



**City of Kingston
Report to Council
Report Number 19-272**

To: Mayor and Members of Council
From: Peter Huigenbos, Acting Commissioner, Community Services
Resource Staff: Lacricia Turner, Director, Recreation & Leisure Services
Date of Meeting: November 19, 2019
Subject: Kingston East Community Centre Construction Services -
Budget Amendment

Executive Summary:

The City recently issued a request for proposals for construction services for the Kingston East Community Centre and received eight (8) competitively priced submissions. Unfortunately, all proposals, including the highest ranked proposal, exceed the approved budget for the new community centre. A budget amendment is necessary for the contract to be awarded.

The budget for the Kingston East Community Centre was developed in 2017 and approved in 2018 as part of budget deliberations for a total of \$11.55M to design and construct the Community Centre. In 2018, staff retained the design services of +VG Architects to provide prime consulting services and included Hanscomb Limited as a cost consultant.

Through the detailed design process, adjustments were made to incorporate materials, assemblies and building systems that achieve higher energy efficiencies to substantially reduce greenhouse gas (GHG) emissions. These aggressive design adjustments are proposed as they align with Council's strategic priority area to demonstrate leadership on climate action and reduce corporate GHG emissions by 15% by the end of Council's term. These design changes will also enable significant operational savings on an ongoing basis.

A baseline building of this type would typically emit approximately 73 tonnes of CO₂e per year and have operating and utility costs of approximately \$70K per year. As a result of the increased GHG reduction measures, the building is projected to emit approximately 10 tonnes of CO₂e per year (an 86% reduction and equivalent to the GHG emissions of 2 typical residential homes) and cost approximately \$38K per year. This represents an estimated annual savings of 45% in operating/utility costs, or a total of \$2.9M in savings over the expected lifespan of the building.

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Furthermore, because the building will not require natural gas heating, an additional benefit is that operational budgets are insulated from rising carbon costs.

The facility has also been designed to serve as a reception/evacuation centre for emergency response, complete with a backup generator. The approximate cost for this additional component of the project is \$500,000. Although a reception/evacuation centre is not a necessary part of the project scope, staff recommend that this function remain because there is no other such municipally-owned facility in Kingston East.

Prior to the release of the Request for Proposal (RFP) to the market place, the City received a class B cost estimate which confirmed the original approved construction budget estimate of \$8.66M could be achieved, with the design adjustments for GHG reduction measures and emergency reception centre included. The total project budget of \$11.55M includes design costs, permits and contingency.

Staff completed a detailed analysis of the eight submissions and evaluated the proponents based on the criteria outlined in the RFP, including price and non-price related criteria. The highest scoring submission was from M. Sullivan & Son Ltd. with a price of \$10.317M for construction.

City staff and M. Sullivan & Son Ltd. engaged in a detailed review to identify potential cost savings through value engineering. The team reviewed alternate solutions for materials, construction methods, site limitations, GHG reductions and energy efficiency. The evaluation identified \$185K in cost savings that could be implemented while maintaining the function, quality, GHG reductions and energy efficiency of the project. Therefore, the price of the construction contract can be reduced to \$10.132M. Awarding the project to M. Sullivan & Son Ltd. requires a total budget of \$13.5M to include all costs including design, construction, permits and contingency.

A community centre for recreation purpose only could be built within the original budget but it would not include the various technologies that would allow for a significant reduction in GHG emissions, in line with Council priorities, as well as the use of a reception centre in case of a municipal emergency. The current scope of the project was vetted by the public, city staff and the design team to address the needs of the community. In order to deliver a project with all the proposed community functions within the current approved budget of \$11.55M, the project would need to be redesigned to eliminate the significant GHG reduction elements, which would result in increased operating costs and higher GHG emissions and be in contrast to Council's strategic priorities. This would be a significant redesign of the project resulting in a delay of several months and a new RFP process. There is also risk that construction costs will rise during that time.

Staff recommend an additional contribution totalling \$1.95M be allocated from the Municipal Capital Reserve Fund and the Development Charges Reserve Fund to complete the project. If approved, the City will enter into final negotiations with the intent to award the contract to the top-ranked proponent, M. Sullivan & Son Ltd.

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Recommendation:

That Council approve an amended budget of \$13,500,000 for the Kingston East Community Centre project; and

That Council approve additional funding for the Kingston East Community Centre of \$1,950,000 with \$1,686,750 funded from the Municipal Capital Reserve Fund and \$263,250 funded from the Development Charges Reserve Fund.

