

Item 8.1.

Section I – Items for Board of Directors Action

TO: Chair and Members of the Board of Directors
Meeting #5/19, Friday, May 24, 2019

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **TORONTO AND REGION CONSERVATION AUTHORITY ADMINISTRATIVE
OFFICE BUILDING PROJECT**

KEY ISSUE

Update on the 90% construction document estimate, including construction management fixed fees, fixed construction general conditions cost and tender results to date for Toronto and Region Conservation Authority's Administrative Office Building Project.

RECOMMENDATION

THAT this staff report on the 90% construction document estimate, including construction management fixed fees, fixed construction general conditions cost and tender results to date be received;

AND FURTHER THAT staff report back to the Board of Directors on June 21, 2019 with a recommendation for award once all tenders have been received and reviewed.

BACKGROUND

On February 27, 2015 Resolution #A23/15 approved 5 Shoreham Drive as the preferred site for the new TRCA headquarters and on February 24, 2017, staff reported at Authority Meeting #1/17 that all six of TRCA's participating municipalities, had approved the Project and the allocation of \$60,000,000 in new and existing capital funding. At Authority Meeting #4/18 on May 8, 2018, staff reported that the Minister of Natural Resources and Forestry granted approval to use \$3,538,000 in disposition proceeds from land sales, for an overall budget of \$63,538,000 with the disposition funds to be applied to reduce the overall term of the required financing.

In May 2017, TRCA retained Jones Lang LaSalle Canada (JLL) as its project managers and in September 2017 retained an integrated design team, led by ZAS Architects and Bucholz McEvoy Architects, to proceed with the detailed design, planning and approvals, of the Project. These assignments were followed by a Request for Qualifications and Proposals which resulted in the selection of Eastern Construction Company Limited to provide pre-construction services throughout the design and procurement stages along with construction management services for the construction of the new facility. This work includes the issuance of tenders to construction trades, as approved through Resolution #A216/17 on November 17, 2017.

RATIONALE

During the design and pre-tender process the project milestone schedule included cost estimates at the completion of schematic design, design development, 50% contract documents and 90% contract documents. A.W. Hooker was retained to prepare independent construction cost estimates that could be compared against those completed by Eastern Construction to provide a level of certainty that the project can be achieved within TRCA's defined budget. The costing reconciliation process between A.W. Hooker, Eastern Construction and the integrated design team has provided TRCA greater cost certainty with the proposed design and allowed for the ongoing consideration of design revisions and value engineering.

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The original intention was to have the cost consultant and construction manager provide complementary cost estimates at the less predictable stages of the project, namely schematic design and design development. It was expected that as the design became more detailed only cost estimates from Eastern Construction would be necessary given the greater predictability of estimates at the 50% and the 90% stages. At schematic and design development the cost estimates were reconciled between A.W. Hooker and Eastern Construction and the design team made the necessary design changes to align the project with the approved budget. The 50% cost estimate, provided solely by Eastern Construction, highlighted the need for design alterations to meet the approved budget. The design team made the necessary changes through an extensive value engineering exercise.

Following the completion of 90% design, Eastern Construction issued an estimate which suggested the project was at risk of being over budget and suggested that a value engineering process would not align the Project with the approved budget but instead would potentially require a re-design process. Given the unexpected result of the 90% cost estimate TRCA, in consultation with JLL and the design team undertook the following strategy to ensure the project was able to proceed without substantially modifying the scope and delaying construction:

- A.W. Hooker was requested to provide a 90% contract document estimate to either validate the design direction or confirm Eastern Construction's 90% estimate. Subsequently, A.W. Hooker issued an estimate that showed the design team could align the project with the approved budget through a typical value engineering exercise.
- Using the Class A estimate from A.W. Hooker (+/- 5% accuracy), TRCA requested the design team provide Eastern Construction a list of design alternates to be included in the tender documents that if necessary could be instituted to bring the project in on budget with a minimum impact on the approved design (see below).
- TRCA requested Eastern Construction include in the "Instructions to Bidders" a clause that states the owner will, if necessary, negotiate with the low bidder trade suggested design alternates to bring the project in alignment with the approved budget.
- Eastern Construction has been requested to tender those items where there is the greatest divergence between the Eastern estimate and the Hooker estimate as soon as possible and thereby provide the team with an early indication of the project tendering direction.

