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Date March 26, 2019

Report No. 2019-222

To Chair and Members
City Accommodation Task Force

From E. (Beth) Goodger
General Manager, Public Works Commission

1.0 Type of Report

Consent Item []
Item For Consideration [X]

2.0 Topic 70 Dalhousie Street Renovation Tender Results [Financial Impact - \$1,550,000]

3.0 Recommendation

- A. THAT Report No. 2019-222 - 70 Dalhousie Street Renovation Tender Results BE RECEIVED; and
- B. THAT Council AUTHORIZE a total increase in the amount of \$1,550,000 to the overall project budget for the redevelopment of 70 Dalhousie Street to be funded from the Capital Funding Envelope Reserve (RF0556), which includes:
 - (i) An additional \$850,000 for construction contingency; and
 - (ii) An additional \$700,000 for the Perimeter Heating System Replacement.

4.0 Purpose and Overview

This report provides the Accommodation Task Force with an update on the tender results for the renovation of the Corporate Facilities Accommodation Strategy Phase 1 - Redevelopment of 70 Dalhousie Street as the new City Hall. This report recommends increasing the capital budget for the project in order to

proceed with the construction and include one provisional item that is cost effective to complete as part of the building renovation.

This report also:

- Presents the analysis and recommendation of a construction contingency allowance be added to the project budget;
- Identifies and presents provisional items that are considered additional to the budget but offer long term cost saving to the building's efficiency and function;
- Highlights cost savings measures taken during the design and tendering process;
- Updates the financial options analysis and demonstrates that the renovation of this building is the most cost effective option for the City

5.0 Background

In June 2018, Council approved Accommodation Task Force Report to Council, supporting staff report PW2018-033 New City Hall Class C Estimate and Recommendations Moving into Design Development (Financial Implications \$4,131,637) for the approval of additional funding that were identified to enable Building Code and other Regulatory compliance and/or accommodate the new programs planned for the building.

Council authorized staff to proceed with the design development and tendering. Staff was also to assess the budget through two additional cost estimate updates and perform value engineering throughout the design development to ensure the most cost effective construction program was developed. Staff was directed to return with the results of the construction tender when it closed to provide an update on costs and consider provisional items.

Within staff report PW2018-033, there were several "Recommended" items that were not approved for additional funding. These items were considered opportunities to meet the Guiding Design Principles or provide enhancements to the project that were not included in the original scope of work. While these items could be deferred, they offer future cost-avoidance and minimize disruption if completed during the renovations. The additional "Recommended" items are listed in Table 2 below. To secure pricing and determine if some or all could be included in the construction they were included in the tender as provisional items.

At the time of the Report, staff was using a Class C Schematic Design construction cost estimate including the required items and the provisional items based on spring 2018 cost forecasts and contingencies. It was noted at the time that further design and estimating would establish actual project costs, and the cost estimate of this level was still –15 to +25% variance from actual costs.

The various estimates have helped through the design while trying to assure the project scope and budget is not exceeded. While items considered additional were separated, the cost estimates received in Class B and Class A continued to increase.

The Project Team made a significant effort to ensure the tender process provided for fair and competitive prices while maintaining scope and quality. This process successfully led to receiving favorable tender results versus the Class B and Class A estimates. However, there is insufficient funding to proceed with the award of construction primarily due to construction contingency allowances.

With any construction project construction contingency funds to accommodate any unknowns are required. Direction and approval of additional funding to provide a contingency to the project budget is being requested. This report provides detail on the current approved budget and the recently closed construction tender costs received.

6.0 Corporate Policy Context

This review and the proposed recommendation are consistent with the following pillars of the City's Community Strategic:

Pillar 3 – Managed Growth & Environmental Leadership: Brantford will be known for managing growth wisely, ensuring optimization of its infrastructure while protecting and enhancing our heritage and natural assets.

Pillar 4 – Excellence in Governance & Municipal Management: Brantford will engage its citizens through open and transparent communications, and be recognized as a well-managed city that provides efficient and effective government services while remaining fiscally responsible.

