

Emergency Non-Competitive Contract with Century Group Inc. for Construction Management Services at the East Wing of Union Station

Date: November 16, 2020

To: General Government and Licensing Committee

From: Executive Director, Corporate Real Estate Management, and the Chief Procurement Officer

Wards: Ward 10 - Spadina-Fort York

SUMMARY

The purpose of the report is to inform the General Government and Licensing Committee regarding an emergency non-competitive contract that the City has entered into with Century Group Inc. under Purchase Order No. 6051271, to provide emergency structural remediation services at the East Wing of Union Station, in the amount of \$2,968,877.09 net of Harmonized Sales Tax (\$3,021,129.33 net of Harmonized Sales Tax recoveries).

As a result of the demolition undertaken as part of the Workplace Modernization Program to create office swing space at Union Station, it was discovered that there were significant structural issues with the roof and exterior walls of the fourth floor of the East Wing of Union Station. Once discovered, the structural issues needed to be addressed immediately, as required by the Ontario Building Code, to prevent possible collapse, and to ensure the safety of all personnel on site. The structural issues could not have been found by any due diligence processes prior to construction, as only full demolition exposed the structural issues.

Reporting back to City Council is required in accordance with Municipal Code Chapter 195, Purchasing, Article 7, Section 195-7.4(B) where a non-competitive contract over \$500,000 was entered into on the basis of emergency.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management, and the Chief Procurement Officer, recommend that:

1. City Council receive this report for information.

FINANCIAL IMPACT

Funding for the requested non-competitive contract amount of \$2,968,877.09, net of all taxes (\$3,021,129.33 net of Harmonized Sales Tax recoveries), is available in the 2020-Council Approved Capital Budget for Corporate Real Estate Management, as part of the State of Good Repair program, as summarised in Table 1.

Table 1: Financial Impact Summary

Work Breakdown Structure Element	Description	Total (Net of Harmonized Sales Tax Recoveries)
CCA256-01	71 Front W - Union Station	\$3,021,129.33

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

At its meeting on October 29, 2019, City Council adopted EX9.2 "Modern TO - City-Wide Real Estate Strategy and Office Portfolio Optimization" adopting the "The City-wide real Estate Portfolio Strategy" as the strategic framework to best utilize the City's real estate assets to drive better value and services for the municipality.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.2>

At its meeting on October 23, 2019, Bid Award Panel adopted BA51.1, authorizing the award of Request for Proposal 9119-19-7187 to Century Group Inc. for Construction Management Services at the East Wing of Union Station, and Select Floors of City Hall (City Office Swing Space Project).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.BA51.1>

At its meeting on July 16, 2019, City Council adopted EX7.4 "Office Optimization - Office Swing Space at Union Station" authorizing the amendment of the 2019-2028 Approved Capital Budget and Plan for Facilities, Real Estate, Environment and Energy program by adding a new capital project "Union Station East Wing" with a total project cost of \$20.0M.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.4>

City Council, at its meeting on March 7, 2019, approved the Facilities, Real Estate, and Environment & Energy (FREEE) 2019 Capital Budget and 2020 – 2028 Capital Plan, which included 2019 cash flows of \$160.313 million and 2018 preliminary carry-forward funding of \$110.700 million.

COMMENTS

Planned renovations reveal unforeseen structural issues

In June 2019, City Council approved the plan to use Union Station East Wing as office swing space for the City to facilitate workplace modernization. Century Group Inc. was awarded the competitive procurement to undertake the construction work to modernize Union Station East Wing.

Century Group Inc. began the construction work in late 2019. In April 2020, Century Group Inc. discovered substantial unforeseen structural issues with the roof and exterior walls of the fourth floor as a result of the demolition undertaken as part of the project. Specifically, the installation of the rooftop mechanical equipment over the years, combined with inferior design techniques, had left numerous inappropriate perforations throughout the roof of the East Wing. The perforations had corrupted the structural integrity of the roof and that of the exterior walls of the fourth floor. These perforations, combined with the aged state of the roof, immediately raised concerns of a potential collapse. In this state, the structure was at a high risk of failure, which could have threatened the safety of on-site staff.

