



Municipality of Port Hope

Staff Report

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Report Title: Contract 35P-PRC-2021-C Town Park Recreation Centre Expansion Project

Report to: Parks, Recreation & Culture Committee

Date of meeting: March 1, 2022

Report Author:

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Department responsible:

Parks, Recreation & Culture

Report Number: PRC-01-22

Recommendation:

1. That a resolution be presented to Council to approve a final project budget of \$5,049,836.00 for the Town Park Recreation Centre Expansion Project; and further,
2. That a by-law be presented to Council to award Contract No. 35P-PRC-2021-C for the Town Park Recreation Centre Expansion Project to Dalren Limited in the amount of \$4,167,072.00 (net HST) with the project funds to be drawn from the approved capital budget and ICIP funding; and further,
3. That a resolution be presented to Council to authorize an additional \$180,500 from approved Council Initiatives Fund to finance additional amounts required for the Expansion Project; and further,
4. That a resolution be presented to Council to approve the development of a funding strategy as part of 2023 budget preparation to address the remaining funding shortfall.

Highlights:

- The total project budget for the Town Park Recreation Centre Expansion Project has been confirmed as \$5,049,836.00, including increased costs due to COVID pandemic supply chain shortages and inflation.
- The need to identify funding sources through the development of a funding strategy.
- Evaluation of the Design-Build Request for Proposals identified the preferred design and proponent.

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- Award the Town Park Recreation Centre Expansion Project to Dalren Limited in the amount of \$4,167,072.00 (net HST).

Background:

The construction of a new facility to replace the Ruth Clarke Activity Centre is an objective of the Port Hope Strategic Plan as part of the priority to support multi-generational community opportunities. Various background reviews and studies support this priority, including the Leisure Services Master Plan (2010 and 2021), the Facility Feasibility Study, the Development Charges By-law, and the Age-Friendly Community Action Plan. Each of these plans highlights the importance of addressing the changing needs of residents, accommodating the anticipated increased demand for programs and space, and indicate that the existing RCAC does not provide sufficient, accessible space.

The Facility Feasibility Study Report identified the need for expanded programming space for seniors. This plan approved the recommendation of the Town Park Recreation Centre (TPRC) as the preferred site for a future expansion to support multi-use space to accommodate needs, optimize shared resources, and create new multi-generational opportunities.

A new space for community programming continues to remain a priority for the older adult community, along with Council and Staff. The goal of this project is to enhance social activity and engagement, community involvement, and physical activity. Key aspects of this project include the creation of multi-purpose spaces, maximizing existing space at the TPRC, providing adequate parking, optimizing operational costs, and integrating older adult activities, as well as planning for future program needs and growth for all ages.

In November of 2019, the Municipality applied to the Investing in Canada Infrastructure Program (ICIP) under the Community, Culture and Recreation Infrastructure Stream. This application was to construct an addition to the Town Park Recreation Centre. The preliminary estimated project cost requested to complete this important community initiative was \$3,000,494. These costs included architectural and engineering services, hard construction costs, conceptual planning, and other related expenses. For the purposes of the application, these costs were identified as a budget estimate and a starting point for the funding application.

On March 12, 2021, it was announced that the Municipality was successful with the ICIP application. As part of the funding agreement, The Municipality is responsible for 26.6% (\$800,231 based on the estimated project costs at the time) with both the Federal and Provincial governments responsible for the remaining costs.

Discussion:

In 2021, as a result of planning and the successful grant notification, Staff proceeded with finalizing the project budget and scope.

Since the application was completed in 2019, significant factors have resulted in substantial increases related to construction costs and building materials. These factors

include higher rates imposed on steel and aluminum products, significant increases in building material costs, higher demand, and other impacts to the economy as a result of the COVID-19 pandemic. There was also a lengthy delay between the submission of the application and approval.