The analysis of space has been completed around the guiding design principles to ensure optimization of space and the delivery of efficient and effective government services.

7.0 Input From Other Sources

The Public Work's Facilities and Asset Management Department, +VG Architects and their sub-consultant JL Richards & Associates Limited (JLR) were involved in the development of this report. Hanscomb Limited was retained by the City to provide cost consulting throughout the design development and assisted with the value engineering exercises. The Purchasing Department led the tendering process and tender results review. Staff from Finance have also reviewed this report and provided input into the Recommendations and proposed funding sources.

8.0 Analysis

Throughout the development of the design and various cost estimate phases it was identified that there was a risk the project could not be completed within the approved budget.

The Project Team performed various value engineering exercises including redesigning areas to reduce costs as much as possible but industry construction pricing continued to increase. Through the City's competitive tender process, the lowest recommended General Contractor lump sum price received indicates the project came in at budget. However, the available project funds do not allow for a construction contingency allowance. Contingencies are funds that are held in reserve to accommodate yet to be determined issues that impact the scope of work or costs during the actual construction. Typical contingencies for this and any project include:

- Errors and omissions in the construction documents;
- Modifications or changes to the scope or quality of the project;
- Unknown site or project conditions.

Construction contingencies are inevitable on a capital project of this nature and typical industry allowances are 8% - 10% of the capital costs. Contingencies will be carefully monitored and prioritized to minimize costs and ensure only priority items are approved. Any surplus funds from the Construction Contingency will be returned.

The approved budget and the final tender results are outlined in Section 8.1 and Table 1 of this report.

Staff are recommending that an allowance of 5.7% (\$850,000) be added to the project budget as the contingency allowance. Should the additional funding for

contingency not be approved, the Project Team recommends the City not award the project.

Staff is also recommending that the highest priority provisional item, the replacement of the Perimeter Heating System, totaling \$700,000 be approved for inclusion in the project at this time. The completion of this item at this time provides for significant future cost-avoidance and reduces disruption to building occupants and services of the City. This analysis is described further in Section 8.2 and Table 2 of this report.

Therefore, staff recommends that a total of \$1,550,000 be added to the Project Budget.

8.1 Tender Results

The renovation of 70 Dalhousie Street property has been broken down into a two phases:

Phase 1: Select Demolition and Designated Substance Abatement (DSS).

Phase 2: General Contract, including structural modifications, final demolition and final DSS abatement and renovations, including furniture, fixture and equipment installation.

The two stage demolition strategy was implemented in order to allow the design team to identify non-visible elements for inclusion in the design and minimize risks to schedule and reduce potential construction change orders.

Prior to proceeding with Phase 2, the City prequalified ten (10) General Contractors. This process was completed in order to shortlist interested and highly qualified General Contractors prior to the competitive tendering process.

The General Contract tender documents include a number of cash allowances outlined in Appendix A of this report including a \$2.03M cash allowance for furniture procurement. Project staff also issued a Request for Services for the supply, delivery and installation of office furniture for under the Vendor of Record (VOR) Master Agreement OSS-00510687 previously established by the Ontario Ministry of Government and Consumer Services.

The City secured pricing from the VOR vendors and received significant discounts on the bulk furniture purchase. The General Contractor will enter into an agreement with the successful furniture vendor Haworth for an estimated cost of \$902,363.24 excluding furniture contingencies. McGowan Office Interiors of Brantford will supply and install the furniture. Under the contract agreement the City has the discretion to add or remove furniture items as necessary, adjusting the final cost as necessary within the limited cash allowance. Including a reasonable contingency allowance, the main furniture contract can be reduced to \$1.1M.

The renovation project was originally scheduled to be tendered in the fall of 2018. However, after receiving Class B and Class A construction cost estimates that were significantly higher than budget, extensive re-design and value engineering was completed in an effort to optimize the scope and reduce costs.

On January 16, 2018 the Purchasing department issued tender RFT2019-04 General Contractor for Administrative Accommodations at New City Hall and closed the tender period on March 6, 2019.

