



## STAFF REPORT ACTION REQUIRED

### City of Toronto Stimulus Projects - Required Capital Budget Adjustments for Completion of the Rexdale Multi-Service Hub

<b>Date:</b>	January 26, 2011
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer, Executive Director, Social Development, Finance & Administration and Director, Purchasing and Materials Management
<b>Ward(s):</b>	Ward 1 – North Etobicoke
<b>Reference Number:</b>	P:/2011/Internal Services/pmmd/GM11006pmmd (AFS #13082)

#### SUMMARY

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This report seeks authority to revise the capital budget and funding necessary to complete renovation of the Rexdale Multi-Service Community Hub and to award the contract for the renovation.

#### RECOMMENDATIONS

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The Chief Corporate Officer, the Executive Director of the Social Development, Finance and Administration Division and the Director, Purchasing and Materials Management recommend that City Council:

- 1) Authorize the City to enter into contract with Elite Construction Inc. for Tender Call No. 354-2010 Interior Alterations at 21 Panorama Court (Former Father Henry Carr School) in the amount of \$8,585,095.00 plus HST, for a total contract value of \$9,701,157.35 conditional upon the ISF program funding expenditure deadline for this project being extended to October 31, 2011.
- 2) Increase the 2011 Recommended Capital Budget for Facilities and Real Estate by \$7.21 million gross, \$0 million net, including \$1.4 million funded by the United Way, \$0.200 million contribution from TESS, \$2.1 million for additional funding carried forward from 2010 into 2011 and \$3.51 million funded from the Capital Financing Reserve.

## FINANCIAL IMPACT

Funding in the amount of \$8.2 million was approved in the 2009 and 2010 Capital Budgets for Facilities and Real Estate, based on preliminary estimates. Based on the tender call that was issued in January, 2011, the total project cost will increase from \$8.2 million to \$13.3 million. The revised capital cost and funding sources are outlined in the table below.

	<b>Original Approval (\$000)</b>	<b>Revised Project Cost/Funding (\$000)</b>	<b>Increase (\$000)</b>
Total Project Cost			
Renovation (SOGR)	8.19	13.30	5.11
Funding			
Infrastructure Funding (ISF)	5.46	5.46	0.00
United Way	1.00	2.40	1.40
Legal Aid	0.20	0.20	0.00
Trillium	0.15	0.15	0.00
Citizenship and Immigration	0.30	0.30	0.00
Toronto Employment and Social Services	0.00	0.20	0.20
City Contributions:			
Debt	1.00	1.00	0.00
Clean and Beautiful	0.08	0.08	0.00
Capital Financing Reserve	0.00	3.51	3.51
<b>Total</b>	<b>8.19</b>	<b>13.30</b>	<b>5.11</b>

Preliminary indications were that \$3.3 million of the \$8.2 million would have been spent by year end 2010, resulting in a requested amount of funding carried forward from 2010 into 2011 of \$4.9 million. However, it has been determined that only \$2.1 million was spent by year end, resulting in the need to carry forward funding from 2010 into 2011 in the amount of \$6.1 million, an increase of \$2.1 million.

Therefore, it is recommended that the 2011 Recommended Capital Budget for Facilities and Real Estate be increased by \$7.21 million gross, \$0 million net. Funding of \$1.4 million will be provided by the United Way, \$0.200 million provided by TESS, additional funding in the amount of \$2.1 million carried forward from 2010 into 2011 and \$3.51 million provided from the Capital Financing Reserve.

It should be noted that should either the deadline for the completion of infrastructure projects (ISF) not be extended until October 31, 2011, or, if extended and the project is not substantially complete by October 31, 2011, the City will be required to fund up to \$5.46 million. At this point it is anticipated that all or substantially all of the infrastructure funding will be received. The contract includes liquidated damage and bonus provisions to encourage completion on time.

However, the Chief Financial Officer has identified funding for this project, if necessary, to ensure no additional debt is required.

In addition, it is anticipated that additional funding (\$0.500 million to \$1.0 million) may be provided by the Trillium Foundation. Should this funding be confirmed, the Chief Financial Officer will provide a further report to adjust the 2011 Capital Budget for Facilities and Real Estate for this project.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

Since June 2007, the City of Toronto has been working with community service providers, Albion Neighbourhood Services and Rexdale Community Health Centre, and other funding partners, United Way Toronto and the Ministry of Health and Long-Term Care, to develop a multi-service hub facility in the Rexdale area.

