

Redevelopment of St. Lawrence Market North – Amendment to Project Capital Budget

Date: January 17, 2018

To: Budget Committee

From: Deputy City Manager, Internal Corporate Services

Wards: Ward 28 – Toronto-Centre Rosedale

SUMMARY

The purpose of the report is to advise on the status of the City of Toronto's St. Lawrence Market North Redevelopment Project and recommend an increase to the total project cost and funding necessary to award the construction contract and complete the construction of the new north market.

This report outlines the costs incurred to date on the St. Lawrence Market North project, and identifies the additional funding required to complete the project. Approval of this report will result in an increase in the total project cost of \$9.5 million for the St. Lawrence Market North Redevelopment. When incorporating the additional \$1.4 million that has already been included in Facilities, Real Estate, Environment & Energy (FREEE)'s 2018 - 2027 Preliminary Capital Budget and Plan, the total project cost will be increase to \$102.3 million.

The key drivers for the additional funding are as follows:

1) **CONSTRUCTION TENDER PRICE-** Following the issue of a request for tenders for the construction phase of the project, the construction tender bids that were received have reflected higher costs than estimated. This is mainly due to market conditions which always dictate actual prices and market appreciation over the duration of the delays in schedule. As a result, staff have determined that \$3.3 million in increased project funding is required, excluding the archaeology.

2) **ARCHAEOLOGICAL -** The extensive assessment work related to stage 4 archaeology required by the Ministry of Tourism, Culture and Sport (MTCS) on the project resulted in a schedule delay of 14 months and cost escalation that is not in the current budget. As a result of the archaeological assessment and the archeological interpretation, \$3.9 million in additional funding is required. Of this amount, \$1.4 million has already been included in the preliminary capital budget, therefore an incremental \$2.5 million is being requested.

3) **ADDITIONAL PROJECT CONTINGENCY** - Based on the complexity of this project an additional project contingency of \$3.6 million is being requested to address any unforeseen project requirements.

RECOMMENDATIONS

The Deputy City Manager, Internal Corporate Services recommends that:

1. City Council approve an increase in the total project cost of \$9.5 million, increasing the total project budget to \$102.3 million, requiring additional debt funding and an increase to Facilities, Real Estate, and Environment & Energy (FREEE)'s 2018 - 2027 Preliminary Capital Budget and Plan for the St. Lawrence Market North Redevelopment project in the amount of \$9.5 million in 2020.

FINANCIAL IMPACT

Total Project Cost and Current Estimate:

Approval of this report will result in an increase to the Preliminary 2018-2027 Capital Budget & Plan of \$9.5 million for the St. Lawrence Market North Redevelopment project. Table 1 below details the updated cost estimates compared to the current budget, and identifies the incremental funding required to complete the project:

Table 1: St. Lawrence Market Redevelopment - Updated Project Cost Forecast (\$000s)		
Initial Estimated Project Cost		\$91,458
Archeological Cost Impacts	\$3,914	
Increase in Construction Price	\$3,346	
Total Revised Project Cost		\$98,718
Additional Project Contingency		\$3,625
Total Revised Project Cost and Additional Contingency		\$102,343
Current approved budget		\$91,458
2018 budget request for archeological interpretation (Funded from Section 37)		\$1,380
Total Budget, with additional funding for archeological interpretation		\$92,838
Additional Budget Required		\$9,505

The above table shows the total revised project cost and additional contingency from this amendment, as well as the \$1.4 million included in the FREEE's 2018 - 2027 Preliminary Capital Budget and Plan. This increases the total project cost from \$91.5 million to \$102.3 million. While the \$1.4 million included in the 2018 Preliminary Capital Budget is for incremental design and construction of the heritage archeological interpretation display, the additional \$10.9 million outlined in this report represents the full impact of archeological work (including the \$1.4 million), Stage 4 archaeological mitigation process, as well as the changes in cost discovered through new information included in the construction bids and additional project contingency.