Project staff and +VG completed a review to assess factors that impacted the final tender costs submitted. While the Construction Tender pricing received is a lump sum cost and does not allow for a detailed breakdown of each item, the Project Team used the analysis of the phased construction cost estimates to identify potential areas where cost increases are suspected. This is discussed further in Section 8.3 of this report.

Six tender bids were received, with the lowest bid submitted by Steelcore Construction Ltd at a lump sum total of \$15,752,000. After reducing the main furniture allowance as described above, \$14,822,000 is the required construction funding required to proceed into construction.

A summary of the results for each procurement phase including the expensed or required amounts for each phase is outlined below in Table 1 - Procurement Results Summarized.

Table 1 - Procurement Results Summarized

Procurement Phase	Awarded Vendor	Budgeted	Tender Price	Total Required
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Procurement Phase	Awarded Vendor	Budgeted	Tender Price	Total Required
Select Demolition (Complete)	Vicano Construction Ltd.	\$1,200,000	\$1,017,877	\$949,148 (actual cost)
General Construction (to be awarded)	Steelcore Construction Ltd. (lowest bid to be awarded subject to budget approval)	\$14,431,637	\$15,752,000	\$14,822,000 (based on revised Furniture Allowance)
<i>Main Furniture Allowance (included in General Construction above)</i>	Haworth/McGowans	\$2,030,000	\$2,030,000	\$1,100,000 (includes contingency)
Total Construction		\$15,631,637	\$16,769,877	\$15,771,148

The estimated funding available for construction is \$14.7M. However this does not include a contingency allowance for unforeseen items that may occur during construction. Staff is recommending that an \$850,000 contingency allowance be added to the budget. Contingency allowances are typically in the range of 8-10% depending on the complexity of the project. Staff is recommending a 5.7% contingency based on the detailed cost estimates and select demolition that has already been completed.

Should the additional funding for contingency not be approved, the Project Team recommends the City not award the project. If the project is not awarded, staff would be required to return to the schematic design and significantly de-scope the project. This would require a complete review of the design, reduction of building area to be renovated, redevelop the tender design package and potentially reduce some service adjacencies and accessibility accommodations.

8.2 Provisional Scope Items

Items identified previously as “Provisional” in staff report PW2018-033 are summarized in Table 2 - Provisional Separate Price Items below for further consideration. These provisional items were analyzed and further refined throughout the design and cost estimating phases and included in the tender as separate price items to allow them to be included in the construction contract should there be adequate funding.

Provisional items are enhancements to the project and not included in the original or base scope of work. They could potentially be deferred, but many of them offer future cost-avoidance if completed during the renovations.

Table 2 - Provisional Separate Price Items

Provisional/Separate Price Items	April 2018 Class C Estimate	September 2018 Class B Estimate	November 2018 Class A Estimate	March 2019 Tender
Perimeter Radiant Heating Systems Replacement	\$281,000	\$347,900	\$456,150	\$698,000
Third Floor Terrace	\$276,900	\$349,000	\$328,800	\$335,000
Interior Tower Restoration	\$200,000	\$247,500	\$241,600	\$34,000
Clock Mechanism & Hands Replacement	Included above	Included above	Included above	\$33,000
Façade Repairs and Preservation Total	\$250,000	\$309,400	\$302,100	\$333,000
a) Stone replacement over West Entrance	Included above	Included above	Included above	\$10,000
b) Stone veneer & masonry control joint at North-East Corner	Included above	Included above	Included	\$95,000

Provisional/Separate Price Items	April 2018 Class C Estimate	September 2018 Class B Estimate	November 2018 Class A Estimate	March 2019 Tender
c) Stone veneer & masonry control joint at North-West Corner	Included above	Included above	Included above	\$88,000
d) Rebuild & replace stone balustrades along roof parapets.	Included above	Included above	Included above	\$140,000

At this time there is insufficient budget to include any of these items. However, staff highly recommends that the provisional item for Perimeter Radiant Heating System Replacement be added to the project for approximately \$700,000. This particular item is being recommended as it provides future cost-avoidance and eliminates any risk of service disruption if completed during the renovations. The remaining provisional items will be brought forward in future years as part of the capital budget process.