Construction pricing in early 2022 remains relatively unpredictable. Prices for these materials and services have stabilized somewhat but have not dropped back to 2019 prices. It is anticipated that costs will continue to rise year over year, just not at the same rate as the last two years. These factors contribute to the volatility of project pricing and have the effect of limiting supply at a time when demand is increasing. Statistics Canada reports non-residential construction costs rose on average 11.2% year over year in the fourth quarter of 2021, with some regions seeing even higher rates. This is the largest increase since the third quarter of 2008.

The project budget has been set using factors such as market value, type of construction, building features, and required site work. The final project budget is recommended to be set at \$5,049,836.00.

Project Budget	Estimated Costs
Consulting and Project Management	\$75,000.00
Design, construction, and site requirements	\$4,143,450.00
Allowances and permits	\$23,000.00
Contingency and taxes	\$808,386.00
Total Project Budget	\$5,049,836.00

A design-build approach was determined to be the most expedient and cost-efficient construction methodology. The procurement process included a pre-qualification which required interested contractors to submit letters of interest including qualifications. Three firms were short-listed in pre-qualification, permitting them to submit a response to the request for proposal (RFP).

Staff released a design-build RFP in fall 2021, which included details of the project, objectives, and a comprehensive Owners Statement of Requirements (OSR) outlining the mandatory components of the facility. This statement took into consideration all aspects of previous plans and targets needed for the submission of concept floor plan, site implications and project requirements. Each of the three short-listed proponents completed submissions for the RFP. The final pricing for the submissions is as follows:

35P-PRC-2021-C Submission	Total (including net HST)
Dalren Limited	\$4,167,072.00

Koler Builders	\$4,282,275.41
Percon Construction Inc.	\$9,556,179.84

Dalren Limited ranked the highest in the review of submissions, based on factors including quality management approach, design excellence and creativity, meeting requirements of the RFP, schedule, and price. Staff recommend proceeding with awarding of the contract to Dalren Limited. Following approval of this contract award, the Municipality will enter into agreement with Dalren Limited through a standard Design-Build construction contract (CCDC-14 2013 and disclosed Supplemental Conditions) as outlined in the RFP.

Dalren Limited is located in Cobourg, Ontario and is a general contracting firm that specializes in Institutional, Commercial and Industrial (ICI) construction projects. This company has worked locally and have an experienced project team and positive references. The Architect, Barry Bryan and Associates (BBA) is based out of Whitby and is providing design consulting expertise. BBA was also the original architect for the Town Park Recreation Centre. Submission requirements, bonding, and insurance have been verified by Finance Staff.

Preliminary site work, including geotechnical reports, removal of light standards, and gardens have been completed in preparation for construction.

The draft site drawings (Attachment 1) provide an overview of the site development and floor plan as part of the submission by Dalren and will be finalized through site plan approval by Municipal staff. This process will ensure compliance with accessibility standards, programming function, building code, structural and mechanical standards, storm water management, and emergency access. Mobilization to the site, based on existing project schedule, is targeted for late spring 2022 with a Substantial Performance target of spring 2023, pending Council approval of the contract.

Financial Considerations:

As indicated through earlier staff reports, there was certainty that the funds currently allocated would not be sufficient given the time that has lapsed between the submission of the grant application and market impacts.

The total estimated project cost identified in the ICIP application is \$3,000,494 and the municipal portion in the amount of \$800,231 is already included in the capital budget. This report has identified challenges related to escalating construction costs beyond the Municipality's control. However, the proposal by Dalren represents good value in this marketplace as can be seen by the wide variation in pricing submitted.

Through the Municipality's competitive RFP process, the lowest bid received through the submission process was \$4,167,072.00 (net HST). The total project cost is \$5,049,836.00, resulting in a difference of \$2,049,342. A total of approximately \$65,000 has been spent to date on consulting services, developing the OSR and RFP, legal support, completing early site works, and procuring a qualified design-build contractor.