Future cash flows based on these estimates, and a comparison to the current approved plan, is outlined in table 2 below:

Table 2: St. Lawrence Market North Redevelopment Cash Flow Estimate and Plan (\$000s)						
	Spent to Dec 31, 2016	2017	2018	2019	2020	Total
2018-2027 Preliminary Budget	\$10,543	\$3,284	\$22,760	\$36,983	\$17,888	\$91,458
Additional Request in Preliminary Budget			\$1,380			\$1,380
Total Project Cost Included in Preliminary Budget	\$10,543	\$3,284	\$24,140	\$36,983	\$17,888	\$92,838
Additional Funding Required					\$9,505	\$9,505
Total Revised Project Cash Flow	\$10,543	\$3,284	\$24,140	\$36,983	\$27,393	\$102,343
Variance	\$0	\$0	\$1,380	\$0	\$9,505	\$10,885

Projections to year-end 2017 indicate that the project's capital expenditures are forecasted to be \$3.0 million or 91% of the 2017 approved cash flow of \$3.3 million. At the end of the year, any unspent cash flow with their respective funding sources will be carried forward into 2018 for FREEE to continue the delivery of the project.

Financing Sources:

The Council approved budget and financing plan for the St. Lawrence Market North Redevelopment project is outlined in table 3 below:

Table 3 - St. Lawrence Market North Redevelopment Funding Sources (\$ millions)	
Recoverable Debt	\$39.7
Contribution from Toronto Parking Authority for Underground Garage	\$14.0
Toronto Parking Authority - Yorkville Garage Joint Venture	\$15.0
Court Services Stabilization Reserve	\$4.4
Development Charges	\$5.0
Section 37/42/45	\$3.0
Debt Funding	\$10.4
Total:	\$91.5

This increase in total project costs will require new debt funding which will result in debt servicing costs of \$0.3 million in 2020 and \$0.6 million in 2021.

The Acting Chief Financial Officer has reviewed this report and agrees with the financial impact information

DECISION HISTORY

The current St. Lawrence Market North initiative has been ongoing since 2002 to maximize the site's full potential and improve the St. Lawrence Market complex. At its meeting on July 30, 31 and August 1, 2002, City Council approved, in principal, the concept of redeveloping the St. Lawrence Market North Building and directed City staff to study redevelopment options. The 2002 Council report, which includes a detailed history of the St. Lawrence Market complex, can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020730/adm10rpt/cl014.pdf>

At its meeting on June 24, 25 and 26, 2003 City Council established the St. Lawrence Market North Working Committee to determine planning and design guidelines for the redevelopment, as well as consultations with various stakeholders. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030624/adm5rpt/cl024.pdf>

At its meeting on October 26, 27 and 28, 2004, City Council adopted development parameters for St. Lawrence Market North and endorsed a strategic vision statement for the St. Lawrence Market complex. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/2004/agendas/council/cc041026/adm8rpt/cl007.pdf>

At its meeting on June 27, 28, 29 2006, City Council directed City staff to investigate a number of technical matters with the redevelopment, including parking

access/accommodations and Court Services as a primary tenant. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/2006/agendas/committees/adm/adm060606/it020.pdf>

At its meeting on September 25, 26, 27 2006, City Council directed City staff to provide a business plan for the redevelopment of the North Market building. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/adm6rpt/cl022.pdf>

At its meeting on December 10, 2008, City Council endorsed the strategy to redevelop the St. Lawrence Market North property with a multi-story building, including a ground floor Market Hall, Court Services' court rooms and administrative offices, and a 250-space below grade parking garage. The decision also authorized a design competition to select an architect for the redevelopment. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-17440.pdf>

At its meeting on July 6, 7, 8, 2010, City Council endorsed the winning design from the St. Lawrence Market North Design Competition and authorized City staff to enter into an agreement with the successful proponent for the provision of architectural services for the new St. Lawrence Market North Building. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/mmis/2010/ex/bgrd/backgroundfile-31365.pdf>

