

A Programmatic Approach to delivering State of Good Repair, Accessibility, and Net Zero Programs at City Hall and Metro Hall

Date: March 5, 2026

To: General Government Committee

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

Wards: 10 - Spadina-Fort York

SUMMARY

The City of Toronto is taking a programmatic approach to simultaneously address much needed state of good repair (SOGR) requirements, make accessibility improvements, including ensuring compliance with the Accessibility for Ontarians with Disabilities Act (AODA), and achieve net zero targets.

This comprehensive, touch-it-once approach focuses on the City's key assets in the downtown core, which have a higher potential to support the City in meeting its net zero objectives, given that both buildings are office facilities, an asset class typically characterized by high energy intensity. It also supports long-term financial sustainability by reducing the SOGR backlog and mitigating the risk of costly operational failures. Prolonging this work can lead to escalations in future SOGR costs, as asset deterioration becomes increasingly complex and expensive to remediate over time. Through this work the City is also required to achieve compliance with relevant AODA legislation.

This report outlines the Construction Management (CM) delivery model that will be used to ensure this project is delivered within the approved capital budget and schedule. The procurement process to obtain a CM through the Negotiated Request for Proposal (nRFP) Doc5378109215 will be awarded subject to the successful conclusion of negotiations and the appropriate procurement approvals; it is anticipated to be awarded by the end of March 2026. This report:

(1) Provides an update on the competitive procurement process to obtain a construction manager through the Negotiated Request for Proposal (nRFP) Doc5378109215; and,

(2) Seeks delegated authority to perform purchase order amendments for the duration of this project to allow for the timely execution of trade contracts, necessary cost adjustments, and to mitigate the risk of delays and exposure to market fluctuations.

The CM project delivery model is an industry-recognized approach that provides greater cost certainty before construction begins and enhances owner oversight. Under this model, the competitively procured CM assumes financial responsibility for delivering the project within an agreed guaranteed maximum price (GMP), thereby shifting a portion of project risk away from the City. Part of the success of the model relies on incorporating real-time market pricing, by tendering trade contracts competitively in sequence prior to the commencement of each phase of the project. The authorities sought in this report would eliminate the need for Council and/or Committee authority for each purchase order amendment, allowing for the timely execution of necessary contracts and adjustments.

RECOMMENDATIONS

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

1. City Council authorizes the Executive Director, Corporate Real Estate Management, in consultation with the Chief Procurement Officer, to approve and execute any necessary purchase order amendments with a value exceeding \$500,000, or more than 10 percent of the original commitment, which are required following the execution of the construction management agreement between the City and the successful supplier of the nRFP, and for which Committee or City Council approval would normally be required under City of Toronto Municipal Code Chapter 71, Financial Control By-law and City of Toronto Municipal Code Chapter 195, Procurement, for the provision of construction and construction management services and carrying out the construction of the SOGR, AODA, Net Zero, and the modernization programs, provided that:
 - a) a governance model is established by the Executive Director, Corporate Real Estate Management, in consultation with and in a form satisfactory to the Chief Procurement Officer, to ensure the competitiveness of the Construction Manager's third-party contracts to develop a Guaranteed Maximum Price (GMP);
 - b) the purchase order amendment is necessary to meet the timelines of the Programs, and is included within the scope of nRFP Doc5378109215;
 - c) the funds are available through, and the cumulative value of the original contract and any subsequent purchase order amendments does not exceed the 2026-2035 Capital Budget and Plan amount of \$300 Million;
 - d) the procurement processes were completed in accordance with the Supplementary Conditions of the industry standard Construction Management Contract, and associated policies and procedures established between the City and Construction Manager;

e) there are no material risks as to the merits of making the amendments to incorporate the works obtained under the construction management agreement

f) the terms and conditions of any amending agreements are acceptable to the Executive Director, Corporate Real Estate Management and in a form satisfactory to the City Solicitor; and

g) a report summarizing any amendments made under this authority is submitted to the appropriate Standing Committee and/or City Council for information every second and fourth quarters of each year, beginning in 2027, on the progress made and on any purchase order amendments issue

FINANCIAL IMPACT

Funding in the amount of \$300,779,803 is available in the Council Adopted 2026-2035 Capital Budget and Plan for Corporate Real Estate Management (CREM) to implement construction related to the programmatic approach to delivering SOGR, accessibility (including AODA compliance), Net Zero, and modernization program at City Hall and Metro Hall. Funding is inclusive of the entire approved budget for each tranche of work, this includes costs related to early feasibility studies, design, as well as construction.

In addition, the program budget includes allocations for both technology and furniture; however, only the construction components will be awarded as part of this contract. Final allocations will be confirmed once the technology and furniture scopes are finalized.

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

DECISION HISTORY

At its meeting on December 16 and 17, 2025, City Council adopted *IE26.3 - TransformTO Net Zero Strategy: Action Plan (2026-2030)* which directed the Executive Director, Environment, Climate and Forestry, in consultation with the Executive Director, Corporate Real Estate Management and other affected City Divisions and Agencies to report back with a policy to guide the transition of all City of Toronto Divisions and Agencies away from the procurement and operation of equipment that combusts fossil fuel in City-owned facilities by 2040.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.IE26.3>

At its meeting on May 22 and 23, 2024, City Council adopted EX14.6 "*City of Toronto's 2024 Corporate Asset Management Plan*" which established strategic direction for 25 City Divisions, Agencies, and Corporations to hold ownership and/or responsibility over City-owned municipal infrastructure assets, ensuring service levels meet community expectations.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX14.6>

At its meeting on November 3, 2020, Executive Committee adopted EX18.2 “*ModernTO Workplace Modernization Program Business Case and Implementation Plan*” which provided an update regarding the implementation of the ModernTO program originally adopted by City Council in 2019.

