

From: Marisa Carpino
Chief Administrative Officer

Subject: Pickering City Centre Project
- Construction Cost Estimating Services & Next Steps
- File: A-1400

Recommendation:

1. That Report CAO 04-21 of the Chief Administrative Officer be received;
2. That Council approve staff to undertake the following one-time actions to facilitate the development of the five year capital and operating financial plan as it relates to the City Centre project:
 - a. That request for proposal RFP 2021-1 Cost Estimating Services – Pickering City Centre submitted by Turner & Townsend Canada Inc., in the amount of \$46,217 (HST included) and a net project cost of \$41,620 (net of HST rebate) to be funded from 2019 Capital Budget account 5203.1902.6500;
 - b. That architectsAlliance be approved to participate in the stakeholder and community design consultation exercises, cost estimating value engineering and “Savings By Design Program” review with costs not to exceed \$25,000 (HST included) and a net project cost of \$22,513 (net of HST rebate) and to be to be funded from 2019 Capital Budget account 5203.1902.6500;
 - c. That Sponsorship Canada be retained to undertake sponsorship asset valuation services for the three Pickering City Centre facilities (Library, Performing Arts Centre, Seniors & Youth Centre), Piazza & Public Realm, and other new municipal construction projects originally budgeted at \$30,000 and now increased to an upset limit of \$45,000 (HST included) and a net project cost of \$40,524 (net of HST rebate) and to be charged to account 2121.2392.0000 and funded 100% from the Casino Reserve (7067.0000.0000);
 - d. That IBI Group be retained to undertake a parking strategy that reviews the immediate and short-term parking needs for the Pickering Civic Complex at a cost not to exceed \$50,000 (HST included), and a net project cost of \$45,027 (net of HST rebate) and to be funded from 2019 Capital Budget account 5203.1902.6500;
 - e. That Deloitte LLP be engaged to assist with quantitative analysis as it applies to the five year financial plan and the corresponding City’s debt capacity as it relates to the Annual Repayment Limit and develop corresponding options at a cost not to exceed \$45,000 (HST included) and a net project cost of \$40,524 (net of HST rebate) to be funded from the 2019 Capital Budget account 5203.1902.6500.

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3. That Council approve staff to undertake the following actions related to the ongoing development of the City Centre project as part of the development of the five year capital and operating financial plan:
- a. That Tory's LLP be retained at a cost of \$228,960 (net of HST rebate) to advise and assist with the negotiation of the various contracts which define the Pickering City Centre Project, sufficient to identify project costs so they can be accounted for in the project cost estimate, and that these costs be allocated to the following 2020 Capital Budget accounts as follows:
 - i) Seniors & Youth Centre (5740.2003) – 50%
 - ii) Central Library (5740.2002) – 25%
 - iii) Performing Arts Centre (5740.2001) – 25%
 - b. That the services of CAM Consulting be retained to undertake a review of the architectural drawings for the Performing Arts Centre at an upset limit of \$25,000 (HST included) and a net project cost of \$22,513 (net of HST rebate) to be funded from account 2740.2392 and funded 100% from the Casino Reserve; and
 - c. That through a competitive process that the services of a project management firm be approved to undertake project management services for the City Centre Project for a period of 4 months at an upset limit of \$81,100 (HST included), and a net project cost of \$73,000 (net of HST rebate) and to be funded from account 2121.2392 and funded 100% from the casino reserve;
4. That appropriate City of Pickering officials be authorized to take the actions necessary to implement the recommendations in this Report.
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Executive Summary: As outlined in the 2021 Budget Report (FIN 05-21), there is a need for the City to develop a five year financial plan that considers both future operating and capital expenditures in relation to the Pickering City Centre Project. The financial plan will include the following projected elements:

- Pickering City Centre Capital Costs
- Pickering City Centre Operating Costs
- Pickering City Centre Revenue/Funding Opportunities
- 2021 Capital Budget
- 4 year Capital Forecast and Asset Management Plan
- City's debt capacity and Annual Repayment Limit (ARL)

This comprehensive approach to prepare a five year financial plan is intended to provide Council with all of the costs/revenues and other considerations associated with the Pickering City Centre project by Fall 2021 so they can make an informed decision to proceed with the Pickering City Centre design and other projects. To that end, several actions/activities are required to be initiated at this time by staff as they will take several months to complete.

