

Town of Whitby Staff Report

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Report Title: **Update on the Construction Cost Estimate for the
Whitby Sports Complex (WSC) Project**

Report to: **Council**

Date of meeting: June 20, 2022

Report Number: **CMS 08-22**

Department(s) Responsible:

Community Services Department

Submitted by:

John Romano, Commissioner,
Community Services

**Acknowledged by M. Gaskell, Chief
Administrative Officer**

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1. Recommendation:

- 1. That Community Services Report, CMS 08-22 be received as information;**
- 2. That Staff be directed to complete the detailed design and contract documentation to be tender ready, based on the program approved by Council outlined in CMS 05-22; and,**
- 3. That Staff report back to Council for direction, following completion of the detailed design and construction documentation, including final construction cost estimates, prior to issuing construction tender documents.**

2. Highlights:

- A construction cost estimate for the Whitby Sports Complex was issued to the Town by the Cost Consultant on June 1, 2022 which identified a significant cost increase.

- The project cost estimate for the building and related site work has increased by \$31,000,000 since February 2022.
- The current total project budget is estimated at \$129,000,000 based on costing provided to date.
- Due to construction market volatility, staff are not recommending a budget increase at this time.
- Staff are recommending that the project continue through detailed design development and contract documentation to achieve tender ready documents.
- Two additional construction cost estimates are scheduled to be completed at the following stages of design:
 - Design Development Stage – September 2022
 - Contract Documentation Stage – December 2022

3. Background:

The Project Team has advanced the WSC design following CMS Report 05-22 presented to Council on March 7, 2022.

Over the past few months the following deliverables have been completed:

- Schematic Design Phase is complete and the Project Team has moved into the Design Development Phase.
- Microplanning Sessions are currently underway with internal Staff Experts who are providing valuable input on the building design and materials for the Aquatics Centre, Gymnasium, Lobby, Meeting Rooms, Administration Space, Park and Arenas.
- Town Staff recently presented the design to the Accessibility Advisory Committee and the Active Transportation & Safe Roads Advisory Committee.
- Town Staff will be presenting the design to key sports stakeholders (i.e., hockey, swimming, etc.) in the coming months.
- The Project Steering Committee completed site tours of comparable Perkins + Will designed buildings to understand best practices and lessons learned.
- The Project Team is finalizing the Site Plan Application for formal submission to Planning in Summer 2022.

The project is currently on schedule to complete the design and contract documentation and be ready for tender issuance Q1 of 2023.

4. Discussion:

The construction industry has experienced significant price increases over the past few months due to a number of global conditions which include the following:

- War in the Ukraine
- Continued supply chain issues (border closures)
- Global fuel price increases
- Local construction trade strikes
- Long lead time for products and parts
- Construction materials such as structural steel have experienced cost increases of over 100% since January 2022
- COVID-19 construction protocols and procedures are now fully understood and are being factored into the bid price

The cost increases identified have been compared against the February 2022 construction cost estimate prepared for Council Report CMS 05-22 and the current June 1, 2022 construction cost estimate:

- Structural Steel: Increase of \$5,481,000 (105%)
- Mechanical: Increase of \$4,017,000 (37%)
- Interior Partitions: Increase of \$830,000 (21%)
- Escalation: Increase of \$4,833,000 (from 9.7% to 13.1% for 2022)

There is currently a large volume of projects in the Greater Toronto Area (GTA) out for tender related to infrastructure work, educational sectors, transit, long term health care and community centres. During Covid-19 many projects were put on hold due the pandemic. The delay in the issuance of these projects has created a shortage in qualified contractors available to complete projects of this size and scope and has further caused significant cost increases within the local construction industry.

These cost pressures have impacted a number of municipalities across Ontario. For example, the City of Guelph recently cancelled their new Sports Complex project. The construction tender closed in March 2022 with a low bid of \$121,106,000 which exceeded the project budget of \$80,000,000 by \$41,106,000. Municipalities such as Cambridge and Kitchener have recently increased their budgets to reflect the current market conditions within the Province.

Perkins + Will recently completed tenders on similar projects in the Greater Toronto Area that experienced significant price escalation. The projects and results are provided below.

Carville Community Centre in Vaughan (Tender closed in March 2022)

- \$60,000,000 Budget
- \$85,500,000 Low Construction Bid

Result: Project budget was increased and construction contract was awarded

Galleria Community Centre in Toronto (Tender closed in November 2021)

- \$60,000,000 Budget
- \$87,000,000 Low Construction Bid

Result: Project budget was increased and construction contract was awarded

Potential Revenue Opportunities

Through the detailed design process, Staff will continue to explore revenue opportunities and potential cost mitigation strategies for the project that will include the following:

Grant Funding Application

Staff continue to pursue any grant funding that may be available for this project. In July 2021, a funding application was submitted to Infrastructure Canada through the Green and Inclusive Community Buildings (GICB) Project in the amount of \$25 million. The funding program is designed to support the incremental costs associated with achieving zero carbon emissions, and advanced climate resiliency.

Naming Rights

Economic Development Staff will be undertaking a sponsorship and advertising asset strategy to be completed in mid-2023. This strategy will assist with assembling a complete advertising asset inventory and identify fair market value for both new and existing sponsorship and advertising assets, including the establishment of a revenue target for the new sports complex.

Cost Mitigation Strategies

The Project Team investigated multiple cost mitigation options during the schematic design phase of the project. Several items were explored and either rejected or incorporated into the project design.

For example, a pre-engineered structural steel arena was initially identified as a cost savings to the project in the \$1M to \$1.5M range. However, upon further review it was determined that the savings would be reduced significantly due to the customized building envelope modifications required to support a pre-engineered structural steel arena.