Given the strategy outlined above, the project team feels confident in proceeding with the project tendering process. It should be noted that TRCA is not obligated to proceed with the Project based on the results from tenders. The tendering process started May 9, 2019 with the final tenders closing June 11, 2019. The tender amounts to date and a comparison to the budget cost are expected to be presented at the June 7, 2019 Executive Committee Meeting.

FINANCIAL DETAILS

As noted above, TRCA staff revised the original project cost based on the results of the design development costing reconciliation process between A.W. Hooker and Eastern Construction. The revised budget shown below compares the design development construction budget of \$45.2M to the 50% cost estimate by Eastern Construction of \$46.7M and the 90% cost estimate from A.W. Hooker of \$47.5M. The comparison does not include the 90% cost estimate from Eastern Construction which ranged from \$55M to \$57M. TRCA's project manager JLL is of the opinion that this estimate reflects trade fatigue in providing Eastern cost estimates and do not accurately reflect the market.

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Item	Budget Based on DD Cost Estimate	50% CD Cost Estimate-Eastern	90% CD Cost Estimate-Hooker
General Conditions		\$6,266,795	\$5,759,100
Const. Mgmt. Fee		\$900,142	\$845,000
Const. Cost		\$39,588,107	\$40,985,900
Total Const. Cost	\$45,250,472 ¹	\$46,755,044 ²	\$47,590,000 ³
Consultant Fees	\$4,021,133	\$4,021,133	\$4,021,133
Permits	\$624,697	\$624,697	\$624,697
Furniture/Fittings and Equipment	\$1,550,000	\$1,550,000	\$1,550,000
Relocation Costs	\$2,026,697	\$2,026,697	\$2,026,697
Project Management	\$2,575,000	\$2,575,000	\$2,575,000
Financing Costs	\$2,515,265	\$2,515,265	\$2,515,265
Non-Recoverable HST (1.76%)	\$1,037,736	\$1,037,736	\$1,037,736
Soft Contingency	\$399,000	\$399,000	\$399,000
Total	\$60,000,000	\$61,504,572	\$62,339,528

¹includes 3% design and 5% construction contingency.

²includes 5% construction contingency.

³includes 5% construction contingency.

The design team have provided a list of design alternates to be included in the tender documents that have an estimated value of \$2,070,000 to reduce the construction costs. The items are as follows:

1. Granular B material in lieu of Native Material for Back Fill.	\$285,000
2. Cast in place Concrete Sidewalk in lieu of Slab Paver at entrance.	\$300,000
3. Separate Price for alternate planting list. Approx.	\$230,000
4. Nail, Glue, or Dowel Laminated Wood Slabs in lieu of Cross Laminated Wood Slabs	\$500,000
5. Separate Price for Temporary Waterproofing Applied to Wood Slabs.	\$230,000
6. R2 type Roof in lieu of Roof T4 and delete Glass Guard around Roof Terrace.	\$125,000
7. Separate Price for Sealer applied to Concrete Topping on Wood Slabs.	\$100,000
8. Interface Carpet as noted in Schedule of Materials in lieu of Tretford Carpet.	\$300,000
Total	\$2,070,000

It should also be noted that TRCA is in the second stage of the National Research Council's - GCWood Low-rise Non-Residential Wood Demonstration Projects program. Two meetings have been held with the program team from NRC and it was made clear that this project was a very good fit with the program. TRCA has provided NRC with all the required documentation and an agreement is anticipated to be finalized in July 2019 with potential for an up to \$2M grant.

Tenders to Date - The first round of tenders close between May 23 – 30, and as such, the tenders to date will be presented at the June 7, 2019 Executive Committee Meeting.

Major Maintenance Capital funding is available to Site Plan Approval process and tender for construction under account 006-50.

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DETAILS OF WORK TO BE DONE

The key phases of the project are as follows:

Project Phases / Duration	
Site Plan Approval	July 2018 – July 2019
Building Permit	October 2018 – August 2019
Tender Contract Documents	July 2018 – April 2019
Award Construction Contract	March 2019 – July 2019
Construction (assumes partial bldg. permits)	June 2019 – June 2021
Occupancy	March 2021 – June 2021

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