In the 2008 Capital Budget process, City Council designated \$1.0 million in capital funding for the creation of a multi-service community hub in Rexdale through the Partnership Opportunities Legacy Fund. The report can be found at:

[http://www.toronto.ca/budget2008/pdf/bn\\_cap\\_commitment\\_to\\_priority\\_neighbourhoods.pdf](http://www.toronto.ca/budget2008/pdf/bn_cap_commitment_to_priority_neighbourhoods.pdf)

At its meeting of August 5 and 6, 2009, City Council authorized staff to enter into an agreement of purchase and sale with the Toronto Catholic District School Board for the former Father Henry Carr Catholic School site at 21 Panorama Court and to enter into leases with ten community agencies for tenancy in the community hub. The report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.CC38.9>

On September 30 and October 1, 2009, City Council authorized the Mayor to enter into an agreement with the federal government for funding of the Rexdale Multi-Service Community Hub under the terms of the Infrastructure Stimulus Fund (ISF). The report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.CC40.10>

On May 11 and 12, 2010, Council authorized the Mayor and the City Manager to enter into agreement with the federal and provincial governments for additional ISF funding for the Rexdale Multi-Service Community Hub. The report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX43.1>

## **ISSUE BACKGROUND**

The need for additional community service infrastructure in the Jamestown/Rexdale neighbourhood has long been recognized by the City, United Way Toronto and the Ministry of Health and Long-Term Care. Community needs assessments and consultations conducted by the City's Neighbourhood Action Partnership, the Rexdale Community Health Centre and Albion Neighbourhood Services to develop the satellite health centre and community hub, indicated a

need for community space for a range of health, learning, and resident engagement services, youth programs, child and parenting supports, recreational activities, and employment skill development.

In June 2007, the City established an interdivisional project team to work with local service providers and the United Way on the development of a proposal to create an effective multi-service hub in North Etobicoke based on identified community needs. An exhaustive search of local lands and facilities was conducted, including a possible expansion of the Elmbank Community Centre, where the City already owned the land, and potentially using an old police station. However, the vacant former Father Henry Carr School was determined to be the most cost effective, available opportunity. Council approved the purchase of the school from the Toronto Catholic District School Board (TCDSB) in August 2009.

The purchase price was \$5,110,000 (not part of the capital budget), payable in annual instalments of \$255,500 over a 20 year period, commencing one year after the purchase date (the purchase agreement provides that the TCDSB will reacquire title to the property from the City for nominal value at the end of 20 years). The land transfer tax, paid by the City in 2010 for the value of the entire transaction was \$75,125.00. Once they assume occupancy, the acquisition annual instalments and operating costs will be borne by the hub tenants: ten community agencies and one City division (Toronto Employment and Social Services). The first annual instalment of the acquisition cost is due May 2011, which together with the land transfer tax represents approximately \$290,000, prior to the occupancy by the tenants. Operating costs until full tenant occupancy (March 1, 2012) are currently being carried by the City and are estimated at \$400,000. The accumulated operating costs and acquisition installment costs should be capitalized and charged against the project capital costs as it will be difficult to recover these costs from the tenants which are currently paying rent in their existing locations.

Preliminary estimate of project costs, based on an initial building survey and feasibility report funded by the United Way and prepared by Hilditch Architect, Construction Control Inc. and ECOH Management, in 2008 estimated that approximately \$2.0 million would be required for base building upgrades and asbestos abatement. The tenant agencies agreed to generate revenue for their own lease-hold improvements under the oversight of the City.

The initial City investment in the Rexdale Multi-Service Community Hub was \$1.0 million, drawn from the Partnership Opportunities Legacy Fund to support community facility development in the priority neighbourhoods for investment. This funding was matched by United Way Toronto which allocated \$1.0 million in capital for the establishment of the hub and \$150,000 in annual operating funding. Further City investment included \$80,000 that was allocated to the project from Clean and Beautiful funding for landscaping around the facility. Funds from the 2011 operating budget of Toronto Employment and Social Services—one of the tenants—will complete the budget plan.

City staff, working with community partners, have had considerable success in attracting additional investments in this suburban multi-service community facility. To date, the City's \$1.08 million investment (excluding purchase price) has leveraged a total of \$8.5 million in external funding. The federal and provincial governments have committed a total of \$5.46 million towards the project as part of the Infrastructure Stimulus Fund (ISF) program. Additional contributions were obtained from Citizenship and Immigration Canada (\$300,000), Legal Aid Ontario

(\$200,000) and the Trillium Foundation (\$150,000). This report seeks authority to receive an additional \$1.4 million contribution from United Way. Together with their original contribution, United Way will have invested \$2.4 million in the creation of the Rexdale Multi-Service Community Hub.

The City received title to the property on May 27, 2010, nine months after the purchase was approved by Council. State of good repair work commenced immediately on May 27, 2010. Phase One of the project, completed at a cost of \$2.1 million, (which has been recovered through the ISF funds on a 2/3rds basis) included a new roof, flashing, brick work repair, exterior painting, asbestos abatement and architectural design work for Phase Two construction to complete the base building and lease-hold improvement work on the facility

## **COMMENTS**

At 77,000 sq. ft. over two floors, the Rexdale Multi-Service Community Hub is the largest and most comprehensive community hub under development in the city. When completed, it will become a flagship facility in one of Toronto's most under-serviced suburban neighbourhoods. Developing this multi-service community hub at a school site has been a complex process, involving multiple funding sources and community partnerships. The provincial ministries of Education and Health and Long-Term Care are involved as is Legal Aid Ontario, the Trillium Foundation and the Citizenship and Immigration Canada as well as the federal and provincial Infrastructure Stimulus Funding programs. Multiple, comprehensive approval processes have been undertaken.