At its meeting on July 16, 17, 18 and 19, 2013, City Council adopted a revised financing plan, including additional funding of \$15.293 million, and directed staff to proceed with the Design Development and Bid Document stages for the new St. Lawrence Market North Building. The report can be found through the following hyperlink:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM23.6>

At its meeting on February 3 and 4, 2016, City Council directed staff to proceed with Phase 2, Demolition of the existing North Market Building at 92 Front Street, of the Redevelopment of St. Lawrence Market North project, including demolition of the existing building and archaeological assessment of the site in advance of new construction. The report can be found through the following hyperlink:

<http://www.toronto.ca/legdocs/mmis/2016/gm/bgrd/backgroundfile-86763.pdf>

At its meeting on August 29, 2017 Government Management Committee received a report for information to provide information on the additional project funding required for the North St. Lawrence Market project for design and construction services to accommodate the inclusion of a section of the 1831 central drain archaeological resource found on the site for public viewing and interpretation. The report can be found through the following hyperlink:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM22.13>

BACKGROUND

The St. Lawrence Market North Redevelopment Project is being implemented in 3 major phases:

Phase 1: Design and construction of a Temporary Market Building, at 125 The Esplanade, and client relocation. **Completed June, 2015.**

Phase 2: Demolition of the existing North Market Building at 92 Front St. including archaeological assessment and environmental remediation of the site in advance of new construction. **Completed April, 2017.**

Phase 3: Design, tender and construction of New North Market Building. **Design Complete, Tender Call Closed December 05, 2017.**

All phases of the project have been implemented concurrently and funded within the current project budget of \$91.5 million. The consulting team is led by Adamson Associates Architects of Toronto, in association with Rogers Stirk Harbor + Partners of London, England.

The new building design includes:

New St. Lawrence Market Facility	
Below Grade	250 parking spaces (operated by TPA)
Floor 1 - Market Hall	Farmers Market, Commercial Events, Retail Café
Floor 2 - Mezzanine	Hospitality Use, Kitchen Incubators, Court Services Administrative Offices, Seniors Centre
Floor 3	Court Services Head Office, Operations and Administrative Offices and Police Services
Floor 4	JP offices, City and Provincial Prosecutions Offices, and 5 courtrooms
Floor 5	9 Courtrooms
All	5 Storey Atrium

The total project budget is currently \$91.5 million, as approved by Council at its meeting in July of 2013. At this meeting Council directed staff to proceed with the Design Development and Bid Document stages for the new St. Lawrence Market North Building.

The site plan application for the St. Lawrence North Market Redevelopment initiated a planning requirement for an archaeological assessment which resulted in the discovery of significant archaeological remains. The site archaeological assessment process involved 4 stages, namely Stage 1: Background Study, Stage 2: Property Assessment, Stage 3: Site Specific Assessment, and Stage 4: Mitigation. Evidence of early market buildings on site dating from 1820, 1831, 1851 and 1904 periods were encountered during the process. The Stage 2/3 archaeological assessment of the site was

completed in September 2015. Archaeological evidence for all phases of occupation of the market site, buildings dating from 1831, 1851, 1904 and 1968, were recovered.

In November 2015, during the design development stage of the new building, the authorities having jurisdiction, the Ministry of Tourism, Culture and Sport (MTCS) in consultation with City Heritage Preservation Services (HPS), confirmed the requirement for Stage 4 Archaeological Mitigation of the site including the requirement that the existing building be demolished to allow full site access before archaeological fieldwork can safely occur. It was staff's original intention to not demolish the existing building until the construction tender process for the new building was completed and the bid price of the new building was known. This was no longer possible given that the Stage 4 archaeological assessment of the site requires the demolition of the existing building to allow for archaeological field work to be completed. This work was completed in April, 2017.

