



REPORT FOR ACTION

Amendment to Purchase Order Number 6049734 with for Municipal Shelter Renovations at 4117 Lawrence Avenue East, Toronto

Date: June 22, 2020

To: General Government and Licensing Committee

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

Wards: Ward 24 - Scarborough-Guildwood

SUMMARY

This purpose of this report is to seek authority to amend Purchase Order Number 6049734 issued to Struct-Con Construction Ltd. ("Struct-Con"), as a result of Ariba Document Number 1896567634 (208-2009) for the municipal shelter renovations at 4117 Lawrence Avenue East, Toronto to complete previously undiscoverable remedial work. The total Purchase Order Amendment being requested is for an additional \$4,050,000 net of all applicable taxes and charges, (\$4,121,280 net of Harmonized Sales Tax recoveries).

The property at 4117 Lawrence Avenue East was acquired by the City in 2019 as one of the sites required for the addition of 1,000 new shelter beds to the City's emergency shelter system. Ongoing work at the site have revealed site condition issues which have resulted in a significant escalation in the renovation costs of the property.

The requested amount is required to address structural issues discovered through demolition as well as a hydro duct bank that was originally placed under the building. These issues, which were not known at the time of design and could not have been identified through due diligence, need to be rectified in order to continue to work safely on site as well as comply with Ontario Building Code.

RECOMMENDATIONS

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

1. The General Government and Licensing Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law) grant authority to amend Purchase Order Number 6049734, issued to Struct-Con

Construction Ltd. to complete the previously undiscovered remedial work at 4117 Lawrence Avenue East, by an additional amount of \$4,050,000 net of all applicable taxes and charges (\$4,121,280 net of Harmonized Sales Tax recoveries), revising the current Purchase Order value from \$8,048,599 net of all applicable taxes and charges (\$8,190,254 net of Harmonized Sales Tax recoveries), to \$12,098,599 net of all applicable taxes and charges (\$12,311,534 net of Harmonized Sales Tax recoveries).

FINANCIAL IMPACT

Cash flow funding of \$41.569 million is included in SSHA's 2020 Capital budget to support the delivery of 1,000 New Emergency Shelter Beds project (CHS044) by the end of 2022.

The additional funding required to complete the renovation of 4117 Lawrence Avenue East can be accommodated within the overall budget of the 1,000 New Shelter Beds Project as a result of savings so far realised in the design and construction costs of acquired sites. These savings can therefore be repurposed to cover the cost escalation of the renovation of 4117 Lawrence Avenue East to bring the site into operation in a timely manner. No incremental funding is required for this amendment.

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

DECISION HISTORY

At its meeting of October 2, 2019, Bid Award Panel approved the award of tender number Doc1896567634 to Struct-Con Construction Ltd. for municipal shelter renovations located at 4117 Lawrence Avenue East, Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.BA47.1>

At its meeting on February 12, 2018, City Council adopted item EX31.2, which directed the General Manager of Shelter Support Housing and Administration to make all reasonable efforts to expedite the expansion of permanent shelter beds by 1,000.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX31.2>

COMMENTS

In 2019, the City of Toronto acquired an existing commercial office building at 4117 Lawrence Avenue East, Toronto in accordance with recommendation 163 of item EX31.2, wherein City Council directed staff to make all reasonable efforts to create 1,000 new permanent shelter beds. This location was selected as it supported the Shelter, Support and Housing Administration's service delivery strategy and met the Division's operational, legislative, and budgetary requirements. The property was purchased from Homes First, a City partner agency operating shelters in Toronto, for a value of \$2,900,000 net of all taxes.

At its meeting of October 2, 2019, Bid Award Panel approved the award of tender number Doc1896567634 to Struct-Con Construction Ltd. to act as General Contractor for municipal shelter renovations located at 4117 Lawrence Avenue East, Toronto.

As planned, all due diligence activities were performed prior to purchase of the property. The North York Civic Centre's department of Building Records provided the original approved permit drawings, which facilitated in conducting a Building Condition Assessment that was completed in March 2019.

In late 2019 and early 2020, the demolition and excavation stages of the project exposed significant unforeseen structural deficiencies that were not identified on the permit drawings, and could not have been discovered unless extensive demolition was undertaken. Permit drawings are submitted to Authorities Having Jurisdiction to obtain building permits, and the approved permit drawings should reflect the design and construction of the building correctly. Further excavation activities to install an elevator also exposed a bank of hydro ducts that were situated directly under the building, which is against standard best practice, and was also not shown on the approved permit drawings. The hydro duct banks do not require regular maintenance, and would not have been discovered unless excavations were undertaken.

Upon discovery of the latent defects, the project structural engineer conducted a second analysis of the building and determined that it required immediate and substantial structural stabilization to comply with the Ontario Building Code. As the building currently stands, the structural deficiencies pose potential health and safety risks to anyone entering the site to conduct work.

The project team must first remediate the structural issues of the building to ensure its safety, prior to carrying out the remainder of the original project scope. This includes structural upgrades and supports to the foundation, second floor slab, the exterior walls, and fireproofing to the new structural beams as a result of this work. The total estimated cost to remediate structural inadequacies is \$3,350,000, net of all taxes.

To avoid interference with the underground hydro duct bank, a new location for the elevator shaft and stairwell was chosen. The excavation of this new location uncovered poor soil conditions, which requires extensive structural reinforcement in order to not only support the elevator shaft, but also act as the structural spine of the building. This portion of the work is expected to cost is \$700,000, net of all taxes.

The 4117 Lawrence Avenue East shelter was scheduled to open for the winter 2020/2021 season to provide much needed space for a system that has remained at capacity, as demand for shelter spaces continue to rise. The increase in demand is due to various factors that include low housing/rental vacancy rates, scarce stock of affordable housing and an increasing number of refugee claimants in need of affordable housing.

The COVID-19 pandemic has created further pressures for the emergency shelter system, largely due to requirements around physical distancing and isolation. The

financial and economic hardships of the pandemic are also expected to further drive demand for shelter and affordable housing, warranting actions in response. To urgently meet the anticipated increase in demand for shelter spaces, the 4117 Lawrence Avenue East project must be completed promptly, despite its unforeseen challenges.

A secondary evaluation was also conducted to examine the cost to demolish the existing building, re-design the site, and build a new structure. Based on a completion date of March 2023, well behind the timeline by which this shelter site is needed, and including a standard market escalation rate at 2.5 percent, the estimated total cost to build a new structure is \$21,000,000, while the completed building and site is appraised at \$23,600,000. Therefore, the total estimated cost of renovations (approximately \$13 million) is well below the cost to construct a new building. Despite its challenges, renovations will also allow the shelter site to avoid an estimated two-year delay to the start of operations.

To ensure the project will be completed in time for the winter 2020/2021 season, a Purchase Order amendment in the amount of \$4,050,000, net of all applicable taxes, is required urgently.

CONTACT

Lisa Barroso, Director, Project Management Office, Corporate Real Estate Management, 416-338-0237, Lisa.Barroso@toronto.ca

Sabrina Dipietro, Acting Manager, Purchasing, Purchasing and Materials Management, 416-397-4809, Sabrina.Dipietro@toronto.ca

SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Mike Pacholok
Chief Purchasing Officer