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Authorizing Signatures:

**Peter Huigenbos, Acting
Commissioner, Community
Services**

**Lanie Hurdle, Interim Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Brad Joyce, Acting Commissioner, Corporate Services

Jim Keech, President & CEO, Utilities Kingston

Not required

Desirée Kennedy, Chief Financial Officer & City Treasurer

Sheila Kidd, Commissioner, Transportation & Public Works

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Options/Discussion:

The Facilities Management & Construction Services (FMCS) Department, in partnership with the Recreation & Leisure Services Department (RLS), issued the Request for Proposals (RFP) in June 2019 for the construction services of the new Kingston East Community Centre.

The new Community Centre is intended to provide significantly improved community and recreational facilities for both public and private activities in Kingston East. It will also provide accommodation for non-profit organizations, youth and senior programs and have spaces available for private rentals. The neighbouring high school will be able to utilize the facilities to enhance their curriculum-based recreation activities for the students.

The new Community Centre will be steel-framed over a slab on grade with a combination of footings and piers. Site improvements are comprised of site servicing, storm water management, civil works, and an outdoor skating rink and splash pad. The building is designed for a high level of energy-efficiency with a geothermal field, a gymnasium roof structure with solar PV, a high-performance building envelope, LED lighting throughout, and potential further expansion for car port solar.

The aggressive investment in energy-efficiency design and geothermal heating and cooling will significantly reduce the amount of GHG emissions from this building and will significantly reduce annual operating costs, with estimated savings to be \$2.9 million over the lifespan of the building. Details regarding GHG reductions and operating savings are discussed later in this report.

The facility has also been designed to serve as a reception/evacuation centre for emergency response, complete with a backup generator. The approximate cost for this additional component of the project is \$500,000. Although a reception/evacuation centre is not a necessary part of the project scope, staff recommend that this function remain because there is no other such municipally-owned facility in Kingston East.

Procurement Process

In order to provide background information pertaining to the recommendation to increase the project budget, the following information regarding the procurement and contract award process is provided.

In accordance with the City's Purchasing By-Law, RFP Number F31-CES-FMCS-2019-10 was publicly advertised on Biddingo. The RFP closed on Wednesday August 7, 2019. Eight (8) submissions were received.

An evaluation team consisting of representatives from FMCS, RLS and Financial Services was established to review and determine the best overall submission based on the requirements outlined in the RFP.

The following table provides a breakdown of the criteria and weighting applied in the evaluation of the proposals.

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Criteria	Maximum Scoring Weight
Company Profile, Proposed Project Resources and Demonstrated Similar Experience	15%
Project Methodology, Value Added	15%
Schedule Management	15%
Price	50%
Accessibility Plan	5%

The result of the scoring based on the criteria listed in the RFP is indicated in the following table.

RFP Proponent	Rank	Total Score	Stipulated Lump Sum
M. Sullivan & Son Ltd.	1	91	\$10,317,000.00
Garritano Bros. Ltd	2	86	\$9,726,310.00
Peak Engineering & Construction Ltd.	3	84	\$10,430,000.00
Robert J. Bourgon & Associates Ltd.	4	83	\$10,780,725.00
Quad Pro Construction Inc.	5	77	\$10,185,332.00
Emmons & Mitchell Construction (2000) Limited	6	76	\$10,870,000.00
Van Horne Construction Ltd.	7	70	\$9,951,925.00
Frecon Construction Ltd.	8	69	\$10,997,000.00

This procurement falls within Trade Treaty thresholds and as such, the award structure set out for this RFP was based on a ranking system which is comprised of price and non-price related

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criteria. The price submissions were very competitive for a project of this scale, with the highest priced submission only 13% higher than the lowest priced submission.

The highest scoring proposal was received from M. Sullivan & Son Ltd., who provided a detailed submission with an experienced and qualified team. This proposal ranked #1 in scoring for non-price related criteria and their price, 6% higher than the lowest priced submission, ranked 4th. Ultimately, the M. Sullivan & Son Ltd. proposal achieved the #1 ranking overall. It was evident that they had a clear understanding of the project scope, demonstrated their experience in this type of work and they proposed an approach to this project consistent with best practice.

The lowest priced proposal was received from Garritano Bros. Ltd. This proposal received all available points related to price but ranked #4 in non-price related criteria and ultimately achieved the #2 rank overall.

Prior to the release of the RFP to the market place, a class B estimate was received from Hanscomb Limited (Cost Consultant) which confirmed the original approved budget estimate of \$8.66M for the construction contract. The table below provides a breakdown of the original total project budget.

Item	Budget
Construction Contract (Base price \$8,510,000 + non-recoverable HST of 1.76%)	\$8,660,000
Rooftop Solar* – separate contract per industry standard	\$300,000
Planning & Design	\$805,000
Furniture, Fixtures & Equipment	\$355,000
Permits, Staff Costs, Legal & Insurance	\$570,000
Contingency (10%)	\$860,000
Total Project Budget	\$11,550,000

Due to the results of the RFP process, a revised project budget is shown below, with increases to construction, permitting and contingency items. City staff and M. Sullivan & Son Ltd. engaged in a detailed review to identify potential cost savings through value engineering to reduce the construction price. The team reviewed alternate solutions for materials, construction methods, site limitations, GHG reductions and energy efficiency. The evaluation identified \$185K in cost savings that could be implemented while maintaining the community functions, quality of

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construction, GHG reductions, energy efficiency, and emergency reception function of the project. Therefore, the price of the construction contract can be reduced to \$10.132M, plus non-recoverable HST, as noted in the table below.