Due to the current age of the system, if this item is not completed during construction there is a risk of failure or significant repairs could be required during or soon after construction. It is expected that the costs will be higher if completed as a future stand-alone project. There will also be disruption to operation of the building to complete the replacement once the building is fully occupied.

8.3 Construction Estimates and Value Engineering

Project budgets were updated at key milestones as the project design progressed from the initial concept to final construction drawings. Three construction cost estimates: Class C (Schematic Design), Class B (60% Design) & Class A (Pre-Tender) were developed. Between each estimate detailed investigations, research and scope refinement was completed.

The Project Team collaborated and exhausted opportunities to reduce scope and costs through two value engineering exercises without compromising the project scope.

Unfortunately, market conditions have continued to affect material and labour costs and have proven to be very difficult to predict. Consultation with the City's Cost Consultant and many other industry experts including other Municipalities, Engineers and Contractors identified that issues such as ongoing uncertainty of tariffs and an increase in the cost of metal and oil, material and delivery costs and contractor availability appears to be driving industry price increases.

The costs associated with building services such as mechanical, plumbing & electrical saw the greatest increases in each of the costs estimate phases. The primary reason was market conditions, with minimal additional costs to address minor code upgrades such as back flow prevention, fire separations, and elevator modifications and upgrades to outdated systems previously considered to be repurposed.

Below in Table 3 - Estimate vs. Tender Cost Analysis, the revised budget approved by Council June 2018 per the Class C Estimate is compared to the subsequent Class B (60% Design) Estimate received in September 2018, the Class A (Pre-Tender) Estimate received in November 2018 and the revised Budget based on the March 2019 Tender results.

Table 3 indicates that an additional \$1,550,000 is required to proceed with the construction of the project, which allows for an \$850,000 construction contingency and an additional \$700,000 for the recommended provisional item (the replacement of the Perimeter Heating System).

Table 3 - Estimate vs. Tender Cost Analysis

Construction Allocations	Revised Budget June 2018 Following Class C Estimate	September 2018 Class B Estimate	November 2018 Class A Estimate	Recommended Revised Budget March 2019
Demolition and Construction (includes	\$12,931,637	\$15,748,737	\$15,554,737	\$13,901,148

Construction Allocations	Revised Budget June 2018 Following Class C Estimate	September 2018 Class B Estimate	November 2018 Class A Estimate	Recommended Revised Budget March 2019
technologies)				
All Furniture	\$2,800,000	\$2,818,500	\$2,800,000	\$1,870,000
Construction Contingency	Included above	Included above	Included above	\$850,000
Sub-Total Construction Budget	\$15,631,637	\$18,567,237	\$18,354,737	\$16,621,148
<i>Cost Per Square Foot for Construction</i>	<i>\$186.98</i>	<i>\$210.13</i>	<i>\$207.59</i>	<i>\$198.82</i>
Provisional Item – Perimeter Heating Replacement	\$0	\$347,900	\$456,150	\$700,000
Sub-Total Other Project Allocations	\$2,400,000	\$2,421,947	\$2,421,947	\$2,260,489
Building Purchase	\$5,850,000	\$5,850,000	\$5,850,000	\$5,850,000
Total Estimated Project Budget	\$23,881,637	\$27,187,084	\$27,082,834	\$24,431,637
<i>Cost Per Square Foot for the Project</i>	<i>\$285.67</i>	<i>\$325.20</i>	<i>\$323.96</i>	<i>\$306.21</i>

8.4 Options Analysis Revisited

In order to allow Council to make the most informed decision, staff revisited the options analysis of various scenarios to confirm that the renovation of the Federal Building is still the most cost effective option for staff accommodation.

Since the initial analysis was completed in 2016, not only has the cost of renovations increased but the cost of new construction and property has also increased.

A financial analysis based on updated capital projections for 2019, versus the financial analysis presented in PW2016-063 (in 2015 \$'s) is provided in Table 4 – Updated Options Analysis Comparison.

