

Amendment to Purchase Order Number 6052967 with Coolearth Architecture Inc. for the Mount Dennis Early Learning and Child Care Centre Project

Date: April 1, 2026

To: General Government Committee

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

Wards: 5 - York-South Weston

SUMMARY

The purpose of this report is to request authority to amend Purchase Order Number 6052967 issued to Coolearth Architecture Inc. (“Coolearth”) for continued professional services related to the Mount Dennis Early Learning and Child Care Centre (the “MDCCC”) project at 1234 Weston Road, Toronto. This includes ongoing contract administration and oversight for required corrective work to address outstanding deficiencies, which are minor and do not impact the safety or operational readiness of the facility. As a result, the MDCCC opened to the public in September 2025.

The MDCCC project was delivered with Coolearth serving as prime consultant, and M.J. Dixon Construction Ltd. (“MJ Dixon”) as general contractor. Construction began in June 2020 during the COVID-19 pandemic, resulting in delays related to public health restrictions and supply chain disruptions. These issues were managed through the resolution provisions in the contract between the City and MJ Dixon. The project reached substantial completion in September 2024, 17 months beyond the anticipated completion date.

Upon substantial completion, the City identified several outstanding deficiencies for MJ Dixon to address. Despite formal notice of default in June 2025, MJ Dixon did not resolve the deficiencies within the required timeline and was formally terminated in July 2025.

City staff, with Coolearth’s support, estimate the cost to correct all deficiencies at approximately \$386,978 (net of Harmonized Sales Tax). This amount has been withheld from MJ Dixon, who disputes both the validity and valuation of the identified items. The parties are engaged in dispute resolution, with the potential for litigation should the matter not be resolved.

As a result of the extended construction period, Coolearth has submitted a claim to increase its fee for contract administration services, reflecting an additional 17 months beyond the original anticipated completion date. In addition, Coolearth continues to oversee completion of the corrective work through alternate contractors and to support the City in its ongoing dispute-resolution process with MJ Dixon.

The requested purchase order amendment amount includes the claim for past services rendered as well as future services as required to oversee the completion of the corrective work. After several months of detailed review and negotiations, City staff recommend a purchase order amendment in the amount of \$374,449 net of all applicable taxes and charges (\$381,039 net of Harmonized Sales Tax recoveries), increasing the current purchase order value from \$295,910 net of all applicable taxes and charges (\$301,118 net of Harmonized Sales Tax recoveries) to \$670,359 net of all applicable taxes and charges (\$682,157 net of Harmonized Sales Tax recoveries). Staff also recommend extending its contract period to December 31, 2027 to enable sufficient time to correct the outstanding deficiencies, continue to work through the dispute resolution process and any potential litigation support if City staff determine their assistance is necessary and appropriate.

RECOMMENDATIONS

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

1. The General Government Committee authorize the Executive Director, Corporate Real Estate Management to:
 - a. settle the additional services claims by Coolearth Architecture Inc. through the payment of \$374,449 net of all applicable taxes and charges (\$381,039 net of Harmonized Sales Tax recoveries), for contract administration services provided up to and including May 31, 2025, and to pay for professional services to be rendered until the completion of the Mount Dennis Child Care Centre project and any related dispute resolution or litigation process; and
 - b. amend Purchase Order Number 6052967 issued to Coolearth Architecture Inc. in accordance with section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control Bylaw), to settle the claims identified in recommendation 1a, by increasing the overall value by the same amount of \$374,449 net of all applicable taxes and charges (\$381,039 net of Harmonized Sales Tax recoveries) increasing the current purchase order value from \$295,910 net of all applicable taxes and charges (\$301,118 net of Harmonized Sales Tax recoveries) to \$670,359 net of all applicable taxes and charges (\$682,157 net of Harmonized Sales Tax recoveries) and extending its contract period to December 31, 2027.

FINANCIAL IMPACT

The total value of the purchase order amendment identified in this report is \$374,449 net of all applicable taxes and charges (\$381,039 net of Harmonized Sales Tax recoveries).

Funding is available in the 2026-2035 Capital Budget and Plan and the 2026 Operating Budget for Children's Services. Funding details are summarized in Table 1 below.

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

WBS Element/Fund Centre	Year	Description	Total
CCS035-01 (Capital Budget and Plan)	2026-2035	Professional Services	\$360,492
E1861J (Operating Budget)	2026	Professional Services	\$20,547
Total			\$381,039

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information presented in the Financial Impact section.