The extent of the perforations and poor structural conditions of the roof could not have been found by any due diligence processes prior to construction, as full demolition and removal of the ceiling was necessary to uncover the roof structure and expose the structural issues. And had these issues not been discovered through the course of the Union Station East Wing project, the roof structure would have continued to deteriorate and destabilize, and may have caused serious issues in the future.

Once the demolition was completed, the project team immediately installed temporary support structures to reinforce the roof and exterior walls of the fourth floor to mitigate the risk of collapse in the short term. However, permanent and systematic restoration of the roof structure had to be completed before work could safely resume on the original Union Station East Wing project scope. Additionally, correcting underlying base building issues would have allowed the space to function as intended, and mitigate against any additional future costs in maintenance and operations.

Workplace Modernization Program objectives are contingent upon the timely completion of the Union Station East Wing project

The timely completion of the Union Station East Wing project is critical to achieving key City objectives as part of the Workplace Modernization Program. Four existing office space leases are scheduled to be collapsed from 2020 to 2025, and this plan is contingent upon the Union Station East Wing being ready in time to be used as swing space to facilitate moves. The structural remediation work identified had to be completed promptly to allow the original scope to be delivered as intended and on schedule. This will avoid costs associated with both project delays and extensions of the existing leases.

Furthermore, as a result of the COVID-19 pandemic, the Union Station East Wing project had already experienced delays to the schedule that would impact the first wave of lease extensions. Any additional delays would only impede the project schedule further, resulting in more costs. Despite the additional work required for this project, it is anticipated that there will be net savings over five years by utilizing this City-owned swing space.

Services are procured through an emergency non-competitive contract

The required structural work was outside of the project scope due to its unforeseen nature. After considering alternate procurement approaches (outlined below), the City ultimately engaged Century Group Inc. to provide the urgent structural remediation and reinforcement services at the Union Station East Wing project through an emergency non-competitive contract. City staff reviewed and validated the quoted cost with third-party consultants engaged for the Union Station Revitalization Project, prior to issuing the contract. The emergency structural remediation was subsequently completed in September 2020 and the work to deliver the original scope of the Union Station East Wing project has resumed.

Alternative procurement options considered by the City

Two alternatives to the emergency non-competitive agreement with Century Group Inc. were considered: first, amending the existing contract of the base building general contractor, Bondfield Construction Company Ltd., for the Union Station Revitalization Project to complete the emergency structural repairs; and second, to engage an additional general contractor through a competitive procurement process.

Due to constraints already experienced with Bondfield Construction Company Ltd., it was expected that they would not have been able to complete this additional scope of work within the desired timeline. This would then impact Century Group Inc.'s ability to deliver the original Union Station East Wing project scope as scheduled. Therefore the first alternative was not pursued. However, should Century Group Inc.'s complete both the structural remediation work as well as the original Union Station East Wing project scope as intended, this would alleviate some schedule pressure from the Union Station Revitalization Project and support its completion as well.

The second alternative would have involved the engagement of an additional general contractor to carry out the structural remediation work. The introduction of a third contractor would complicate site access logistics, create scheduling conflicts and potentially put the City in the position of being deemed the constructor at the Union Station East Wing. Under the Occupational Health and Safety Act, a single defined constructor carries all relevant legal obligations of a project site. Century Group Inc. is the constructor for Union Station East Wing, while Bondfield Construction Company Ltd., and is the constructor for the Union Station Revitalization Project, as the two buildings are considered physically separate. These logistical and legal considerations, in addition to avoiding further extensions of the existing leases and incurring added costs, factored into the decision to pursue the emergency non-competitive contract with Century Group Inc.

Compliance with Fair Wage and Labour Trades Requirements

The Fair Wage Office has reported that Century Group Inc. has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

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SIGNATURE

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