The analysis confirms that the approved strategy to purchase and renovate 70 Dalhousie Street (Option 4) continues to be the most cost effective option with capital savings ranging from approximately \$4.0M to \$25M and has the lowest annual operating cost.

Table 4 - Updated Options Analysis Comparison

Option	2015 Financial Analysis		2019 Financial Analysis (based on revised estimates)	
	Capital Projections	Estimated Annual Operating Cost (2023)	2019 Updated Capital Projections	Estimated Annual Operating Cost (2023)
1 – Status Quo	\$8,300,000	\$3,100,000	\$18,222,690	\$3,751,637
2 – Construct New Facility/Renovate City Hall	\$28,400,000	\$2,800,000	\$46,362,000	\$4,001,484
3 – New Consolidated Facility Build	\$42,500,000	\$3,400,000	\$60,800,000	\$4,561,045
4 – Purchase Facility & Renovations	\$18,750,000	\$2,300,000	\$34,493,637	\$3,374,807

Option	2015 Financial Analysis		2019 Financial Analysis (based on revised estimates)	
	Capital Projections	Estimated Annual Operating Cost (2023)	2019 Updated Capital Projections	Estimated Annual Operating Cost (2023)
5 – Lease Space	\$17,300,000	\$3,600,000	\$38,452,690	\$4,982,824

It is important to note that the financial analysis does not take into account additional efficiencies that will be realized through the re-alignment and consolidation of administrative facilities.

8.5 Next Steps

In order for the project to progress into construction, direction on how to move forward and approval of additional funding to the project budget is required.

The Accommodations Task Force is being requested to adopt the staff recommendations, which will then be forwarded to the Committee of the Whole and City Council in the next cycle. The timely approval of the recommendations will provide the decisions necessary to move forward with the most cost effective and efficient design for 70 Dalhousie Street and meet the timelines of the overall accommodation strategy.

Should the Task Force or City Council chose to postpone consideration of the request for additional funding the project will be placed on hold until the contingency allowance identified can be funded or alternatively the project will be de-scoped to meet the approved budget. De-scoping involves a reduction in the deliverables and will likely include reducing the number of staff and services relocating to this location, reducing the square footage to be renovated or eliminating other non-critical components.

In the event the project is put on hold, deferring construction would also result in higher construction costs once the project resumes, re-scoping or a re-design would also require additional funds for consulting and contract remobilization fees and inflation compounded further.

Any delay in the project schedule also brings risk of not vacating Market Square by June 2022, when the City will be required to pay rent until the Lease expires in December 2024.

9.0 Financial Implications

Even with the increase to renovation costs, the purchase and redevelopment of 70 Dalhousie Street and renovations to City Hall has been determined to be the most cost-efficient option for the City.

The purchase price for 70 Dalhousie Street was \$5,850,000 and the estimated renovation cost is now at \$19,581,637 for a total capital requirement of \$25,431,637 for the Implementation of the Corporate Facilities Accommodation Strategy Phase 1: Redevelopment of 70 Dalhousie Street as the New City Hall.

Staff recommends that this be funded from the Capital Funding Envelope Reserve (RF0556)

Table 5 - Proposed Capital Funding

Funding	Debentures	Reserves	Total
Existing Approved (PM1604)	\$21,962,919	\$1,918,718	\$23,881,637
Additional Funding (RF0556)	\$0	\$1,550,000	\$1,550,000
<i>Total</i>	<i>\$21,962,919</i>	<i>\$3,468,718</i>	<i>\$25,431,367</i>

10.0 Conclusion

In November 2016, Council approved staff report PW2016-063 for the purchase and renovation of the Federal Building (70 Dalhousie Street) at a cost of \$5,850,000 for the acquisition. The approved renovation budget is currently \$18,031,637 for a total project budget of \$23,881,637.

The design has now been finalized and the construction contract tendered. While the lowest bid is within the approved budget, an additional \$850,000 is recommended for construction contingency in order for the Tender to be awarded. Staff are also recommending that an additional \$700,000 be approved

in order to proceed with the Provisional Item to replace the existing perimeter heating system.