DECISION HISTORY

On June 26 and 27, 2024, City Council adopted GG13.11 "Proposed Settlement of M.J. Dixon Construction Ltd. Claims for Delay and Cost Escalation Compensation – Mount Dennis Net Zero Early Learning and Childcare Centre" and the confidential instruction to staff from the City Solicitor and Executive Director, Corporate Real Estate Management.
<https://secure.toronto.ca/council/agenda-item.do?item=2024.GG13.11>

On September 30, October 1 and 2, 2020, City Council authorized an in-year budget adjustment to the 2020 Capital Budget and 2021 – 2023 Capital Plan for Children's Services by increasing the project cost for the Toronto Early Learning and Child Care Services' Mount Dennis Child Care Centre by \$1.83 million.
<https://secure.toronto.ca/council/agenda-item.do?item=2020.EX16.24>

On April 1, 2020, the Bid Award Panel granted authority to the Chief Purchasing Officer to award the general contracting services for Mount Dennis project to M.J. Dixon Construction Ltd.
<https://secure.toronto.ca/council/agenda-item.do?item=2020.BA74.2>

At its meeting of July 19, 2019, City Council adopted EX7.23 "Children's Services - Amendments to the 2019-2021 Cash Flows for Mount Dennis Child Care Centre and St. Barnabas Catholic School Child Care Centre Projects for Children's Services".
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.2>

On July 16, 17, and 18, 2019, City Council authorized an in-year budget adjustment to the 2019 Capital Budget for Children’s Services by increasing the project cost for the Toronto Early Learning and Child Care Services’ Mount Dennis Child Care Centre by \$7 million.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.EX7.23>

On May 22, 23, and 24, 2018, City Council approved the application to demolish the vacant non-residential structure at 1234 Westons Road, Toronto.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.EY30.11>

COMMENTS

Background

In 2018, the City acquired 1234 Weston Road to construct the MDCCC. The new facility replaces the former Hollis Early Learning and Child Care Centre at 1 Hollis Street, which was sold to Metrolinx under the Master Agreement supporting expansion of the Eglinton Crosstown Light Rail Transit project. The new facility provides 98 spaces, supporting existing families and future population growth. The project also advances the City’s target of serving 50 percent of children aged zero to six by 2026, as outlined in “Toronto’s 2017–2026 Licensed Child Care Growth Strategy”.

The MDCCC is located in the York South-Weston neighbourhood and is designed to be the City’s first net zero energy child care facility, and largest City-owned child care centre in Toronto.

Project Delivery and Substantial Completion

The MDCCC project was delivered through an industry standard capital project delivery model consisting of a prime consultant providing professional services, including oversight and contract administration services, and a general contractor responsible for construction. In September 2017, Coolearth was retained as prime consultant. Subsequently, MJ Dixon was awarded the contract for general contractor services in April 2020. Construction commenced in June 2020, during the peak of the COVID-19 pandemic.

Throughout its implementation, the project faced several challenges, including experiencing significant delays in the progress of construction driven by COVID-19 restrictions, and supply chain disruptions. These issues, as they arose and until the project achieved substantial completion, were resolved under the dispute resolution provisions of the governing agreement between the City and MJ Dixon. The project achieved substantial completion in September 2024, 17 months beyond the anticipated completion date.

After the MDCCC project achieved substantial completion, the City identified several issues and deficiencies that remained outstanding for MJ Dixon to address. In June 2025, the City issued a formal notice of default to MJ Dixon indicating how these

identified deficiencies had persisted and remained outstanding. Subsequently, MJ Dixon failed to correct the identified deficiencies within the time stipulated by City staff and was formally terminated as general contractor through a Notice of Termination delivered in July 2025.

Although these deficiencies require follow-up and corrective work, the majority were minor and do not impact the safety or operational readiness of the facility. As a result, the MDCCC opened to the public in September 2025.

Update on the Post-Substantial Work

City staff, with the assistance of Coolearth, identified that the estimated cost to address all deficiencies is approximately \$386,978, net of Harmonized Sales Tax, representing approximately 3% of the original contract value with MJ Dixon. The City withheld this amount from MJ Dixon from funds that would otherwise be payable to MJ Dixon. In turn, MJ Dixon disputes both the legitimacy and value of the deficiencies identified by Coolearth and the City, which has resulted in MJ Dixon and the City engaging in a dispute resolution exercise, which could potentially lead to litigation if not resolved.

With MJ Dixon offboarded, through alternate contractors under continuing oversight by Coolearth, efforts are underway to complete the remaining scope of work, including correction of substandard work and other deficiencies. The cost to complete this scope and correct deficiencies will be claimed against the funds withheld from MJ Dixon.

The Coolearth Fee Claims and Purchase Order Amendment

Since the construction administration period has extended 17 months beyond the anticipated completion date, and given the ongoing work to support outstanding deficiencies and associated dispute with MJ Dixon, Coolearth has requested an increase to its fee for contract administration services. Coolearth continues to provide contract administration services related to the ongoing work including supporting the City through the dispute resolution process that relates to the deficiencies that the City has identified, and any potential litigation support if City staff determine their assistance is necessary and appropriate.

After several months of detailed review and negotiations, City staff recommend a purchase order amendment in the amount of \$374,449 net of all applicable taxes and charges (\$381,039 net of Harmonized Sales Tax recoveries) to resolve Coolearth's fee claims, representing a fair and reasonable basis to settle Coolearth's request for additional fees. Staff also recommend extending the purchase order's contract term to December 31, 2027 to enable sufficient time to correct the outstanding deficiencies. The requested purchase order amendment amount comprises of both past service claims and potential future professional services, as Coolearth's involvement remains necessary to oversee completion of the corrective work.

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SIGNATURE

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