In October 2016, the existing North Market building was demolished to conduct further archaeological assessments and to conserve any artifacts or structures that are of historical value or interest. During this time the archaeological team discovered evidence of the early market buildings on site, dating from the 1820, 1831, 1851 and 1904 periods, including central drains, lateral brick and stone drains, market walls, storage cellars and support columns. This archaeology is representative of a rare and important early market period within the original Town of York and is also one of Canada's earliest commercial markets. Due to the City's commitment to the historical preservation and public education of artifacts discovered on this important historical site, the construction tender call was consequently extended for the new building to allow for the salvage of the remaining archeological findings at the site; and to examine opportunities for incorporating these elements into the new building design. This archeological discovery has thus impacted existing funding and schedule through adding additional complexity to an already complex project.

In April, 2017, during the construction tender call for the new building, Council approved funds in the amount of \$0.2 million within the City Planning 2017 Capital Budget for the salvage of archaeological remains for future public interpretation within the new North Market redevelopment, in accordance with the approved Heritage Interpretation Plan. In May of 2017 City Planning confirmed the requirement to incorporate key archaeological structural elements into the design of the new building in order to obtain an above-grade building permit.

In August, 2017 Government Management Committee received a report for information on the additional project funding required for design and construction services to accommodate the inclusion of a section of the 1831 central drain archaeological resource found on the site for public viewing and interpretation. This additional funding request was included in the preliminary Facilities, Real Estate and Environment & Energy Division 2018 to 2027 Capital Budget and Plan. Subsequent to this, in early December 2017, the construction tender call closed and the bids for the construction of the new St. Lawrence Market North building were received, inclusive of the redesign to incorporate the archaeological display of the 1831 central drain.

COMMENTS

Benefits of Redeveloping St. Lawrence Market North

The principal benefits that will result from the project's completion include:

- Significant improvement to a City landmark and tourist destination and enhancement of the top-ranked farmers market in the world.
- Improvement of current use from a weekend market to a 7-day operation of mixed uses.
- The ground floor and mezzanine levels provide the opportunity for a variety of non-market uses such as exhibitions, trade shows, displays, receptions, etc..
- Increased parking capacity (through the construction of 250 new underground spaces) which will replace some of the local parking currently being lost as a result of new building developments in the area.
- The physical link to second level of St. Lawrence Hall (SLH) provides access to TPA parking garage thereby enhancing the leasing potential of SLH for events and public gatherings.
- Service improvements and efficiencies resulting from the consolidation of Court Services operations into one location (this service would otherwise be accommodated in three locations), and freeing up space in Old City Hall
- Improved compatibility with the heritage character of the other buildings in the St. Lawrence Market complex and neighborhood.

In order to proceed with completion of the project, additional funding is required. The current project budget is \$91.5 million. The updated forecasted cost to complete the project is now \$102.3 million, resulting in a need for an additional \$10.9 million. Through the 2018 budget process, a request for an increase of \$1.4 million to the total project cost has been included in FREEE's 2018 - 2027 Preliminary Capital Budget and Plan; therefore, an incremental amount of \$9.5 million is required. The information below outlines the detailed drivers and causes of the need for additional funding.

Construction Tender

A tender call for the construction of the new building was extended from May 25, 2017 to December 5, 2017 to allow for archaeological salvage work and to issue an addendum for incorporating some of the key archaeological structural elements into the design of the new building. The City had pre-qualified 5 General Contractors to submit bids on Phase 3 work, however 3 withdrew during the tender call due to having secured other projects. As a result, the City received bids from 2 contractors and both bids exceeded the current construction budget. At the time of issuing the tender call the Architect's best estimate of construction costs based on a 100% complete design was within budget. The report to award tender, pending this budget approval request, will be brought to February Government Management Committee for consideration.

After an analysis of the bids received staff have determined that an additional \$10.9 million is required in order to award the construction contract and to provide sufficient contingencies to ensure the project can move forward and be completed.

