

Emergency non-competitive contract with Steelcore Construction Ltd. to complete time-sensitive shelter construction work at 3306 Kingston Road

Date: December 27, 2018

To: General Government & Licensing Committee

From: Interim General Manager, Facilities Management and
Chief Purchasing Officer, Purchasing & Materials Management Division

Wards: Ward 20 - Scarborough Southwest

SUMMARY

This report advises City Council, pursuant to Chapter 195 of the Toronto Municipal Code (Purchasing By-law, Section 195-7.4), of the non-competitive contract with Steelcore Construction Ltd. to procure emergency construction services for the completion of shelter infrastructure.

Facilities Management (FM) is managing a project to convert a former motel at 3306 Kingston Road into a fully functional shelter for Shelter Support & Housing Administration (SSHA) program requirements. For this purpose, award of Tender Call No. 276-2017 was made to Steelcore Construction Ltd. on January 17, 2018. During renovations, it was determined that the site required extensive remedial work due to site conditions that could not have been foreseen prior to purchase. The unforeseen remedial work significantly increased the scope of the project, requiring the addition of contract value.

To accommodate this unforeseen increase in scope, an emergency non-competitive contract was issued to the general contractor (Steelcore Construction Ltd., PO 6048109) on November 28, 2018 in the amount of \$3,250,000 (\$3,307,200 net of HST recoveries).

The issuance of a contract to complete planned renovation work and unforeseen remedial work was deemed a matter of extreme urgency necessary to address an immediate risk to the health, safety and security of the City's residents. Once work is complete, the building will accommodate 95 residents, including 60 elderly individuals currently residing at Birchmount Residence, 1673 Kingston Road.

The Kingston Road property is planned for redevelopment. The City cannot extend the lease for Birchmount Residence and is required to vacate the site by the end of February 2019.

RECOMMENDATIONS

The Interim General Manager, Facilities Management and the Chief Purchasing Officer recommend that:

1. City Council receive this report for information.

FINANCIAL IMPACT

A non-competitive contract (PO 6048109) was issued on November 28, 2018 for \$3,250,000 (\$3,307,200 net of HST recoveries) under the emergency provision of the Purchasing By-law and, therefore, adoption of this report will result in no further financial implications.

Funding for the additional work is available within the 2018 - 2027 Council Approved Capital Budget and Plan for Shelter, Support and Housing Administration under capital project CHS040-03.

The Chief Financial Officer has reviewed this report and agrees with the Financial Impact Information.

DECISION HISTORY

At its December 9, 2015 meeting, City Council adopted EX10.12 "Acquisition of 3306 Kingston Road," authorizing staff to negotiate the acquisition of the property.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.12>

On January 17, 2018, Bid Award Panel adopted BA59.5 "Award of Tender Call No. 276-2017 to Steelcore Construction Ltd for Building Renovations at 3306 Kingston Road, Toronto."
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.BA59.5>

At its June 26, 2018 meeting, City Council adopted CD29.8 "2019 Shelter Infrastructure Plan and System Update Report," which identified 3306 Kingston Road as the site of a future shelter to replace shelter capacity at Birchmount Residence and support the George Street Revitalization transition plan.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.CD29.8>

COMMENTS

Project Overview

In 2016 the City of Toronto acquired a former motel at 3306 Kingston Road as part of SSHA's program delivery model, as detailed in EX10.12 "Acquisition of 3306 Kingston Road" and CD29.08 "2019 Shelter Infrastructure Plan and System Update Report". The property was purchased with funding from the Land Acquisition Reserve Fund.

Planned renovations of the two-story building will convert it into a new 95-bed shelter for senior male, female, and transgender clients and their pets. To meet program requirements, enhanced systems and features need to be incorporated into the existing structure, including an elevator and two (2) out-buildings. Once complete, the facility will accommodate clients of Birchmount Residence who are on lease over-hold, as well as transitional shelter clients from Seaton House as part of the Council-approved transition program for the George Street Revitalization (GSR) Project (as detailed in CD29.08 "2019 Shelter Infrastructure Plan and System Update Report").

Unforeseen remedial work

On January 17, 2018, Bid Award Panel adopted BA59.5 "Award of Tender Call No. 276-2017 to Steelcore Construction Ltd for Building Renovations at 3306 Kingston Road, Toronto." Subsequently, PO 6046453 was issued in the amount of \$8,712,036 net of all taxes. Construction activities commenced immediately thereafter.

While renovating the existing structure, City and contracted staff uncovered the following issues that could not have been foreseen prior to purchase:

- Extensive mold infiltration,
- Rodent infestation and associated damage to electrical wiring, which must be replaced and integrated into the new electrical wiring system;
- Low quality or insufficient masonry, which must be repaired or replaced;
- Missing thru-wall flashing, which prevents moisture infiltration and must be installed,
- Fire alarm deficiencies that require replacement of the entire fire alarm system;
- Insufficient domestic and fire water supply to meet code requirements and program needs, which necessitates the installation of a larger water main;
- Additional building components that 1) were not indicated on the as-built drawings provided at the time of purchase and 2) must be moved, and
- Original construction that was not completed to code requirements.

Given the scope of the required remedial work, the City considered demolishing the existing structure and building a new facility. Staff estimated that the construction cost for a new facility would range between \$14.2-million and \$20.5-million, which is substantially higher than the cost to renovate the existing structure (approximately \$12-million, inclusive of the remedial work). Furthermore, rebuilding was determined to be unfeasible due to tight shelter infrastructure timelines. Rebuilding would add one to two years to the project schedule, as the project team would be required to go through the Site Plan Approval process.

To complete the remedial work, the Interim General Manager, Facilities Management and the Chief Purchasing Officer issued an emergency non-competitive contract totalling \$3,250,000 (\$3,307,200 net of HST recoveries), including contingency. Together, the original Purchase Order and the emergency non-competitive contract total \$11,962,036 (\$12,172,568 net of HST recoveries). The additional costs were reviewed and deemed reasonable by the FM Project Management Office project team and the project consultants.

The issuance of the contract and the completion of the remedial work was deemed a matter of extreme urgency. The lease for Birchmount Residence is on over-hold and cannot be extended as that property is slated for redevelopment.

The Fair Wage Office has reported that Steelcore Construction Ltd. has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

CONTACT

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SIGNATURE

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Mike Pacholok
Chief Purchasing Officer