

Committee of the Whole (2) Report

DATE: Tuesday, June 21, 2022

WARD(S): 4

**TITLE: AWARD OF TENDER AND REQUEST FOR ADDITIONAL FUNDS
FOR THE DUFFERIN OPERATIONS CENTRE – 8020 DUFFERIN
STREET**

FROM:

Vince Musacchio, Deputy City Manager, Infrastructure Development

ACTION: DECISION

Purpose

To obtain Council approval for a budget amendment to Tender No. T22-071 for the Dufferin Operations Centre (8020 Dufferin Street) Project and approval to proceed with award of the tender in accordance with PS-003 Corporate Procurement Policy, Section 3. Roles and Responsibilities, Item 3.6.

Report Highlights

- City purchased land for the proposed site in 2000.
- Final design and construction documents were completed and issued for tender to ten (10) pre-qualified General Contractors on April 25, 2021.
- Tender for the Dufferin Operations Centre closed on June 2, 2022.
- COVID-19 pandemic has caused market uncertainty resulting in unprecedented cost volatility and escalation.
- Budget amendment in the amount of \$3,653,000 is required to proceed with award of tender and construction of the Dufferin Operations Centre.

Recommendations

1. That Council approve a budget amendment to Capital Project ID-2059-18 for the Dufferin Operations Centre Project in the amount of \$3,653,000 inclusive of applicable taxes and administration recovery, to be temporarily funded through Debenture Finance until such time that Development Charges Reserves are available to support the project costs; and
2. That inclusion of this matter on a Public Committee or Council agenda with respect to amending capital budgets, as identified in this report, be deemed sufficient notice pursuant to Section 2(1)(c) of By-Law 394-2002, as amended.

Background

The project site known as 8020 Dufferin Street is located south of the Dufferin and 407 intersection within Ward 4. The property was purchased by the City of Vaughan in 2000, and is a 4.64-hectare parcel of land. The site is bounded by Highway 407 (north and west sides), S.R. Greenwood Transformer Station (south side) and Dufferin Street right-of-way (east side).

The City currently leases the property at 8090 Dufferin Street that is used as an Operations Centre for Parks, Forestry and Horticulture Operations.

Detailed design commenced in 2019 and was completed in April 2022

The design of the new Dufferin Operations Centre consists of two one-storey buildings, totaling approximately 916 sq.m (4,800 sq.ft), with 1.05 hectares (2.58 acres) allocated for parking.

The detailed design activities for the new Dufferin Operations Centre began in 2019. The design has received Site Plan review, feedback from York Region, TRCA and MTO. Internal stakeholder comments (from Parks, Forestry and Horticulture Operations, Transportation and Fleet Management Services, and the Office of the Chief Information Officer) have been incorporated into the final design.

The final design and construction documents were completed and issued for tender to ten (10) pre-qualified General Contractors on April 25, 2022.

Cost Estimations were completed throughout the design process

Multiple cost estimations including a pre-tender estimate were completed throughout the design process by an external cost consulting firm. The estimates indicated a trend of increased pricing in the construction market over the past year. In response to this trend, an increase to the project budget was sought in the 2021 Capital Budget.

Market uncertainty and unprecedented price escalation have been experienced as a result of the COVID-19 pandemic

The current construction market is experiencing unprecedented volatility, resulting in estimating uncertainty. There is consensus amongst contractors and cost consultants that market price escalation is due to labour shortages, supply chain breakdowns, material cost increases (for items such as structural steel, concrete and form work), shipping cost increases, and risk-based pricing. These factors attributed to the COVID-19 pandemic have influenced price escalation of approximately 30%.

External consultants have suggested that this market volatility will continue for the foreseeable future, to the end of 2022. It is suggested that markets may stabilize in 2023; however, not to pre-pandemic levels.

Previous Reports/Authority

Award of Request for Proposal RFP18-082 Design and Contract Administration Services for Dufferin Operations Centre.

Analysis and Options

Ten (10) General Contractors were pre-qualified to participate in the tender procurement. The tender closed on June 2, 2022. Eight (8) bids were received, and all bids exceeded the available construction budget. These market results represent accurate and competitive bidding and are reflective of the current conditions in the construction market.

The timely award of the tender will enable construction to commence in late Summer with completion targeted for June 2023.

Financial Impact

The total estimated cost of the project including applicable taxes and administration recovery is \$11,804,197. The current approved budget for Capital Project ID-2059-18 is \$8,151,197 and is insufficient to accommodate the total cost of the project. A capital budget increase in the amount of \$3,653,000 is required for Capital Project ID-2059-18.

TABLE 1: PROJECT FUNDING POSITION SUMMARY (ID-2059-18)	
Approved Capital Budgets (ID-2059-18)	\$8,151,197
Less Expenses	
Construction Costs ¹	\$10,849,470
Design Costs ²	\$954,727
Subtotal	\$11,804,197
Budget Shortfall	(\$3,653,000)
Budget Amendment Request	\$3,653,000

¹ Inclusive of construction cost (\$10.8M); contingency (10%), non-recoverable HST and administration recovery

² Inclusive of consultant costs (\$0.95M); contingency, non-recoverable HST and administration recovery

A top-up amount for this project is currently identified in the 2022 DC Background Study with 20% of the total project cost being identified as a benefit to existing and thereby allocated to non-DC funding sources. The remaining cost of the project to be funded 40% from City-wide Community Services Development Charges and 40% from City-wide Public Works/Fleet Development Charges.

Due to constraints within the City-wide Community Services Development Charges Reserve, staff is recommending that the capital budget increase be funded temporarily through Debenture financing. Once the project has been substantially completed, either the debenture financing will be removed and reverted back to the original funding allocation, or external debt will be sought and funded through the use of future Development Charges collections.

However, there will be a financial savings realized by no longer having to lease 8090 Dufferin Street, the current Operations Centre.

Broader Regional Impacts/Considerations

As the proposed Dufferin Operations Centre fronts on to Dufferin Street, a Regional road, all necessary permits and approvals have been obtained from the Regional Municipality of York.

Conclusion

It is recommended that Capital Project ID-2059-18 be increased by \$3,653,000, with funding from Debenture Finance. This will support the timely award of tender and enable the construction of the new Dufferin Operations Centre.

For more information, please contact: Jack Graziosi, Director, Infrastructure Delivery, Ext. 8201

Attachments

N/A

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