

Amendment to Purchase Order 6052242 with Century Group Inc. for the Construction of Fleet Services Maintenance Garage at 1050 Ellesmere Road

Date: May 15, 2024

To: General Government Committee

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

Wards: 21 - Scarborough Centre

SUMMARY

This report is seeking authority for the Executive Director, Corporate Real Estate Management and Chief Procurement Officer to amend Purchase Order Number 6052242 issued to Century Group Inc. for the construction of the new Fleet Services Maintenance Garage located at 1050 Ellesmere Road (the "Project"), scheduled for completion at the end of October 2024.

The total value of the requested amendment is \$7,424,523 net of all taxes (\$7,555,195 net of Harmonized Sales Tax recoveries), revising the current purchase order value from \$49,207,044 net of all taxes (\$50,073,088 net of Harmonized Sales Tax recoveries) to \$56,631,567 net of all taxes (\$57,628,283 net of Harmonized Sales Tax recoveries).

The amendment is required to address increased project costs resulting from changes needed for evolving client needs, updated regulations concerning contaminated soil disposal requirements, and contractor delay impact claims related to construction material and general requirements cost increases.

The new facility is approximately 74,000 square-feet and is compliant with the Accessibility for Ontarians with Disabilities Act. The design offers a multi-faceted modern facility that accommodates current service requirements. The garage aligns with the broader centralization strategy to consolidate the fleet, maintenance and repair needs of the City's Divisions, Agencies, and Corporations.

RECOMMENDATIONS

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

1. The General Government Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law), grants authority to amend the Purchase Order Number 6052242 with Century Group Inc. for the construction of the new Fleet Services Maintenance Garage located at 1050 Ellesmere Road, in the amount of \$7,424,523 net of all taxes (\$7,555,195 net of Harmonized Sales Tax recoveries), revising the current purchase order value from \$49,207,044 net of all taxes (\$50,073,088 net of Harmonized Sales Tax recoveries) to \$56,631,567 net of all taxes (\$57,628,283 net of Harmonized Sale Tax recoveries).

FINANCIAL IMPACT

The total value of the purchase order amendment is \$7,424,523 net of all applicable taxes (\$7,555,195 net of Harmonized Sales Tax recoveries). This will increase the purchase order value from 49,207,044 net of all applicable taxes (\$50,073,088 net of HST recoveries) to \$56,631,567 net of all applicable taxes (\$57,628,283 net of Harmonized Sales Tax recoveries).

Funding for this purchase order amendment is included in the 2024 Capital Budget for Corporate Real Estate Management, detailed in Table 1 below.

Table 1: Financial Impact Summary (net of Harmonized Sales Tax recoveries)

WBS Element	Description	Total
CFL070-01	Updated Programmatic Requirements	\$533,569
CFL070-02	Updated Programmatic Requirements	\$467,336
CCA251-15-F05	Increased Contaminated Soil Disposal Costs	\$725,549
CCA251-06-F01	Delay Impact Claims (Increased Construction Material and General Requirements Costs)	\$3,097,360
CCA251-15-F05	Delay Impact Claims (Increased Construction Material and General Requirements Costs)	\$841,074
CCA253-11-F03	Delay Impact Claims (Increased Construction Material and General Requirements Costs)	\$1,017,600
CCA254-03-F05	Delay Impact Claims (Increased Construction Material and General Requirements Costs)	\$872,707
Total		\$7,555,195

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

DECISION HISTORY

At its meeting on January 14, 2022, the General Government and Licensing Committee adopted item GL28.3 - Amendment to Purchase Order 6052242 with Century Group Inc. for the Construction of the new Fleet Maintenance Garage at 1050 Ellesmere Road, authorizing an amendment to Purchase Order Number 6052242 in the amount of \$14,563,929 net of all taxes (\$14,820,254 net of Harmonized Sales Tax recoveries), revising the purchase order value from \$34,643,115 net of all taxes (\$35,252,834 net of Harmonized Sales Tax recoveries) to \$49,207,044 net of all taxes (\$50,073,088 net of Harmonized Sales Tax recoveries), to account for additional project scope requirements to install a crash barrier, and for COVID-19 related supply chain issues and volatile material cost increases.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.GL28.3>

At its meeting on March 29, 2021, the General Government and Licensing Committee adopted item GL21.19 - Award of Tender Ariba Document Number 2616795118 for the Construction of the New Fleet Maintenance Garage at 1050 Ellesmere Road for Corporate Real Estate Management, authorizing the award of Tender Ariba Document Number 2616795118, for the construction of a Fleet Maintenance Garage, in the amount of \$34,643,115 net of all taxes (\$35,252,834 net of Harmonized Sales Tax recoveries) to Century Group Inc., having submitted the lowest compliant bid and meeting the specifications in conformance with the Tender requirements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.GL21.19>

COMMENTS

Background

A portion of the Ellesmere Yard Building C, originally built in 1959, was destroyed by an accidental fire in 2016. A new, larger maintenance garage was proposed that would allow Fleet Services to safely and efficiently service today's larger fleet and larger vehicles, while remaining flexible to changing business needs.

The new facility is approximately 74,000 square-feet and is compliant with the Accessibility for Ontarians with Disabilities Act. The design offers a multi-faceted modern facility that accommodates current service requirements. The garage aligns with the broader centralization strategy to consolidate the fleet, maintenance and repair needs of the City's Divisions, Agencies, and Corporations.

The new garage meets the demands of new types of vehicles, such as a larger fleet of gasoline, diesel, natural gas and electric vehicles, maintenance garage equipment, and large garbage trucks, and provides the necessary flexibility to meet future fleet maintenance demands. The new design will improve operational management of the

facility, improve working conditions and safety, while including flexibility for potential use by other user groups in future years, if unexpected changes arise.