These actions are listed within the recommendations section of this report and are divided between one-time and ongoing project costs. The one-time costs are more associated with providing the critical financial information that is required for the five year financial plan. Without this information, the financial plan may lead to the development of inaccurate recommendations. The ongoing project costs could be viewed from the perspective that these expenses are investments that are required to assist in developing the project and are also required for the five year financial plan. The recommendations identified in this report represent the investment required to enhance the financial clarity of the City Centre project and its link to the five year financial plan. For some of the ongoing costs, there is opportunity to use development charge funding to reduce taxpayer costs.

In any event, the implementation of these actions is necessary to inform the five year Financial Plan which will be presented to Council in Fall 2021. This plan or roadmap will be based on future capital and operating expenditures taking into consideration “best available information.” Assumptions will be clearly identified so that Council can understand how the assumptions were incorporated into the development of the financial plan. The recommendations of the five year financial plan will be based on the “financial numbers” of which the City Centre costing exercise will be critical. As such, these recommendations may range from maintaining the status quo (green light for all projects to proceed) to the partial short term or long term deferral of City capital projects. As is sometimes the case, capital projects are deferred (through the staff budget development exercise) due to either limited financial or staffing resources. For example, the Recreation Complex renovation was first discussed as part of the 2016 capital budget and was postponed and/or deferred until 2020 when the project could be accommodated in the City’s fiscal plan. In most cases, deferred capital projects are eventually submitted to Council for approval. At the current time, with the financial exercise in the preliminary stage, staff are not in a position to provide any estimates regarding future recommendations that will be presented to Council in the Fall 2021.

Financial Implications: A breakdown of the costs by either one-time or ongoing is presented below.

Recommendation Ref.		NET HST	Other	NET Taxpayer Cost
	One-Time Costs			
2a	Cost Estimating Stakeholder	41,620		\$41,620
2b	Consultation	22,513		22,513
2c	Sponsorship/Revenues	40,524	40,524	0
2d	Parking Study	45,027		45,027
2e	Financial Analysis	<u>40,524</u>	-	<u>40,524</u>
	Sub Total	\$190,208	<u>\$40,524</u>	\$109,160
	Ongoing Costs			
3a	Legal	\$228,960	\$150,697	\$78,263
3b	Performing Arts Consult.	22,513	22,513	0
3c	Construction/Mgmt. Services	<u>73,000</u>	<u>73,000</u>	<u>0</u>
	Sub Total	\$324,473	\$246,210	\$78,263
	Total	<u>\$514,681</u>	<u>\$286,734</u>	<u>\$187,423</u>
	Percentage Funding		<u>55.71%</u>	<u>44.29%</u>

Development charge funding is contributing approximately 65.8 per cent of the total legal cost. The development charge funding percentage is different for each major building. The project management services, performing arts centre design consulting costs and sponsorship consulting are funded 100 per cent from the casino reserve and therefore, zero cost to the taxpayer.

The 2019 Capital Budget included startup funding for the City Centre project in the amount of \$1.5 million account (5203.1902.6500). The 2021 opening balance for this capital account is \$473,507. Recommendations 2a, b, d and e are charging \$149,684 (net HST) to this Capital Budget account leaving a residual balance of \$323,823 for future expenditures. As shown above, non-taxpayer funded sources are funding almost 55.7 per cent of the gross expenditures requested in this report.

Discussion: The first step in the five year financial strategy is to update the City Centre project costs. The last update the City received for the City Centre project costs from the

development managers was fourth quarter 2019. Almost 20 months later, and taking into consideration the effects of the pandemic and its impact on construction costs (wood, concrete and steel), a revised and more detailed estimate is required to input into the financial plan and that in-turn will develop the corresponding strategy and Council report recommendations.

Cost Estimating Services for the Pickering City Centre Project – Recommendation 2a

The City released Request for Proposal No. RFP 2021-1 for the Cost Estimating Services for the Pickering City Centre Project on April 1, 2021 and this RFP closed on April 29, 2021. The cost consultant will provide a detailed Class C cost estimate for the construction of City facilities, Library, Seniors & Youth Centre, Performing Arts Centre, Relocation of Services and Public Realm improvements. This Class C cost estimate will be based on the design consultants current design development drawings that are 85 percent complete and the supplementary information provided in the RFP documents that identify the delineation of work. The Class C cost estimate submitted to staff will provide an independent construction cost estimate that will be incorporated into the City Centre financial impact Report to Council intended to submitted to Council in September 2021.

