

Section I – Items for Board of Directors Information

TO: Chair and Members of the Board of Directors
Meeting #11/19, Friday, January 24, 2020

FROM: Michael Tolensky, Chief Financial and Operating Officer

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

KEY ISSUES

Update on the value engineering process for Toronto and Region Conservation Authority's (TRCA) Administrative Office Building Project and a summary of the Study Visit to Ireland.

RECOMMENDATION

WHEREAS given the result of the value engineering (VE) process being within the project budget of \$65,538,000 which reflects available sources of funding from stakeholders, staff have authorized Eastern Construction Company Limited (Eastern Construction) to award the recommended construction tenders with selected trades that align with the project budget;

AND WHEREAS in accordance with TRCA's project budget staff authorized the construction manager, Eastern Construction, to proceed with construction;

AND WHEREAS Board of Directors Resolution #A145/19 authorized staff to issue Notices of Borrowing to the project financial services provider, Canadian Imperial Bank of Commerce (CIBC), according to a loan schedule based on the project cash flow;

LET IT BE RESOLVED THAT staff be authorized to extend the lease at 101 Exchange Avenue until February 2022, at the current rate, to ensure overlap with the building occupancy period, as the current lease terminates in July 2021;

AND FURTHER THAT the staff report on the Study Visit to Ireland that provided valuable lessons on considerations for sustainable buildings be received.

BACKGROUND

On February 27, 2015 Res. #A23/15 approved 5 Shoreham Drive as the preferred site for the new TRCA administration building. On June 24, 2016 Res. #A85/16 approved a project budget of \$70M with \$60M provided by participating municipalities and the remaining funds from land disposition funds. On February 24, 2017 Authority Res. #A14/17 staff reported that all six of TRCA's participating municipalities had approved the Project and the allocation of \$60M in new and existing capital funding. On May 25, 2018 Authority Res. #A79/18 staff reported that the Minister of Natural Resources and Forestry granted approval to use \$3,538,000 in disposition proceeds from land sales, for a revised overall budget of \$63,538,000 and, if possible, that the disposition funds be used to reduce the overall term of the required financing. The revised approved upper limit of the project budget of \$60M was not increased at that time, as the decision was made to wait until the tendering process was complete in mid-2019 to determine a more accurate budget for the project.

On May 17, 2017 Authority Res. #83/17 TRCA awarded Jones Lang LaSalle Canada (JLL) as its project managers and on August 30, 2017 Authority Res. #A156/17 awarded the integrated

Item 7.7

design contract to a team led by ZAS Architects and Bucholz McEvoy Architects, to proceed with the detailed design, planning and approvals, of the Project. On November 3, 2017 Authority Res. #A216/17 awarded Eastern Construction Company Limited a Construction Management Contract to provide pre-construction services throughout the design and procurement stages along with construction management services for the construction of the new facility pending agreement on the construction cost of the Project. This work includes the issuance of tenders to construction trades

On Friday, January 25, 2019 Board of Directors Res.#A19/19 staff issued an update on the procurement of financial services and that the Canadian Imperial Bank of Commerce (CIBC) is providing a term loan for the costs of the new administration building project up to \$54,000,000.

On Friday, May 24, 2019 Board of Directors Res.#A78/19 staff provided an update on project costing and a strategy to move to the tendering process and received direction from the Board to report back on the total construction and Construction Management Services costs at the time construction tenders are received.

On Friday July 26, 2019 Board of Directors Res.#A145/19 staff provided an update on the budget for TRCA's Administrative Office Building project and were directed to award contracts based on the approval of the budget upper limit being increased from \$60,000,000 to \$65,538,000 which reflected the available sources of funding from stakeholders. This increase reflected that the project had qualified for a \$2,000,000 grant from NRCan. Staff were also authorized to participate in an all-expenses paid knowledge sharing trip to Ireland on invitation from the Irish Government agency, Enterprise Ireland.

RATIONALE

The project was tendered by Eastern in three bid packages over the course of May to June 2019. While the intention was to bring the results of the tender process to the June 21, 2019 Board of Directors meeting, additional time was required in order to assess value engineering opportunities. The result of the detailed value engineering process completed November 2019 increased projected costs by \$1,337,713 from the July 26, 2019 preliminary value engineering estimate brought to the Board. The project team worked very closely with trades to find cost efficiencies through construction methodologies and material alternates but were unable to bring the construction costs in line with the planned for \$62,000,000 project cost. However, the project costs are well within the overall project budget of \$65,538,000.