Item	Budget
Construction Contract: RFP price \$10,317,000 less \$185,000 in savings = \$10,132,000 + non-recoverable HST (1.76%)	\$10,310,323
Rooftop Solar* – separate design build contract	\$300,000
Planning & Design	\$805,000
Furniture, Fixtures & Equipment	\$355,000
Permits, Staff Costs, Legal & Insurance (increased due to higher construction costs)	\$695,000
Contingency (10%)	\$1,034,677
Total Project Cost	\$13,500,000
Anticipated Gap in Funding	\$1,950,000

*Rooftop solar PV panels will be installed on the gymnasium roof. It is listed as a separate budget item because it will be separate project awarded as a design/build contract. From past rooftop solar projects and market investigations, staff believe this is the best method to procure rooftop solar to meet performance and quality requirements.

The current scope of the project was vetted by the public, city staff and the design team to address the needs of the community. In order to deliver a project with the all the proposed community functions within the current approved budget of \$11.55M, the project would need to be redesigned to eliminate the significant GHG reduction elements, which would result in increased operating costs and higher GHG emissions and contrast with Council's strategic priorities. This would be a significant redesign of the project and would result in a delay of several months and a new RFP process. There is also risk that construction costs will rise during that time. Therefore staff recommend an additional contribution totalling \$1.95M be allocated from the Municipal Capital Reserve Fund and the Development Charges Reserve Fund to complete the project.

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GHG Reductions Information Related to the Construction Project

A baseline building of this type would typically emit approximately 73 tonnes of CO₂e per year. As a result of investing in GHG reduction measures, the building is projected to emit approximately 10 tonnes of CO₂e per year (equivalent to the GHG emissions of 2 typical residential homes).

The following is a list of some of the key GHG reduction measures that have been incorporated into the design.

- Geothermal heating with supplemental electric heating;
- Geothermal cooling with supplemental electric cooling:
 - All natural gas combustion was removed from the project;
- Roof top solar on the gymnasium roof;
- Upgraded HVAC system to 100% electric;
- Increased wall and roof assemblies to increase efficiency/insulation values;
- Solar shading glazing that allows natural light and lowers excess solar gain;
- Interior partition insulation; and
- Climate control for each partitioned space.

A baseline building of this type would typically have operating/utility costs of \$70K per year. With the higher energy efficiency measures described above, the building's projected operating/utility costs are only \$38K per year. This represents a projected annual savings of 45% in operating/utility costs, or a total of \$2.9M in savings over 50 years; the expected lifespan of the building. Long term energy cost planning is difficult; therefore, the \$2.9M in savings is based on a conservative assumption of 4% energy cost increase per year until 2028 and then 1.5% annual increase thereafter. Furthermore, because the building will not require natural gas heating, an additional benefit is that operational budgets are insulated from rising carbon costs.

Finally, it may be possible to include car port solar at this location. This requires further detailed design to determine budget and funding options. Installation could be completed under a separate contract at the completion of the building construction. The solar panels would be installed over the community centre's parking spaces and connected into the building's power system. Car port solar could further reduce the GHG emission from 10 tonnes to approximately 2 tonnes of CO₂e per year (less than the GHG emission of one typical residential home). The necessary footings and duct work required for car port solar are included in the community centre project at this time to avoid duplicating the future work.

The addition of car port solar has the potential to further reduce the annual operating/utility costs from \$38K per year to approximately \$18K per year. Under the same assumptions as previously described, this represents an additional \$1.8M in savings over 50 years, for a total savings of \$4.7M.

Existing Policy/By-Law:

Council authority is required to increase the capital budget funded to complete this project.

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Notice Provisions:

The RFP was publicly advertised on Biddingo for 58 calendar days.

Accessibility Considerations:

The Accessibility for Ontarians with Disabilities Act, 2005 is a consideration and forms part of the evaluation criteria of all RFPs administered by the City of Kingston. The new Kingston East Community Centre will meet or exceed the Facility Accessibility Design Standards.

Financial Considerations:

The approved budget for this project is \$11.55M. The proposed amended budget for the overall project is \$13.5M. Staff are recommending additional funding of \$1.95M to be funded \$1,686,750 from the Municipal Capital Reserve Fund and \$263,250 from the Development Charges Reserve Fund.

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Luke Follwell, Director, Engineering Services

Exhibits Attached:

Not applicable