Firstly, subsequent to the issuance of this tender call additional unknown costs had to be incurred to complete the stage 4 archaeological assessment and to meet requirements to preserve and display these archaeological findings. Secondly, this estimate was based on estimated pricing at the time, and market conditions and appreciation over the duration of the delay would dictate actual prices received on bids. Lastly, contingencies and allowances are included in the construction bid prices, however it is common for additional project contingency to be available to the project team to utilize for unforeseen items that could arise over the course of construction.

These elements will be addressed further below, and are the main factors for the need for additional funding to complete the project.

Budget Challenges

Impacts of Archaeological Assessment:

The 4 stage archaeological assessment has been noted as a risk to the budget and schedule of the project throughout phases 1 and 2. The discovery of significant archaeological remains, and the need to incorporate these elements into the design of the new building, has resulted in both cost and schedule impacts, and has added a further layer of complexity to the project. Existing project funding had to be utilised to cover costs for the archeological assessment, including the stage 4 mitigation and remediation. Also, additional design and consulting support to incorporate an archaeological display into the design of the new building in a manner that satisfied Heritage Preservation Services requirements and guidelines, while not impacting operational use of the facility, resulted in additional design costs. Once designed, an addendum to the tender call had to be issued which asked bidders to incorporate this into construction bid prices, thereby having a direct impact on the construction cost of the project. The assessment and time spent in incorporating the archaeological elements into the building design resulted in schedule impacts of 14 months. This resulted in escalation costs due to the time delay.

The total budget impact of the archaeological assessment, and subsequent results, is \$3.9 million. Staff have previously identified \$1.4 million in funding from section 37 agreements that could be utilized to offset the costs associated with the archaeological display and interpretation, prior to the bid prices being received. This has been incorporated and already requested through the preliminary 2018 to 2027 capital budget and plan within the FREEE capital program.

It's important to note that staff and the project team, working with design consultants and City Planning and Heritage Preservation Services staff, have undertaken significant value engineering and considered various options in order to mitigate the impacts of the archaeological findings on the project budget. Initial options were estimated at close to \$5.3 million, considered to be a high level of interpretation. Staff worked to bring this down to the minimum requirements for interpretation, as agreed to by Heritage Preservation Services, at an estimated cost of closer to \$1.7 million. This is the minimum level of interpretation that would allow for building permits to be issued. Further information on the options considered and costs are also included in the FREEE 2018 to 2027 Capital Budget Notes

<https://www.toronto.ca/wp-content/uploads/2017/12/8b33-FREEE-2018-Cap-Budget-Notes-V1.pdf>.

Impacts of Tender Price:

Of the two bids received, both bids exceed the budgeted construction costs. Analysis of the low bid indicates that the bid exceeded the estimated construction costs by \$3.3 million, excluding the impacts from archaeology noted above. In isolation, on a tender call of this size, this is not a significant variance. However due to the other cost pressures there is a need for additional funding in the project budget in order to award the contract.

Additional Project Contingency:

Cost contingencies are included in the revised forecast to allow for any unforeseen site conditions and/or events which may arise during construction. An additional project contingency of \$3.6 million is being requested. The additional contingency would bring the total in line with other projects of this size and complexity, and would only be expended if required.

Conclusion

The archaeological discovery on the North Market site has added a layer of complexity to an already tremendously complex project, arguably a complexity that could not have been anticipated at the onset of the redevelopment of St. Lawrence Market North. As a result, the project has faced financial pressures, and will require additional funds in order to proceed with project milestones and to be completed. The overall project remains an important redevelopment initiative for the City and when completed, will transform the historical site into a modern public space that will service both residents and visitors alike.

CONTACT

Richard Coveduck, Director, Strategic Construction Projects, Tel: 416-338-2737
richard.coveduck@toronto.ca

Marco Cuoco, Director, Business Performance Management, Tel: 416-397-7338
marco.cuoco@toronto.ca

SIGNATURE

Josie Scioli
Deputy City Manager, Internal Corporate Services