As a cost savings measure the Project Team reviewed the building area closely and were able to reduce the building footprint from 164,786sf to 158,117sf (4% reduction) without comprising the program space or aesthetics of the building.

The Project Team will continue to explore potential cost mitigation strategies throughout the design of the project.

Recommended Option

Based on the current market conditions and the progress to date on the WSC project, Staff are recommending that the project proceed with the current design based on Report CMS 05-22. This option would include the preparation of a construction cost estimate once the final design documentation is complete. At that time, Council can provide direction to staff on whether the project should be issued for tender (and have funding increased) or the project remain shovel-ready (and tendered for construction at a later date). It is anticipated that the final cost estimate will be presented to Council in January 2023. The reasons for proceeding to tender ready documents are as follows:

- Construction market volatility resulting in pricing uncertainty and a lack of predictability on projects of this nature make it difficult to accurately estimate the cost of the project. The pre-tender cost estimate will include a fully informed design and will incorporate market conditions closer to the time of construction tendering.
- The Town has invested a significant amount of time and resources on the project to date. The design has advanced over the past few months as the schematic design is now completed and the consultants have moved into detailed design and preparation of the tender documentation.
- Significant community interest has been received on the project. The WSC project received an unprecedented amount of public engagement and requests for new program and park space.
- The Town's existing recreational facilities lacks the capacity to meet the needs of our growing community. As an examples, 98% of the Town's core prime ice is utilized and aquatic programming is regularly at capacity.
- Reducing the scope of the project will limit the Town's ability to provide recreation facilities and programing.
- A reduction in scope will require significant re-design of the project triggering additional fees from the Design Team.
- Significant re-design would cause a 6 to 8 month delay in the project.
- Delays to the project schedule would likely result in higher costs if the project were deferred beyond 2023.
- The Town would be required to pay Perkins + Will fees related to canceling the project.
- The WSC is a significant partner and anchor project with Elexicon on the District Energy System (DES). Delays in the WSC project may impact the viability of the DES.

Alternative Option 1

This option includes a reduction in program space in order to mitigate cost impacts to the project. The identified program reductions and associated savings to the project:

- Remove 2nd Arena \$17,000,000 to 20,000,000
(further analysis of the arena ice plant room reductions are required)
- Remove Four (4) Pool Lanes \$2,080,000
(excludes potential reductions to the Universal Changerooms)
- Remove Gym & Walking Track \$11,900,000

Although the proposed reductions in programming space would potentially mitigate costs, Staff are not recommending removing the program spaces for the following reasons:

- Costs to retrofit recreational facilities are high due to the required changes in infrastructure and building rework.
- Luther Vipond Memorial Arena (LVMA) would need to be maintained until the 2nd Arena at the WSC is constructed. This would defer the Brooklin Memorial Redevelopment project. It would also require higher annual maintenance costs as it has exceeded its useful life.
- Program reductions would require additional redesign fees.
- Project schedule would be delayed by approximately 3-4 months to complete design revisions.
- The current estimated construction escalation impact is approximately \$750,000 per month.
- Rapid population growth over the next decade will result in increased demand for gymnasium, pool and arena space.

Alternative Option 2

This option includes cancelling the WSC project and look to restart in a future year. Under this approach, there are several items that should be considered which include the following:

- Consultants fees for the design work completed to date would be absorbed.
- The shared stormwater management pond (SWMP) would be constructed as part of the Mid-Block Arterial Road construction for an estimated land and construction cost of approximately \$4,000,000 to accommodate the future development on the site. If the SWMP is not built during the MBAR construction it would result in significantly

higher costs to construct the SWMP and connect downstream at a later date which may impact the land purchase price.

- The District Energy System may no longer be a viable business case as the WSC is the anchor building for the development.
- Pressure on the Town's existing recreational facilities has resulted in challenges to meet the future demands of a growing community.

5. Financial Considerations:

Council approved increasing the WSC project from \$70 million to \$98 million via the March 7, 2022 Report CMS 05-22 "Final Design Concept and Preliminary Budget Approval for the Whitby Sports Complex (WSC)". The project is to be funded \$302,134 from the tax-based Growth Reserve Fund and the balance from Development Charges (the Development Charges Parks and Recreation Reserve Fund). The original project also planned for development charges-related debt to cash-flow construction costs. Debt servicing costs (principal and interest payments) related to development charges-related debt would be repaid from the collection of future development charges. While there was development charges-related debt planned to this project, the bulk of projected development charges-related debt is planned for the Town's extensive growth-related road infrastructure program. As the cost estimates are further refined for the WSC project, staff will review the capacity and limits of the Town's planned development charges-related debt program to determine whether additional growth-related debt can be accommodated. Based on current design cost estimates, totaling \$129 million (as outlined earlier in this report), there is a projected shortfall of \$31 million (\$98 million - \$129 million). However, there are two additional costing exercises remaining before final design is completed/tender-ready design are available. The recommended approach allows for detailed design to be completed based on the final design concept approved in Report CMS 05-22, refinements in costing to reflect market conditions between now and when the Town is ready to tender for construction, and for Council to obtain more information on costing before providing direction on whether to proceed with construction tendering (and an increase in budget) or to tender at a later date.

6. Communication and Public Engagement:

No Public Engagement was completed for this report.

7. Input from Departments/Sources:

Input from the Finance Department was received regarding the increased costs and recommended next steps. Input from Finance has been incorporated into this report. The Strategic Initiatives Division of the Chief Administrative Officer Office provided input regarding the potential impact to the District Energy System project and potential funding opportunities which was incorporated into the report.

8. Strategic Priorities:

The development of the WSC is identified in the 2020 - 2022 Business Plan under the Community Building category.

9. Attachments:

No Attachments