

City of Mississauga
Additional Agenda



Council

Date

May 23, 2018

Time

9:00 AM

Location

Council Chamber, 2nd Floor Civic Centre
300 City Centre Drive, Mississauga, ON L5B 3C1

10. **INTRODUCTION AND CONSIDERATION OF CORPORATE REPORTS**

- 10.4. Report dated May 18, 2018 from the Commissioner Corporate Services and Chief Financial Officer: **Additional Information for Churchill Meadows Community Centre & Park Tender Results (Ward 10)**

Recommendation

That the Corporate Report titled “Additional Information for Churchill Meadows Community Centre & Park Tender Results” dated May 18, 2018 from the Commissioner of Corporate Services & Chief Financial Officer be received for information.

City of Mississauga
Corporate Report



Date: 2018/05/18

To: Chair and Members of Council

From: Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer

Originator's files:

Meeting date:
2018/05/23

Subject

Additional Information for Churchill Meadows Community Centre & Park Tender Results (Ward 10)

Recommendation

That the Corporate Report titled "Additional Information for Churchill Meadows Community Centre & Park Tender Results" dated May 18, 2018 from the Commissioner of Corporate Services & Chief Financial Officer be received for information.

Background

Further to the "Funding Request for Churchill Meadows Community Centre and Park" Corporate Report at the May 16, 2018 General Committee meeting, staff were directed to provide additional information on three items as follows:

1. **Clean Fill** - provide details on the clean fill costs included in the low bid amount.
2. **Meadowvale CC** - provide details on Meadowvale CC project schedule and the length of time it was originally deferred prior to commencing the project.
3. **Market Conditions** – provide details on the market conditions and why staff are recommending against delaying the project and re-tendering at a later date.

Comments

Clean Fill

Approximately 30,000 cubic metres of clean fill is required to execute the civil and storm water management proposed for the site. Due to the relatively flat composition of the land, all clean fill needs to be imported to the site. In an effort to save costs, Facilities and Property Management staff collaborated with Transportation and Works to bring "free" clean fill from their project at Eastgate Park. The initial plan was to deliver approximately 30,000 cubic meters from Eastgate Park to the Churchill Meadows site. Due to unforeseen contaminated soil conditions at Eastgate Park, the amount of "free" clean fill delivered to site was only 5,000 cubic metres in January 2018. This left a shortfall of 25,000 cubic meters of clean fill that had to be included in the tender documents. An addendum was issued late in the tender period to ensure bidders were aware of this new requirement.

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Assumption for the costs included in the tender bid are as follows:

\$10/m³ to bring clean fill to site plus \$10/m³ to spread the clean fill on the site.

Costs = 25,000m³ x \$20/m³ = \$500,000

It should be noted that the general contractors bidding on this project have 3 options for obtaining clean fill.

- Transport clean fill from another site they own to reduce their costs
- Charge a “tipping fee” to other contractors to bring clean fill to this site if they have a need to get rid of clean fill.
- Pay another contractor to bring clean fill to this site if the above two options are not - available.

All general contractors will try to limit their costs to obtain clean fill and this really depends on what is available at other construction sites at any given time of the year. Regardless of the timing and availability of clean fill, the Churchill Meadows tender is a lump sum bid and not a unit price contract. This means the low bidder has to assume all risks with obtaining clean fill based on the requirements of the contract documents. Any competitive advantage contractors have in obtaining clean fill is reflected in the overall lump sum bid to win the project.

Meadowvale Community Centre

The Meadowvale Community Centre project was originally forecast in the 2006 budget book as a redevelopment of the existing building due to its age and lifecycle needs with design work to start in 2009. In 2009, the project was formally approved by Council and budgeted at \$26.3 million to address this need.

Over the next few years, the project was deferred to re-confirm the building program and to ensure appropriate funds were in place to fund the project. It was ultimately decided a tear down and new build made the most economic sense once all factors including accessibility, energy and building age were considered. Additionally, there was a decision made to incorporate a new Library into the Community Centre complex by moving the existing Library out of leased space at the Meadowvale Town Centre. The business case supported this move as this would avoid annual net lease costs of \$393,400 at the Meadowvale Town Centre.

Budget adjustments were made through the annual business plan or through Works In Progress Corporate Reports to support the revised project budget of \$37.1 million. Construction commenced in Summer 2014 and the building opened to the public in September 2016. With better tender prices, staff returned \$2 million through the 2017 Year-end Financial Report.

Market Conditions

Staff have reached out to a number of small and large contractors to confirm that market conditions continue to be overheated and will only get worse over the next 12 months. Whether

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it is inflationary price increases or “supply and demand” economics, construction prices will continue to rise in the foreseeable future.

The project cost consultant has issued a memo to the City indicating sub-trade costs (labour and material) are increasing by as much as 30% in 2018. Cost pressures include the following:

- Imminent labour contract agreements
- Infrastructure projects flooding the market
- Increased tariffs for aluminum, steel and aluminum/steel based products
- Local and international political uncertainty
- Higher oil prices

Refer to Appendix 1 for Cost Consultant memo supporting the above hypothesis that the market conditions will only get worse in the foreseeable future.

Financial Impact

No financial impact as this is an information report only.

Conclusion

The Churchill Meadows Community Centre & Park was competitively bid by four (4) prequalified general contractors as a lump sum all in bid. Bids received ranged from \$51,242,000, \$51,400,000, \$55,169,000 and \$59,485,000.

It should be noted that the tender closed on March 6, 2018 and was valid for 60 days. The low bidder has agreed to honour his bid for another few weeks. Any further delay including the option of re-issuing the tender at a later date will necessitate design revisions to the documents to avoid “bid shopping” and will ultimately drive the costs up even higher.

Considering the heated market conditions and unanticipated additional site development costs for Phase 2 of the project, staff recommended increasing the project budget and awarding the contract to the low bidder as per the recommendations set out in “Funding Request for Churchill Meadows Community Centre & Park” Corporate Report.

This will allow for construction to commence and meet the Fall 2020 completion date.

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Attachments

Appendix 1: Memo issued by Altus Group Cost Consultant

Handwritten signature of G. Kent.

Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Raj Sheth, P.Eng., Director, Facilities & Property Management



Memorandum

Date: May 18, 2018
From: Marlon Bray, Leonilda Satuki
Project Name: Churchill Meadows Community Centre and Park **Project #:** 101412
Re: Current Market Volatility

To whom it may concern,

Please find below our observations on the construction market. These are based on projects tendering over the past year or so (Altus has a database of all tender results on our projects (including individual trade awards); with over 150 active projects under construction at any moment in time and proving services on over 900 projects last year cross country).

The GTA market is currently experiencing significant escalation pressures in the residential, commercial and institutional sectors. This is largely driven by a recent surge in demand / new projects over the past 4-6 months; based on two record years for condominium sales, record purpose built rental starts, a renewed increase in commercial starts in core and an increase in institutional spending (including civil, social and transit). In addition to the demand contractors are including for future labour risks (both supply/productivity and wage negotiations), as well as other material supply increases. Material costs are being also affected due to the introduction of new tariffs, pressure from the US market and oil prices. Based on the current information, this trend may continue for the next 12 months, potentially longer, depending on the number of projects tendered.

In our opinion escalation has been at levels well above the historical norm over the past year, the percentage impact on an individual project will vary depending on the trade mix.

Yours truly,

ALTUS GROUP LIMITED

Per: Leonilda Satuki, B.Arch.Sci, PQS, LEED Green Associate
Senior Cost Consultant

Per: Marlon Bray, B.Sc.(Hons), MRICS, PQS
Senior Director