To be able to proceed with this important community strategic priority and to fund this difference, it is recommended that Council direct staff to proceed with confirming a funding strategy with the following considerations and options:

Project Budget	\$5,049,836.00
Preliminary Estimated Project Costs and Confirmed Funding (as of Dec 31, 2021)	\$3,000,494.00
ICIP Provincial	\$1,000,065
ICIP Federal	\$1,200,198
2021 and 2022 Capital Levy	\$451,790
2021 Development Charges	\$348,441
Difference	\$2,049,342.00
Anticipated Estimated Sources to Fund the Difference	
ICIP funding supplement	Unknown
Council Initiatives Fund (2021 and 2022)	\$180,500
Changes to Development Charges	\$303,139
Divesting Municipal property	\$500,000
Community fundraising	\$250,000
Other grant sources	Unknown
2023 Budget (options for allocating Council Incentive Funds, Federal Gas Tax, Levy)	\$815,703

- ICIP Funding Supplement** - Due to the impacts to the project resulting from delayed announcements and the COVID-19 pandemic, the Mayor and Staff are actively discussing options and requesting additional project support with ICIP program through the MPP and MP. It is unknown if additional funding will be available, but numerous ICIP projects in the province are at risk for moving forward without addressing the concern. If supplemental funding is available, this will reduce any impacts on future budget through completing an update to this funding strategy.

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- **Council Initiatives Fund** - \$180,500 is currently allocated through the approved 2021 and 2022 budgets. The intent of the Council Initiatives Fund is to support significant community enhancements which aligns with the strategic goals, outcomes, and nature of the expansion project.
 - **Development Charges (DC's)** - There is the potential for additional DC contributions to this project. The DC By-law is currently under review as a result of updated legislation considerations. Additional funding may be allocated to the overall project with an approved project budget and removal of statutory deduction for the project type.
 - **Divestment opportunities** - Investigating the viability of divesting 81 Mill Street to help offset project costs is an important aspect operationally and to reduce resulting impact to the levy. This opportunity could also support growth and development in the downtown. The existing facility is not required as a recreational space nor has it been planned for in operational considerations following the move to the TPRC, which would result in an increase to future operational funding requirements.
 - **Community fundraising** - There is an option to task the Ruth Clarke Activity Centre Board and membership and work in partnership to develop a fundraising campaign. Options that could be considered include hosting events, a capital charge on membership and program registrations, naming of rooms, commemorative donations, etc.
 - **Other grant sources** - Staff continue to examine additional grant sources to align with this project. If grant funding is available, this will reduce any impacts on future budget through completing an update to this funding strategy.
 - **2023 Budget** - Shortfall following confirmation of the above strategies and considerations will be included in the 2023 Operating and Capital budget planning, including options for 2023 Council Incentives Fund, Federal Gas Tax and Levy.

Communication and Public Engagement:

Engagement in design components has taken place over a number of years, including with the Accessibility Advisory Committee and RCAC Board. Discussions will continue throughout the development process. A communication plan, to be implemented when construction begins, is prepared as well as sharing of renderings and facility details with the community.

Staff have also initiated planning meetings with user groups, including the Agricultural Society relating to the 2022 Fair. Operational impacts and reviews will take place with all user groups on an ongoing basis. Current seniors programming continues to be hosted at the Town Park Recreation Centre and at this time the existing RCAC remains closed.

Conclusion:

The ageing RCAC is not an adequate, safe, or accessible location. The current facility creates barriers to participation and a new multi-use facility is required. Port Hope has a rapidly aging population, and this project will be an important contribution to support the health, wellness and social inclusion of residents. The addition at the TPRC will respond to the growth of the older adult population, provide required facilities to serve residents of Port Hope and will increase multi-generational community opportunities.

Numerous challenges have presented themselves with moving this project forward, but the Municipality has a vested interest in proceeding. As a result of committed funding through the ICIP program and with the development of a capital funding strategy to make up the shortfall, this important project can proceed.

Attachments:

Attachment 1 – Draft Site and Floor Plan Drawings