style-type: none"> <li>• Decreased contingencies</li> <li>• Recalculation of mechanical costing (based on recent projects)</li> <li>• Other minor adjustments</li> </ul>

Feb. 2017)			
<b>CLASS 'A'</b> May 2017	\$20,721,520	\$19,170,786	<ul style="list-style-type: none"> <li>• Remove escalation contingencies</li> <li>• Assumed pool savings based on SW costs (currently under construction)</li> <li>• Assumed mechanical and electrical savings based on industry standards and current projects</li> </ul>
June 2017	At time of tender Design Team estimated the project could be over budget by approximately \$2.4 – \$2.6 million		
<p>* During the design phase it was decided that this facility would be a good candidate for the inclusion of 10kW Rooftop Solar PV system at a construction cost of \$75,000. Rather than source all of its electrical needs from the electrical grid, the use of a Rooftop Solar PV system to convert sunlight into reusable electricity at point-of-use reduces burden on the electrical grid and offsets the use of electricity generated remotely which is subject to grid and line losses. All costs associated with this work including design, utility coordination and construction will be funded by the Energy Management Reserve Fund as per the approved 2017 Budget Amendment Business Case #19.</p>			

The lowest bid received from Jasper Construction Corp. of \$21,444,000 is over construction budget by \$4,769,000, which is considerably higher than the potential \$2.4 - \$2.6 million shortfall anticipated in June of this year.

A recent escalation in construction costs, between 30 and 40%, has been observed across the construction industry of late. The construction industry is currently busy which has impacted costs from manufactures, suppliers and sub-contractors. For example, costs to supply and install major building components such as Mechanical, Electrical and Pool are much higher than anticipated as compared to the Southwest Community Centre and other similar projects that the consultant team have experienced.

### Options

On receiving the tender summary, the Steering Committee reviewed potential options. The following options were considered:

- Retender the project immediately. This would require a reduction in project scope by 15%. To re-design and reduce the scope by 15% the building would require the loss of a significant feature of the building (i.e., pool, gymnasium and/or community spaces) as well as additional design fees.
- Wait 9 months and retender the same design. The risk is if the 2018 tendered price exceeds the current tendered price, which is possible due to inflationary pressures, the project would once again be over budget.

Civic Administration believes that neither option is in the best interest of the community as there is significant risk that construction costs will continue to rise and the current building, as designed, will best serve the recreational and social needs of the residents in the area. Civic Administration therefore recommends awarding the tender to Jasper Construction Corp. with the funding shortfall in the project sourced from approved budget in capital project RC2758 – South East Multi-Purpose Recreation Centre Arena Anchored. Further details are outlined in the “Financial Implications” section below.

### Additional Consultant Fees

MacLennan Jaunkains Miller Architects Ltd. (MJMA) was awarded the contract as the prime consultant for the East Community Centre project by Council on January 4, 2016 in the amount of \$962,200 excluding HST. Additional services were provided by MJMA during the design phase of the project for the following items:

- Alternate design options and cost containment solutions to maintain the project scope and expectations of the community - Additional design services in the amount of \$94,000 excluding HST; and,
- Design and utility coordination services in the amount of \$33,000 excluding HST as it relates to the Rooftop Solar PV system as noted above.

It is recommended that the contract with MJMA be increased by \$127,000 to an upset limit of \$1,089,200 excluding HST.

## Financial Implications

Civic Administration considered two alternatives to identify the required funding to address the shortfall in the East Multi-purpose Recreation Centre Project:

- 1) Capital project RC2758 (South East MPRC - Arena Anchored) currently has \$10.9 million of approved but unspent funding, a portion of which could be reallocated to this project. Funding for this project is currently being budgeted through 2019. By reallocating funds to the East project, an additional budget request would be required in 2020 to replace the funding shifted to the East project.
- 2) Capital project RC2755 (South West MPRC) currently has a forecasted surplus of approximately \$2.7 million due to favourable costs for consulting services and lower than anticipated permit fees. This option is considered less favourable as insufficient funding is available to address the entire funding shortfall in the East project, and would therefore require additional funds from other sources. Additionally, this project is currently under construction and it is unknown whether the anticipated surplus will be required for any “unknowns” that arise during the course of the project.