### **Project Completion**

The work remaining to be done on the project is Phase Two base building and leasehold improvement work. The work is scheduled to commence on March 1, 2011, with a primary critical milestone of completion of October 31, 2011 and secondary critical milestone of February 28, 2012.

The current deadline for completing projects co-funded under the ISF program is March 31, 2011 but the federal government is now accepting applications for extension of that deadline until October 31, 2011. Executive Committee, at its meeting of January 17, 2011, recommended that City Council approve a request for a deadline extension for City projects which have not yet been completed, including the Rexdale Hub. The City Manager's Office immediately sent the application and all required materials to the Canada Ontario Infrastructure Secretariat and the Ontario Ministry of Agriculture, Food and Rural Affairs (which administers the agreement) in order to line up the approval processes to expedite this project.

The initial building survey and feasibility report, conducted in 2008, did not fully reflect the full cost of retrofitting the building as a year-round community facility. A more detailed assessment was conducted after the City took possession in 2010. Due to the change of use of the facility as part of Ontario Building Code requirement and the comprehensive assessment of the building, the cost of upgrading mechanical and electrical systems is greater than foreseen.

Tender Call No. 346-2010 was issued by the Purchasing and Materials Management Division in December 2010 to four prequalified contractors for Phase Two of the project. There were no acceptable bids as a result of a late submission, two incomplete bid submissions and one firm not bidding. The scope of work was revised and a new Tender Call No. 354-2010 was issued by Purchasing and Materials Management Division to the four prequalified bidders on January 5, 2011 and closed January 17, 2011. This Tender was advertised on the City's website and letters of invitation were sent to the four pre-qualified bidders advising that the tenders were available.

The Purchasing and Materials Management Division at its Public Opening held on January 17, 2011 opened the following bids for Tender Call No. 354-2010, for Interior Alterations At 21 Panorama Court (Former Henry Carr School), Toronto. The three bids received are as follows:

Tenderer	All Charges, Net of HST
1. Elite Construction Inc.	\$8,585,095.00
2. M.J. Dixon Construction Ltd.	\$10,204,000.00
3. The Atlas Corporation	\$10,623,900.00

The fourth pre-qualified bidder, Buttcon Ltd., did not provide a bid submission.

Elite Construction Inc., the lowest bidder, submitted a bid of \$8,585,095.00 excluding HST for completion of the second phase of the project, including the leasehold improvement work (designated in the tender as Phase 3B). This report recommends the acceptance of the bid and that the City enters into agreement with Elite Construction Inc to carry out the work for the Rexdale Hub. Award of contract is dependent upon approval of the ISF extension.

Because of the urgency of meeting ISF deadlines, the contract with the successful bidder will include critical milestones for project completion, including the requirement that all base building work—interior and exterior—be substantially completed no later than October 31, 2011 (a date that coincides with the anticipated new ISF deadline) and that total completion of all work be accomplished no later than February 28, 2012. The contract also provides that the contractor pay \$2,500 per day as liquidated damages to the City for each day of delay in completion of the critical milestone of October 31, 2011 in order to maximize financial recoveries under the ISF program or partially offset same. Once all of the Phase Two work required for completion by October 31<sup>st</sup> is finished, the liquidated damages will no longer be assessed; unless they are subsequently triggered by the final Phase 3B completion target not being met. Conversely, in the event that the Phase Two work is completed ahead of the October 31<sup>st</sup> date, then the contractor is eligible for a \$25,000 bonus.

The Fair Wage Office reports that the recommended firm has indicated it has reviewed and understands the Fair Wage Policy and Labour Trades Requirements and had agreed to comply fully.

## CONTACT

Denise Andrea Campbell  
Director, Community Resources,  
Social Development, Finance & Administration  
416-392-8608  
[dcampbe6@toronto.ca](mailto:dcampbe6@toronto.ca)

Richard Coveduck  
Director, Design, Construction and  
Asset Management, Facilities Management  
416-338-2737  
[rcovedu@toronto.ca](mailto:rcovedu@toronto.ca)

David Ferguson  
Manager, Construction Services  
Purchasing and Materials Management  
Telephone: 416-392-7323  
[dfergus4@toronto.ca](mailto:dfergus4@toronto.ca)

## SIGNATURE

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Chris Brillinger, Executive Director,  
Social Development, Finance & Administration

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Bruce Bowes P.Eng.  
Chief Corporate Officer

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Lou Pagano, Director,  
Purchasing and Materials Management