Construction for the new Fleet Services Maintenance Garage commenced in June 2021, with Century Group Inc. serving as the general contractor. To meet the timeline for completion of October 2024, an amendment to the existing Purchase Order Number 6052242 issued to Century Group Inc. is required to address increased project costs resulting from changes needed for evolving programmatic needs, updated regulations concerning contaminated soil disposal requirements, and contractor delay impact claims related to construction material and general requirements cost increases.

Updated Programmatic Requirements

Changes required during construction to meet evolving Fleet Services programmatic needs, that were not contemplated in the original design, resulted in building layout modifications and additional scope requirements, plus additional contract time. The requested changes were driven by the need to enhance operational efficiencies, align with new strategic objectives, and comply with updated industry mandates. The total cost of these scope changes is \$983,594 net of all taxes and are crucial in ensuring the new maintenance garage meets current and future Fleet Services requirements.

Updated Contaminated Soil Excavation and Disposal Regulations

Changes to environmental regulations since the planning and start of the Project has resulted in more stringent and costly disposal costs for excavated contaminated soils. As such, the cost for required ongoing contaminated soil disposal under current regulations has resulted in the requirement to increase available funding for soil disposal costs for the Project in the additional estimated maximum amount of \$713,000 net of all taxes.

Supply Chain Disruptions and Building Material Cost Increases

The Project first encountered significant changes in construction market conditions due to the COVID-19 pandemic, especially construction material price increases, as well as disruptions to the supply of said materials. As a result, the project team deferred ordering structural steel, metal decking, and miscellaneous metals, anticipating pricing to eventually return to near pre-pandemic levels. However, this did not occur and once required structural steel and metal materials were ordered to allow construction to proceed, the market continued to experience additional construction material supply chain issues. Prices increased for other required construction materials, and many required long delivery times, resulting in further construction cost increases and schedule delays.

Conditional Building Permit Delays

Due to ongoing site planning requirements for a Metrolinx railway crash barrier, and in order to expedite the start of construction, as the new facility was critical to Fleet Services' operations, Toronto Building first issued a conditional building permit for work on the foundation of the building. Subsequent building permits were then issued for

other stages of work, such as erecting site access controls, power and sanitation services, and above ground structures, as each phase of construction was reached. Each conditional building permit necessitated an inspection and approval by Toronto Building before the subsequent conditional building permit could be issued, causing Project schedule impacts until the next building permit could be issued. This tiered approach was taken to avoid a prolonged delay at the onset of the construction phase to obtain building permitting for the entirety of the Project.

Delay Impact Claims

As a result of the various schedule delays impacting the Project, Century Group Inc. has presented separate claims for delay impact costs related to additional construction material and general requirements cost increases for themselves and in respect of various subcontractors. The City and Century Group Inc. have reached agreement on some of the claims, while others remain at various stages of the approval review process. In the claims for which agreement has been reached, the City was able to negotiate the values to nearly half of the original claimed amount. The claims are detailed in Table 2 and Table 3.

Table 2: Claims for which the City and Century Group Inc. have reached agreement (net of all taxes)

Contractor	Submitted Claim Amount	Agreed to Claim Amount
Merit Glass	\$166,309	\$84,030
Bernel Masonry	\$753,821	\$261,277
Flynn Roofing	\$449,877	\$111,887
Roni Excavation	\$253,433	\$95,883
Mapleridge Mechanical	\$1,846,858	\$1,128,175
Adlers Main Tile and Carpet	\$48,842	\$8,500
CWP Washroom Partitions	\$32,350	\$28,169
Woodlogix Millwork	\$23,440	\$15,671
CGI Concrete (Part 1)	\$65,596	\$79,216
MSB Mechanical	\$371,467	\$342,895
Kone Cranes	\$14,419	\$11,097
Total	\$4,026,412	\$2,166,800

Table 3 details claims that are currently under review. The amounts noted are maximum upset values, and a final agreed upon claim amount is to be negotiated between the City and Century Group Inc. In taking this approach of requesting authority to negotiate within an upset value limits future claims and risk. It also limits potential disruption to construction work between the time that a claim under review is settled through negotiation and when authority for payment of the negotiated claim amount can be obtained.

Table 3: Claims submitted by Century Group Inc. that are currently under review by the City (net of all taxes)

Contractor	Submitted Claim Amount
General Sprinklers	\$152,668
Plan Group Electrical	\$1,124,707
Kone Elevator	\$2,490
CGI Concrete (Part 2)	\$6,518
Duron Concrete	\$22,073
Newage Concrete	\$73,696
Richvale Paving	\$108,450
Express Elevators and Lifts	\$30,000
Northern Docks System Doors	\$35,000
Metric Storage Systems Partitions	\$3,500
CGI - Aggregate	\$52,720
CGI - Waterproofing and Epoxy	\$75,000
CGI - Exterior Improvements	\$350,000
CGI - Delay Impact Claim	\$1,524,307
Total Maximum Upset Claim Amount	\$3,561,129

The total amount requested as part of this amendment is detailed in Table 4.

Table 4: Details of the total Purchase Order Amendment Requested (net of all taxes)

Amendment Item	Value
Updated Programmatic Requirements	\$983,594
Contaminated Soil Excavation and Disposal	\$713,000
Delay Impact Claims	\$5,727,929
Total	\$7,424,523

Project Impact

In the absence of the requested amendment and subsequent appropriately timely payment of delay impact claims for construction material and contractor general requirement cost increases, there is a risk of disruption to the Project if subcontractors deliver claims for lien or resort to other disruptive measures.

CONTACT

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SIGNATURE

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