Request for Proposal No. RFP 2021-1 closed on April 29, 2021. Five consultants submitted proposals. The evaluation committee reviewed the submitted proposals and interviewed the three highest ranking submissions. After careful consideration of submissions staff are recommending award to the highest ranking proponent's submission, Turner & Townsend Canada Inc., in the sum of \$46,217 (HST included). The total net project cost is \$41,620 (net of HST rebate).

Hiring of architects-Alliance for services related to the City Centre Project - Recommendation 2b

A key component of the City Centre design development is community and stakeholder engagement. At this time, while still in the design development phase, it is critical that City staff initiate a comprehensive engagement exercise with applicable community and stakeholder groups (Seniors Club, Youth Council, Associations established and prospective Facility Users) and the broader resident population. This exercise will enable necessary revisions and adjustments before working drawings are prepared for tender – after which time, design changes can be cost prohibitive. The community and stakeholder engagement program is envisioned to take place during June and July 2021 through virtual meetings and community engagement digital platforms. Where appropriate, and being considerate of public health measures, some targeted in person consultation sessions may be hosted by the City. To support and facilitate the community and stakeholder engagement process, the participation of architects Alliance is required.

During the preparation of the cost estimate by Turner & Townsend Canada Inc. they will identify elements of the project that provide opportunities to consider alternate design, selection of material and systems that are more cost effective. A cost consultant's knowledge of current market costs allows them to benchmark the costs of major elements, shown on the current design development drawings, that should be referred back to the design teams for review. This process of value engineering requires the input of the design team and their sub-

consultants to review and confirm alternates that are acceptable to the original project design intent and the City. The cost consultant will be able to incorporate these value engineered revised elements in their final cost estimate report.

The participation of architects-Alliance is also required to support the review of the Enbridge “Savings by Design” program that is intended to result in future energy savings. The City enrolled this proposed development in the Enbridge Savings by Design program, in support of the Council approved 2019-2024 Corporate Energy Management Plan. The Enbridge Savings by Design program is an incentive program to encourage the design and construction of high-performance, energy efficient buildings that are at least 15 per cent better than the Ontario Building Code. This target aligns with the City’s Corporate Energy Management Plan. The value of this program is to identify and incorporate energy saving design strategies into the project and lower the operating costs of the facilities. Another benefit of this program is the ability for staff to leverage the best practices and knowledge gained from participation in this program to influence the design and construction of future facility and capital projects. Over 200 projects have successfully gone through this program and the City Centre initiative would be the first commercial project in Pickering to participate.

Engagement of Sponsorship Canada – Recommendation 2c

As noted previously, revenue from naming rights for Seniors & Youth Centre, Performing Arts Centre, and Library will be a critical factor in the five-year financial plan for the Pickering City Centre Project. Sponsorship Canada (division of REV XM) will complete a full valuation exercise for all three City Centre facilities, Piazza and Public Realm within the City Centre Project. All tangible and intangible variables, physicals, digital impression data, social and digital reach and paid PR value will be reviewed as part of the valuation exercise. Once completed, the final report will identify projected revenues through naming rights for each facility, which will be allocated towards construction costs, and future operating and maintenance expenses. The exercise will also review sponsorship opportunities for the future Animal Shelter, Pickering Heritage & Community Centre and the Seaton Recreation Complex.

Parking Strategy for the Pickering Civic Complex – Recommendation 2d

The Pickering City Centre Master Plan includes the development of the South Block which is located on the south side of The Esplanade South between Glenanna Road and Valley Farm Road. Currently the parking lot for the Pickering Civic Complex (staff and visitors) is on the western portion of these lands and will need to be replaced. A parking strategy is required to be prepared to inform the City on both the immediate (1 to 5 year) and short term (5 to 10 year) parking needs (supply and demand), and identify where the required parking supply will be provided. The parking strategy will look at both on-street parking (Glenanna Road, The Esplanade North, The Esplanade South, Valley Farm Road and Diefenbaker Court) and off-street parking (at the Chestnut Hills Development Recreation Complex and surrounding area). One of the outcomes of this study may be the need to provide additional parking to support visitors of the Pickering Civic Complex and this cost would then be reflected in the five year financial plan.