In order to award the Tender and for construction to commence, approval of additional funding to the project budget is required. Staff is recommending that the Project Budget be increased by \$1,550,000 to \$25,431,637 based on the tender costs and analysis that has been completed.

The Accommodations Task Force is being requested to adopt the staff recommendations, which will then be forwarded to the Committee of the Whole and City Council in the next cycle. The Tender for the renovation, including the provisional item for the replacement of the perimeter heading system will be awarded once budget approval has been received.



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Attachments (if applicable)

Appendix "A"

Appendix “A” - Cash Allowances

For ease of coordination of all construction activities, previously separated project allocations have now been included in the main construction contract. Allowances for these items have been included in the General Contractor’s base tender as a Cash Allowance.

Cash allowances are also contained within for work and services deemed to be necessary by the City throughout the execution of the Work to cover work or services in addition to that already included in the contract. In some cases these cash allowances are for specialty items deemed required, but not fully specified. This allows the City to specify the latest products and/or ensure the design meets the current operation.

Similarly to the Phase 1 Select Demolition, any cash allowances not expended will be returned to the City upon completion of the project.

The General Contractor’s tender cost includes a total of \$3,337,000 in cash allowances which is broken down as follows:

- Hazardous Material Abatement and miscellaneous demolition for a total of \$122,000. Scope of work includes: remaining abatement of hazardous materials as identified in updated reports; miscellaneous demolition and removal of any unforeseen items;
- Inspection & Testing for a total of \$35,000. Scope of work includes: testing of compacted fill, other soils compaction testing, concrete testing, structural steel inspection/testing, asphalt testing, building envelope - air barrier, roof patching, waterproofing, sprayed fireproofing, asbestos & hazardous material testing
- Finish Hardware (supply) for a total allowance of \$135,000. Scope of work includes: supply only (install included in base bid Contract Price) of aluminium door hardware, and the supply & install of automatic door operators
- Ancillary Furniture for a total allowance of \$500,000. Scope of work includes furniture required for public seating, Council Chambers, cabinets and display cabinets
- Main Furniture for a total allowance of \$2,030,000 (could be reduced to \$1,100,000). The Scope of work includes the supply, delivery and install of all office, meeting room and collaborative furniture items. The project team intends to ensure competitive costs for the acquisition of furniture, as well as ensure the furniture selection is of good quality and is backed by

reliable warranty services. A complete and comprehensive furniture contract that is all-inclusive of the City's furniture needs has been developed and as expected has resulted in greater discounts for the consideration of such a large quantity purchase. The contract includes office furniture, meeting room furniture and chairs. The procurement process and results are further described in this report Section 8.1

- Seating allowance of \$100,000, which will be procured utilizing the MSG VOR's prequalified vendor: Ergo-Industrial Seating Systems. General Contractor to carry the successful seating proponent in their contract and be responsible for coordination of this work
- Building Audio Visual & Technologies for a total allowance of \$175,000. The Scope of work is for all building technologies including meeting room audiovisuals and booking systems. This allowance does not include the allowance for Council Chambers which is included in the base bid Contract Price. The City will provide the final scope for technologies closer to when the General Contractor will need to purchase the equipment for install. This will allow us to procure the latest available systems at the time.
- Signage for a total allowance of \$80,000. The scope of work includes major and minor signage & wayfinding, door signage, bulkhead signage, supply and install.
- Sound Masking System for a total allowance of \$75,000
- Fibre Optic Supply and Install for an allowance of \$15,000. The scope of work includes coordination with Brantford Hydro to bring fibre optic services into the building.
- Existing Structural Repairs for a total allowance of \$40,000. The scope of work includes miscellaneous repairs to existing structural elements
- Interior Graphics and Finishes for a total allowance of \$20,000. The scope of work includes graphics applied to glass or doors and additional painting including graphics not shown on drawing
- Miscellaneous Millwork & Shelving for a total allowance of \$10,000. The scope of work includes for any additional units not shown on drawing.