An explanation for the amounts below is provided on the following page:

	Preliminary Project Budget	90% CD Cost Estimate-AW Hooker (May 24, 2019)	Tender w/ Preliminary Value Engineering (VE) (July 26, 2019)	Tender w/ Value Engineering (VE) (Nov. 28, 2019)	Variance to Preliminary VE	Variance Explained
Construction Cost	\$35,608,539	\$38,709,700	\$40,252,114	\$40,945,268	\$693,154	A
General Conditions (GC)	\$5,362,573	\$5,759,100	\$5,639,965	\$6,187,565	\$547,600	B
Construction Management (CM) Fee	\$860,569	\$845,000	\$875,369	\$934,308	\$58,939	C
Construction Contingency	\$3,418,791	\$2,276,200	\$2,303,604	\$2,341,620	\$38,020	D
Total	\$45,250,472	\$47,590,000	\$49,071,052	\$50,408,765	\$1,337,713	

Item 7.7

Construction Costs						
Consultant Fees	\$4,021,133	\$4,021,133	\$4,297,883	4,297,883	\$ -	
Permits	\$624,697	\$624,697	\$624,697	\$626,658	\$1,961	
Furniture/Fittings and Equipment	\$1,550,000	\$1,550,000	\$1,550,000	\$1,750,000	\$200,000	E
Relocation Costs	\$2,026,697	\$2,026,697	\$2,026,697	\$2,026,697	\$ -	
Project Mgmt.	\$2,575,000	\$2,575,000	\$1,871,325	\$1,871,325	\$ -	
Financing Costs	\$2,515,265	\$2,515,265	\$1,940,016	\$1,940,016	\$ -	
Non-Recoverable HST (1.76%)	\$1,037,736	\$1,037,736	\$1,062,795	\$1,066,993	\$4,198	
Soft Cost Contingency	\$399,000	\$399,000	\$399,000	\$399,000	\$ -	
Total Costs	\$60,000,000	\$62,339,528	\$62,843,465	\$64,387,337	\$1,543,872	
Total Available Funds	\$60,000,000	\$63,538,000	\$65,538,000	\$65,538,000	\$ -	F
Additional Contingency Funds	\$ -	\$1,198,472	\$2,694,535	\$1,150,663		

Variance Explanations:

- A. The post-tender increase in construction costs is a result of trades being unable to meet preliminary value engineering estimates. For example, the mass timber trade was not able to meet the expected value engineering amount of \$800k and instead was able to reduce the tender amount through alternates by \$400k.
- B. The general condition estimates were finalized based on the updated information obtained during the tendering process.
- C. The construction management fee is calculated as 1.9% of the total construction cost per Eastern Construction's successful CM proposal.
- D. The construction contingency is calculated at 5% of total construction cost, excluding the construction management fee.
- E. The costs for information technology and audio-visual equipment have been revised to better reflect the needs of the organization.
- F. Total Available Funds increased by \$2M to reflect a grant from the National Research Council's Green Construction Through Wood program, which was confirmed after the July 26th meeting. This funding is in addition to the \$60M contributed by TRCA's partner municipalities and \$3,538,000 contributed by the Province through approved land dispositions.

TRCA is entering the construction phase of the project with construction and additional contingencies totaling \$3,492,287. This total represents 6.2% of total project costs of \$56M (includes construction, consultant fees, permitting fees, FF&E and relocation). According to TRCA's consultants, a 5% contingency on construction projects is deemed to be conservative from a risk perspective.

Although total funding available for the project totals \$65,538,000, TRCA will work within the project current tendered cost of \$64,387,337. TRCA and the project financial services provider, CIBC, worked together to develop a quarterly amortization schedule for a \$54,000,000 term loan that best reflects the payment schedule from TRCA's partner municipalities, commencing on January 4, 2022 and ending on January 2, 2047, representing a period of 25 years.

Item 7.7

With the progression of the construction tendering, TRCA worked with the construction manager to develop an expected loan drawings schedule, between January 2020 and January 4, 2022, when the \$54,000,000 construction loan converts to long-term debt. The project team will continuously monitor project progress and adjust the construction loan draw schedule as required.

Approval delay has moved the building occupancy period to Nov. 2021/Jan. 2022. Because of this delay TRCA requested and received from the landlord a lease extension at 101 Exchange from the original end of July 2021 to end February 2022 at the current lease rate. We will continue to work with the facilities manager of 101 Exchange Avenue to ensure a smooth transition.

Within the July 26, 2019 report, TRCA accepted the invitation from Enterprise Ireland, to participate in a study visit focused on the built environment. The main purpose of the trip was to share knowledge on advanced and environmentally superior construction products and technologies and to showcase projects of relevance to TRCA's future administrative head office. The visit was a unique opportunity for two TRCA staff members to visit buildings that utilize many of the same technologies included in TRCA's facility. A report outlining the lessons learned from the trip is included as Attachment 1.

DETAILS OF WORK TO BE DONE

The construction manager will be closing the remaining trades in January 2020. The site plan approval process is nearing completion with TRCA providing the City the necessary documentation as outlined in the Notice of Approval Conditions to finalize the Site Plan Agreement. The construction manager will be starting on site in January 2020 with foundation construction beginning pending release of a below grade conditional building permit. Staff will begin the furniture, fixtures and equipment procurement process starting with furniture layout and the staff relocation strategy.

Additionally, the key phases of the project are as follows:

Project Phases	Duration
Site Plan Approval	Jul 2018 – Feb 2020
Full Building Permit	Oct 2018 – Mar 2020
Construction	Jan 2020 – Jan 2022
Occupancy	Nov 2021 - Jan 2022

Report prepared by: Jed Braithwaite, extension 5345

Emails: jed.braithwaite@trca.ca

For Information contact: Jed Braithwaite, extension 5345

Emails: jed.braithwaite@trca.ca

Date: January 16, 2020

Attachments: 1

Attachment 1: TRCA Staff Study Visit to Ireland