IBI Group has just completed the City's first Integrated Transportation Master Plan (ITMP) which included a City wide Parking Management Strategy as one of the background reports. It is recommended that City staff engage in conversations with IBI Group regarding Terms of Reference for a parking strategy for the Pickering Civic Complex, and agree to a work plan to complete the parking strategy, at a cost not to exceed \$50,000 (HST included).

Analysis & Financial Modelling & Development of Recommendations – Recommendation 2e

The five year financial plan is complicated due to the estimated high dollar level of the planned capital expenditures and the corresponding financing and debt strategies that will be required to support the capital and operating costs. Therefore, the financial plan must take into account or accurately measure the risks associated with the various options and scenarios explored in the development of the five year financial plan. By engaging Deloitte, the City is able to utilize their expertise for this financial exercise to ensure that the end result is both accurate and obtainable.

Acquisition of Legal Resources – Recommendation 3a

As Members of Council are aware, one of the buildings (Seniors & Youth Centre) will be jointly operated (to some degree) by the City and the Ontario Pension Board. As such, legal agreements must be prepared for the City Centre project. These agreements (Recommendation 3 a) will define who is responsible for the ongoing maintenance and future replacement of common operated facilities and/or common areas. These legal agreements will clearly define the financial responsibility for many facets of these buildings that in-turn produces accurate future operating cost estimates. The end result of this exercise will be a more accurate financial plan and should avoid unfavourable future surprises.

The law firm of Torys LLP has already provided guidance to the City in connection with the City Center project. Over the course of 2019 and 2020, Torys provided legal advice and document drafting services to the City in connection with: (a) the City Centre Memorandum of Understanding, (b) finalization of the Development Management Agreements with Cushman & Wakefield Asset Services ULC and twopoint0 partners inc., (c) review of the draft Construction Contract template and (d) review of the draft architect's Agreement. Below is a preliminary list of the main agreements required to define the City Centre project:

Library:

- Agreement of Purchase and Sale for Strata Parcel, City-OPB Realty Inc. ("OPB")
- Construction Contract, City-General Contractor ("GC")
- Operating and Cost Sharing Agreement, City-OPB
- Development Management Agreement, City-twopoint0

Seniors & Youth Centre:

- Agreement of Purchase and Sale for Strata Parcel, City-OPB
- Construction Contract, City-GC
- Operating and Cost Sharing Agreement, City-OPB
- Development Management Agreement, City-Cushman & Wakefield

Performing Arts Centre:

Agreement of Purchase and Sale for Strata Parcel, City-OPB
Construction Contract, City-GC
Operating and Cost Sharing Agreement, City-OPB
Development Management Agreement, City-twopoint0

Parking Structure/Piazza:

Long Term Lease, City-OPB
Cost Contribution Agreement, City-OPB
Development Management Agreement, OPB-Cushman & Wakefield
Operating and Cost Sharing Agreement, City-OPB
Parking Management Agreement, City-OPB

South Block Lands:

Agreement of Purchase and Sale, City-OPB

Torys' understanding and experience of the City Center project will enable it to efficiently advise the City as it proceeds to negotiate the various contracts required to define the project. This is needed for the Cost Consultant to identify and account for the project's capital and operating costs. The City Solicitor will coordinate the legal input into the finalization of the project contracts, and will act as liaison between the City and Torys. Most of Torys' services will be provided by Andy Gibbons and Rose Chen. Andy Gibbons has already worked on the City Centre, and both lawyers have capably represented the City in several complex real estate transactions in the Seaton Innovation Corridor. The estimated cost of retaining Torys LLP to render these services is \$225,000 plus applicable HST.

These agreements are specifically required at this stage of the project because the terms and conditions set out in these agreements inform the financial obligations of each party. This information is critical to complete the 5 year financial plan for Council's consideration in the Fall 2021.

Arts Centre Design Consultant – Recommendation 3b

The design for the Performing Arts Centre has been informed, to date, by the findings of the 2016 Webb Report (Business Case for an Arts Centre), site visits of municipal arts centres in Ontario, and the input of City staff as facilitated by architects Alliance and their sub-consultant Theatre Consultants Collaborative (who are subject matter experts). That said, City staff learned quite clearly from municipal colleagues operating arts centres that input from an Executive Director, Arts Centre during the design stage is key to ensure the facility functions optimally.