Civic Administration recommends a reallocation of budget from capital project RC2758 (South East MPRC) to address the budget shortfall. An additional budget request for project RC2758 will be submitted in 2020 to replace the funding that is being reallocated. Should a surplus materialize in capital project RC2755 (South West MPRC), it will be recommended that the surplus be used to offset the additional funding request for the South East project.

The following table provides a visual representation of the proposed financial strategy:

East Multi-purpose Rec Centre Capital Project RC2756 (\$000's)	South East Multi-purpose Rec Centre Capital Project RC2758 (\$000's)	South West Multi-purpose Rec Centre Capital Project RC2755 (\$000's)
Total Budget: 18,180	Approved Budget as of 2017:* 12,550	Total Budget: 56,546
Projected Total Costs: 22,958	Spending to Date: 1,558	Projected Total Costs: 53,846
Projected Deficit: (4,778)	Uncommitted: 10,992	Projected Surplus: 2,700
Transfer from RC2758: 3,919	Transfer to RC2756: (3,919)	
Additional Debenture Quota (Served through City Services R.F. Parks & Rec.): 859		
4,778		
	Surplus from RC2755: TBD	Surplus to RC2758: TBD
	2020 Budget Request: TBD	

\* - Project is included in the capital plan, with the budget being built up annually until 2019 (total budget = \$29.9M). Original project timing calls for tendering in early 2019, with the facility opening in 2021.

A - Transfer of funds from RC2758 to RC2756. Please note the reduction to capital project RC2758 (\$3.9M) is not the same amount as the total increase to capital project RC2756 (\$4.8M) as the DC supported share is different for these projects (RC2756 is 26.1% DC rate supported; RC2758 is 10.4% DC rate supported). To maintain the correct growth/non-growth financing ratio, additional debenture quota (served through City Services Parks & Rec. reserve fund) is utilized.

B - Transfer of surplus funds from RC2755 to RC2758 upon completion of RC2755. Please note the reduction to capital project RC2755 may not be the same amount as the increase to capital project RC2758 as the DC supported share is different for these projects (RC2758 is 10.4% DC rate supported; RC2755 is 30.2% DC rate supported).

C - 2020 Budget Request will be submitted for the remaining funds required to construct capital project RC2758.

## Future Operational Costs

Civic Administration will follow the usual process to prepare a 2019 Assessment Growth case to provide the necessary funding for the net operating costs of the facility. The anticipated annual cost of operating the East Community Centre facility (inclusive of staffing, utilities and maintenance), net of anticipated annual user fee revenues, is expected to be in the range of \$300,000 to \$400,000 per year, noting that this estimate is subject to further refinement.

## CONCLUSION

The design team has taken a responsible and thoughtful approach to manage the scope and cost of this project from the start. Unanticipated escalation in construction costs over the last year, and further construction cost increases this summer have brought the final construction cost to \$21,444,000, excluding HST. As well, additional architectural consultant services were required to design the Rooftop Solar PV system and to accommodate additional designs for cost containment. Civic Administration proposes re-purposing funds from the South East MPRC Project (RC2758) to this project.

Civic Administration has reviewed the tender bids and recommends the low bid, Jasper Construction Corp., be awarded the construction contract for the East Community Centre project.

### ACKNOWLEDGEMENTS:

This report was prepared by John Devito and Steve MacDonald, Facilities, Donna Baxter, Neighbourhood, Children and Fire Services, and Steve Whitmore, Financial and Business Services.

<b>SUBMITTED BY:</b>	<b>RECOMMENDED BY:</b>
<b>TIM WELLHAUSER DIVISION MANAGER, FACILITIES</b>	<b>LYNN LOUBERT ACTING MANAGING DIRECTOR, PARKS AND RECREATION</b>
<b>RECOMMENDED BY:</b>	<b>CONCURRED BY:</b>
<b>LYNNE LIVINGSTONE MANAGING DIRECTOR, NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES</b>	<b>ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

Attachment: APPENDIX "A" – Sources of Financing  
APPENDIX "B" – Summary of Bids

cc: Donna Baxter, Manager, Policy & Planning  
 Kyle Murray, Senior Financial Business Administrator  
 Paul D'Hollander, Manager, Neighbourhood Operations  
 John Freeman, Manager, Purchasing and Supply  
 John Devito, Manager, Facilities Design & Construction