<https://secure.toronto.ca/council/agenda-item.do?item=2020.EX18.2>

At its meeting on October 29 and 30, 2019 City Council adopted a staff report entitled “*ModernTO - City-Wide Real Estate Strategy and Office Portfolio Optimization*” which directed the Deputy City Manager, Corporate Services to report back with a detailed business case and an execution plan for completing office optimization in primary office buildings.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.EX9.2>

At its meeting on June 19, 2019, General Government and Licensing Committee adopted a report entitled “*Award of Request for Proposal Number 9119-19-0162 for the Design, Program Management, and Contract Administration Services for Accessibility Upgrades to City of Toronto Facilities at Various Locations*”, which approved the design, program management and contract administration services for accessibility upgrades at various City locations.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.GL6.21>

COMMENTS

Background

The City is taking a programmatic approach to simultaneously address SOGR needs, make accessibility improvements (including compliance with AODA), achieve Net Zero targets, and modernize City-owned office space at City Hall and Metro Hall.

This comprehensive, touch-it-once approach focuses on the City's key assets in the downtown core, which have a higher potential to support the City in meeting its net zero objectives, given that both buildings are office facilities, an asset class typically characterized by high energy intensity. It also supports long-term financial sustainability by reducing the SOGR backlog and mitigating the risk of costly operational failures. Prolonging this work can lead to escalations in future SOGR costs, as asset deterioration becomes increasingly complex and expensive to remediate over time. Through this work the City is also required to achieve compliance with relevant AODA regulations.

This approach also enables the project delivery team to design, procure, construct, and commission projects under a single mobilization, creating synergy gains from combining initiatives, and maximizing efficiency while eliminating waste and rework. This project is currently in the preliminary design phase. Once the CM is onboarded, the designs across the various work streams will be fully developed and harmonized.

Construction Management Delivery Model and Delegated Procurement Authorities

This project will be delivered through a Construction Management model in which a qualified construction manager (CM) is engaged early in the planning and design stages to provide expert advice on cost, schedule, constructability, and procurement. Acting as an extension of the owner's project team, the CM provides professional management services throughout the design and construction phases to help deliver the project efficiently, within the schedule and budget, and to the required quality standards.

Unlike the more common design-bid-build model, where a contractor is engaged only after the design is complete, the Construction Management model allows the CM to participate and collaborate with the broader project team during design development. This early involvement helps identify targeted cost savings, mitigate risks, improve scheduling accuracy, and enhance collaboration between the owner, design consultants, and the CM. The Construction Management model is increasingly adopted in the construction industry as a strategy to manage ongoing market fluctuations and volatility in the sector following the COVID-19 pandemic.

The Construction Management model is an approach that adds a guaranteed cost element to provide the owner with greater cost certainty before main construction work begins. Under this model, as the design and cost estimates approach completion, the CM is asked to commit fixed scopes of work and GMPs for the construction phase. The GMP represents the negotiated limit of the total project construction cost and is typically established towards the end of procurement when much of the project risk has been retired, the design has been finalized, and the project team has high confidence in the final expected cost. While the City continues to monitor progress, including through seeking delegated authority to authorize purchase order amendments, the CM assumes the responsibility for managing the project within the GMP.

In the Construction Management model, tender packages are competitively procured, by the CM, in sequence and with complete transparency to the City. This progressive tendering process enables the City to incorporate competitive market pricing, risk transfer, and value engineering before establishing the GMP. This process provides a higher degree of cost and schedule certainty, and transfers a portion of financial risk to the CM. The progressive tendering approach will require multiple purchase order amendments as the final construction budget is built incrementally through competitively awarded sub-contracts which are awarded by the CM to the various trade contractors.

Under the City's Financial Control By-law, each purchase order amendment is considered an over-expenditure on the original commitment and each amendment would require separate Council or Committee approval despite representing distinct, competitively awarded trade packages rather than scope increases. This would introduce significant delays, jeopardize timelines, and increase exposure to market volatility, ultimately undermining the benefits of the Construction Management model. Granting proactive authority ensures alignment between City procurement processes and the Construction Management delivery model, allowing timely execution of trade contracts and adjustments necessary to finalize the GMP. This flexibility is critical to

maintaining schedule control, mitigating cost escalation risks, and delivering the Program within the Council Adopted capital budget.

Negotiated Request for Proposal Doc5378109215

Due to the complexity of the scope of work, the City developed and executed a strategic sourcing strategy that leveraged the nRFP process, which offered advantages such as scope flexibility, a better understanding of supplier technical capabilities, opportunities to investigate innovative solutions to control costs and improve quality, and the ability to negotiate with the top ranked supplier prior to award. The nRFP established a stage-based weighted evaluation process to ensure the supplier's capability, capacity, experience, as well as cost competitiveness. Through the nRFP, the City intends to enter into an agreement with one or two legal entities for City Hall and Metro Hall.

At the time of nRFP closing, a total of seven submissions were received, with four of the participating suppliers bidding on City Hall and five bidding on Metro Hall.

CREM and the Purchasing Materials and Management Division continue to progress toward contract award which is anticipated to be completed by the end of March 2026. Any agreement for construction management services will be subject to the successful conclusion of negotiations and the appropriate procurement approvals.

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SIGNATURE

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