

COMMUNICATION 130216

Received From: Diane Smithson, Chief Administrative Officer
Addressed To: Committee of the Whole
Date: November 26, 2019
Topic: 3 Francis Street Childcare Centre Tender

SUMMARY

The tender for the addition to and renovation of the 3 Francis Street Child Care Centre closed on November 20, 2019. The project will see a 1,220.4 m² (13,136 ft²) addition to the south end of the 3 Francis Street Childcare Centre. This addition will provide an additional 88 new childcare spaces at the Centre and will add 15 new staffing positions. At tender closing, four (4) bids were received. While the bids are over the grant amount received from the Provincial government, as this is a growth-related project, there is an ability to add this project into the Town's Development Charges new background study and to collect Development Charges, less the statutory 10% reduction for "soft" services. The Town would be required to pay any portions deemed non growth-related plus the 10% statutory deduction.

BACKGROUND

In March of this year, the Town received notification through the County of Lanark (the flow-through funding agency for the Province) that the Town would be receiving \$2,915,000 in funding from the Province towards an addition / renovation to the existing 3 Francis Childcare Centre. Since that time, the Town has been working to finalize drawings and tendering the project. The entire project is required to be completed by December 31, 2020.

The tender was initially posted on MERX in early September with a closing date of October 2, 2019. At that time, the Town received seven (7) bids as follows:

BIDDER	PRICE
Fred Trottier Construction Limited	\$3,652,227
Govan Brown & Associates	\$3,817,945
Argue Construction	\$3,875,650
Jumec Construction Inc.	\$4,056,704
Renwick & Associations	\$4,396,336
JP Gravel Construction	\$4,420,000
Premium Construction	\$4,946,284

*Note HST in addition to the above prices. Prices above include retaining wall provisional pricing.

Due to legal advice received regarding an issue with the low bidder's tender submission and as the prices were significantly over the grant funding received, Council instructed staff to reject all tenders, determine potential cost saving areas and to re-issue the tender on an invitational basis to the existing seven (7) bidders as quickly as possible in order to get the project underway and constructed by the grant deadline. The new tender incorporated the following main cost saving areas:

- Changing the design to eliminate the retaining wall along the east side of the building;
- Removing an expensive wall partition system;
- Cutting back on the playground area cash allowance;
- Eliminating one lift of asphalt on the fire lane

COMMENT

The project was reposted on MERX on an invitational basis to the initial seven (7) bidders. Below is a chart outlining the bid prices received at tender closing at 3:30 p.m. on Wednesday, November 20, 2019:

BIDDER	PRICE
Argue Construction Ltd.	\$3,216,650
Premium Construction	\$3,312,640
Fred Trotter Construction Limited	\$3,316,700
Jumec Construction Inc.	\$3,362,700

*HST in addition to above prices.

In addition to the above construction costs of the project, the Town has professional fees (architect, civil engineer, structural engineer, mechanical engineer, electrical engineer, project management) related to the project estimated at \$150,000.

As the project proceeds, there will be items that arise which will involve change orders which may add costs or in some cases reduce costs of the project i.e. items missed on plans, suggestions by the contractor to improve the existing design, existing conditions which need to be fixed which don't become evident until walls are opened up during construction, etc. In relation to previous construction projects I have worked on, Council has allocated an upper limit which staff can work within in order to address change orders which arise during a project. It is important that in order to keep construction moving, decisions can be made in a timely manner so as not to hold up the various sub-contractors who may be on site. Staff is suggesting that a budget of \$100,000 be provided to deal with change order should they arise. It is hoped that none of this amount will be needed but inevitably in every project I have worked on, items do arise which need to be addressed.

As it is important to try to get this project underway as quickly as possible, I am wondering if Committee would agree to approve this project on Tuesday night by recessing Council and then going back into Council once this report is considered at Committee of the Whole. That way, the Town could proceed to get the tender contracts signed and the contractor can begin to order rebar which according to the Contractor will be the determining factor of whether the project commences before year end.

FINANCIAL IMPLICATIONS

The current total of the project with construction and professional fees is \$3,366,650 plus HST. With the Town's net share of HST, this amount will increase to \$3,425,903.

The Town has received a grant from the Province of Ontario in the amount of \$2,915,000 towards the addition/renovation project at the 3 Francis Street Childcare Centre. As the tender prices have come in over-budget, the balance of the project needs to be funded.

As this project will result in the creation of additional new childcare spaces in Town, and until such time as the Province's proposed changes to the Development Charges Act come into effect relating to "soft" services (Recreation, Childcare, Library), it is recommended that this project be included in the Town's Development Charges Background Study and that fees be collected to help pay for this project. If and when the changes to the Development Charges Act come into force (anticipated January 1, 2021) it is expected that soft services should be able to be converted to a Community Benefits Charge By-law and collected through that means.

By identifying this project as a growth-related project and including it in the Development Charges Background Study, the Town should be able to collect a good portion of the balance of the project from Development Charges/Community Benefits less the statutory 10% amount.

Any amounts remaining after grant funding and Development Charges can be paid for through Childcare reserves which currently stand at \$918,669 (\$183,730 of Francis Street capital reserves and \$734,939 of operating reserves). Below would be the breakdown of funding for the project if the full amount after the grant portion, less the 10% statutory deduction, can be deemed growth related and therefore funded by Development Charges:

ITEM	AMOUNT
Provincial Grant	\$2,915,000
Development Charges	\$459,812*
Reserves	\$51,091

*amount to be confirmed with Development Charge consultant

STAFF RECOMMENDATION

THAT Council award the tender for the Addition / Renovation for the 3 Francis Street Childcare Centre to Argue Construction Ltd. in the amount of 3,216,650 plus HST; and

THAT Council deem the addition / renovation project to be a growth-related project which is to be included in the Town's Development Charges Background Study being prepared by Watson & Associates Economists Ltd.; and

THAT Council allocate a budget of \$100,000 to deal with any change orders which may arise during construction in order to allow for timely decision-making throughout the project to ensure it is completed by the required deadline; and

THAT the Town's share of the project which exceeds grant funding and includes construction, professional fees and change orders be funded first by Development Charges and then Childcare reserves.