Consistent with this methodology, Report FIN 07-19 (Res. #116/19) dated July 22, 2019, Council approved staff's recommendation to proceed to lift the hold on the Executive Director, Arts Centre position. Funding for this position was reflected in the Council approved 2019 Current Budget. Accordingly, staff proceeded in late 2019/early 2020 with a public recruitment

process that was ultimately put on hold in April 2020 due to the pandemic (Report FIN 05-20, Res. #284/20).

At this time, in lieu of hiring an Executive Director, Arts Centre, it is critical that the support of a consultant experienced in the field of arts centre design, construction and operation be secured to provide input in the Performing Arts Centre design and participate in the community and stakeholder engagement of that design. To that end, Council's approval is being sought in this report to secure the consulting services of CAM Consulting at an upset limit of \$25,000. As part of this exercise, CAM Consulting will undertake a comprehensive review, assessment and gap analysis of the design for the Pickering Performing Arts Centre by reviewing the PAC architectural drawings within City Centre, consulting with the design committee and stakeholders and reviewing relevant documents (studies, reports, minutes) that helped inform the design.

Brian McCurdy is a partner in CAM Consulting assisting clients with performing arts facility planning and management, cultural planning and community engagement. Brian McCurdy has over 30 years' experience with building, opening and managing performing arts centres. This has included leading organizations through the facility planning and construction process, the development of business operating plans, overseeing capital fundraising campaigns, hiring staff, multi-year budget development, planning and programming performance seasons, building capacity of resident facility users, gala openings, and developing arts education programs.

McCurdy oversaw the development of the Performing Arts Centre, University of Lethbridge, a 4 theatre complex opened in 1980; Thunder Bay Community Auditorium, a 1500 seat performing arts centre, opened in 1985; and the Mondavi Center for the Performing Arts, University of California, Davis, a \$64 million performing arts center, including an 1800 and 200 seat theatres, that opened in 2002. McCurdy also oversaw the re-development of the historic Grand Theatre in Kingston Ontario, and re-opened it in the Spring of 2008 following a 3 year renovation. McCurdy retired in 2016 as Executive Director of the Burlington Performing Arts Centre, a 2 theatre complex opened in the fall of 2011.

McCurdy also served as the first Cultural Director for the City of Kingston and oversaw the development of the Cultural Services Department responsible for the management of the Grand Theatre, Pumphouse Museum, and the MacLachlan Woodworking Museum. He oversaw the City's first Municipal Culture Plan and Cultural Tourism Plan and the development of the Tett Centre for Creativity.

As a partner in CAM Consulting for the past five years, Brian's recent projects have included the Cultural Master Plan, Town of Canmore; Arts and Heritage Plan for the City of Edmonton; a Feasibility and Business Plan for Aurora Cultural Centre; a City of Ottawa Cultural Roadmap, Ottawa Cultural Alliance; and management services for the Burlington Performing Arts Centre. Brian also acted as the Programming consultant for University of Arizona (UA Presents); conducted a five year Five Year Strategic Plan, and a Ticketing and Customer Relationship Management Systems review, for Flato Markham Theatre. He continues to provide consulting services on policy development for the evolving role of Municipal Performing Arts Centres in their communities, for Ontario Presents.

Retaining of Project Management Firm – Recommendation 3c

In developing a five year financial strategy for the City Centre project, an experienced project management consulting company will play an integral role in not only representing the City’s best interest, but also working closely with the City’s Senior Management team to finalize the full project scope. The key tasks during this time include finalizing the City’s work plan, mapping out detailed roles/responsibilities and deliverables, resolving design gaps from 85 per cent design development drawings, review of evaluation of value engineering options, providing support for the development of operating cost including the identification of ongoing shared costs (delineation) and defining the required resources & timelines. As staff plan to deliver a five-year financial strategy to Council in the fall of 2021, it is critical for the City to retain a project management consulting company to complete outstanding works required in the next 4 months that can provide the appropriate financial input required for the five year financial strategy. City staff are recommending hiring a qualified and experienced consulting firm that can step into this specific role immediately.

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Recommended for the consideration
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