

Section III – Items for the Information of the Board

TO: Chair and Members of the Board of Directors
Friday, June 25, 2021 Meeting

FROM: Michael Tolensky, Chief Financial and Operating Officer

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

KEY ISSUE

Update to the Board of Directors regarding the construction of the New Administration Office Building Project.

RECOMMENDATION

IT IS RECOMMENDED THAT this staff report 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 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.

On Friday January 24, 2020 Board Meeting Res.#A232/19 authorized staff to extend the lease at 101 Exchange Avenue at the existing lease rate to February 2022 because of approval delays moving the building occupancy period to Nov. 2021/Jan. 2022.

On Friday April 24, 2020 Board Meeting Res.#A44/20 received an update on the delay to the project related to COVID-19.

On November 20, 2020 RES.#A193/20 and February 26, 2021 RES.#A21/21 provided an update on the schedule and construction progress of the New Administrative Office Building. The building occupancy period has moved to June 2022 due to a combination of approval and construction delays.

Item 8.6

RATIONALE

Schedule Update

Since the February report, there have been further delays related to on site coordination issues and the mass timber trade having manufacturing and supply chain problems. The mass timber structure is expected to be completed by September 2021 with the building enclosed by January 2022. The focus will then shift to interior construction and design, landscaping, and all site servicing, which is expected to be completed by September 2022.

	Baseline	February 2021 Board Report	As of May 31, 2021
Occupancy Permit	November 24, 2021	May 2022	August 2022
TRCA Move in Date	November 29, 2021	June 2022	August 2022
Substantial Performance	December 17, 2021	June 2022	September 2022
Total Completion	January 4, 2022	July 2022	September 2022

Construction Cost Update

An update to TRCA's construction budget, compared to the prior Board report brought forward on February 26, 2020 is provided below:

	Construction Cost as of Sept 30, 2020	Construction Cost as of May 31, 2021	Variance
Construction Cost	\$42,032,849	\$41,666,429	(\$366,420)
General Conditions	\$6,187,565	\$6,187,565	\$0
Construction Management Fee	\$948,862	\$954,311	\$5,449
Construction Contingency	\$2,393,279	\$2,440,415	\$47,136
Total Construction Costs	\$51,562,555	\$51,248,720	(\$313,835)
Consultant Fees	\$4,297,883	\$4,484,509	\$186,626
Permits	\$626,658	\$626,658	\$0
Furniture/Fittings and Equipment	\$1,750,000	\$1,057,813	(\$692,187)
Relocation Costs	\$2,026,697	\$2,026,697	\$0
Project Mgmt.	\$1,613,010	\$1,548,391	(\$64,619)
Financing Costs	\$1,940,016	\$1,940,016	\$0
Non-Recoverable HST (1.76%)	\$1,066,993	\$1,071,661	\$4,668
Soft Cost Contingency	\$399,000	\$1,146,077	\$747,077
Total Costs	\$65,282,812	\$65,282,812	\$0
Total Available Funds	\$65,765,900	\$65,765,900	\$0
Additional Unallocated Contingency Funds	\$483,088	\$483,088	\$0

The decrease in furniture/fittings and equipment is due to estimates provided by the vendor which are expected to lead to reduced costs, and these cost savings have been re-allocated to cover the rising costs associated with the soft cost contingency, as noted below.

Site Access Update

In follow-up to the February status report, the access agreement with Tennis Canada has been executed. This agreement was a prerequisite to finalizing a lease with the City of Toronto for

Item 8.6

the remaining of the road allowance providing vehicular access to the building site. Toronto staff will be bringing a report to the City Council recommending nominal rent for this access agreement. When this final access agreement is completed, TRCA will apply for final site plan approval as construction is continuing under conditional approval at this time.

Construction Contingency

The issues that affect construction costs are almost entirely related to changes made during the construction phase. As such, TRCA planned accordingly and included an industry standard 5% contingency on construction costs.

Following the January 2020 Procurement Guideline - Part 11.2 - Contract Change Approvals - staff will utilize this budget item to cover all change costs and Change Orders will be issued for approval and signing per the *CS-3.02-P Signing Officers Policy*.

Construction commenced January 2020 and several items have emerged to ensure the project is properly coordinated and meets the project sustainability and overall ambitions and all municipal building review conditions.

Type of Change	Amount
Allocated - Change has been issued and a trade price provided and reviewed and is either approved or waiting for TRCA approval.	\$787,995 (32% of contingency)
Not Yet Allocated - Changes that are out for trade pricing. This number is an estimate and will be revised.	\$782,415 (32% of contingency)
Construction Contingency Costs to date	\$1,570,410
Total Construction Contingency	\$2,440,415
Remaining Unallocated Construction Contingency	\$870,005 (36% of contingency)

As reported in Board of Directors Meeting #7/20, Friday, October 23, 2020, there is a risk that delay claims and COVID-19 related costs may cause the project to go over budget. There are currently \$1,056,433 in disputed construction contingency items, that are not included in the above chart, as it is TRCA's position that TRCA is not responsible for these costs.

An additional breakdown can be provided to the Board in-camera, as required.

Item 8.6

Soft Cost Contingency:

Type of Change	Amount
Allocated - Change has been issued by a consultant or other costs and approved by TRCA.	
Post Tender Value Engineering Cost Reduction	\$306,135
Design/Building Future Proofing	\$258,885
Open-Loop Geo-Exchange Investigations	\$191,595
Permits/Certifications	\$143,408
Tennis Canada Negotiations	\$84,425
Enbridge Design Charette	(\$30,000)
FCM Grant for Open Loop Geo Exchange Investigations	(\$175,000)
Total	\$779,448 (68% of contingency)
Not Yet Allocated – Additional insurance required due to construction delays. This number is an estimate and will be revised.	\$349,720 (31% of contingency)
Soft Contingency Costs to Date	\$1,129,168
Total Soft Cost Contingency	\$1,146,077
Remaining Unallocated Soft Cost Contingency	\$16,909

The portion denoted as “Not Yet Allocated” reflected anticipated costs related to the need to extend builders insurance due to the construction delays.

The approved changes listed above include costs related to the open-loop geo-exchange investigations some of which are covered through a grant provide by the Federation of Canadian Municipalities. The open-loop geo-exchange investigation, design and construction, once proven to be viable, will be covered by the geo-exchange budget in the construction budget. It is expected the open loop system will provide a capital savings as well as operational savings through reduced energy use.

An additional breakdown can be provided to the Board in-camera, as required.

Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan

This report supports the following strategies set forth in the TRCA 2013-2022 Strategic Plan:

Strategy 1 – Green the Toronto region’s economy

Strategy 7 – Build partnerships and new business models

Strategy 10 – Accelerate innovation

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: June 23, 2021