



CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Municipal Hall
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REQUEST FOR DECISION

DATE: August 26, 2020

Report No. P&R-20-004

TO: Laurie Hurst, Chief Administrative Officer

FROM: Scott Hartman, Director of Parks and Recreation Services

SUBJECT:

Contract Award: Construction Services for Esquimalt Gorge Park, McLoughlin Point Amenity Funds - Waterfront Parks Project

RECOMMENDATION:

That Council:

- a. award Knappett Construction Inc the contract for construction of the multi-purpose building project at Esquimalt Gorge Park and direct staff to finalize the construction contract details; and,
- b. direct staff to request approval from the Capital Regional District for the transfer of more than 20% of the funds from the McLoughlin Point Amenity - Recreation Improvements Reserve Fund to the McLoughlin Point Amenity - Waterfront Parks Reserve Fund that are required for the project; and,
- c. should the Capital Regional District not permit the transfer of more than 20% of the McLoughlin Point Amenity Funds, direct staff to transfer 20% of the funds from the Recreation Improvements Reserve Fund to the Waterfront Parks Reserve Fund (\$1,000,000) and enter into long-term borrowing for the remaining funds required for the project (\$1,909,437)
- d. direct staff to actively apply for and pursue any applicable grant funding opportunities in order to reduce the amount of funds necessary from long-term borrowing.

RELEVANT POLICY:

Financial Plan Bylaw 2020-2024 No. 2986
Purchasing and Disposal Bylaw, 2014, No. 2845

STRATEGIC RELEVANCE:

Healthy, Livable and Diverse Community
Support the arts, culture and heritage community
Enhance opportunities for Parks and Recreation
Fully utilize the McLoughlin Amenity Funds to maximum potential

BACKGROUND:

Based on Council direction from the December 16th 2019 meeting, the Township awarded the contract for Detailed Designs, Tender and Project Management Services for a multi-purpose building and a three-zoned fenced dog park at Esquimalt Gorge Park to Iredale Architecture.

At the March 2nd 2020 meeting, Council approved both the Development Permit and the Development Variance Permit for the multi-purpose building and site development at Esquimalt Gorge Park based on the design presented.

As a result of Council’s decisions, staff and the consultants at Iredale Architecture conducted a Request for Tender procurement process for construction services for the multi-purpose building and site development at Esquimalt Gorge Park. Due to design delays and challenges during the initial stages of the COVID-19 pandemic, the Township issued the Tender for the multi-purpose building without the three-zoned fenced dog park. The dog park project can be constructed with a separate contract at a future date.

ISSUES:

1. Rationale for Selected Option

A Request for Tender procurement process was completed for the construction of the multi-purpose building at Esquimalt Gorge Park based on the design approved for the Development Permit and Development Variance Permit. The following bids were received:

Knappett Projects Inc.	\$9,883,000
Dawson Wallace	\$10,471,000
Traggott Building Contractor	\$10,531,000
Kinetic Construction	\$10,590,475

There is currently \$7 million dollars allocated to waterfront park capital improvements in the McLoughlin Point Amenity - Waterfront Parks Reserve Fund.

The Iredale Architecture consultant team and Township staff have been working with Knappett representatives to identify potential scope and project changes in an effort to reduce the construction costs. As a result a revised contract tender price of \$8,809,890 has been submitted by Knappett.

The items identified for project cost reductions include: a simplified roof design; replacing the crawlspace with a slab on grade; removing the exterior security fencing; replacing the paving

stones with concrete in the parking lot and pond area; reducing the cash allowances for facility fixtures by identifying alternate materials; and, replacing areas of exterior siding with alternate materials.

Additionally, some project items were identified that could be owner supplied to reduce the contract price. This would allow the Township to seek alternative sources of funding including grants and donations for items such as: site furnishings (bike racks, trash receptacles, benches); Japanese cherry trees; solar panels; HVAC control systems; and security cameras.

As a result of the revised tender price and updated expenses, the total proposed project budget for the multi-purpose building and surrounding landscaping is as follows:

Revised stipulated contract price	\$8,809,890
Owner supplied utility connections (hydro, sewer, water, cable)	\$130,000
Project construction contingency (approximately 4%)	\$352,000
Updated project consultant fees (architecture and engineering)	\$368,530
Owner supplied items:	
Site furnishings, solar panels, audio, security cameras, trees	\$187,900
Initial Stantec Concepts & Public Engagement (Fall 2019)	\$61,117
Total Project Budget	\$9,909,437

2. Organizational Implications

This project has been incorporated into existing staff work plans.

The \$7 million dollars allocated to waterfront park capital improvements must be committed and construction underway by the time the Waste Water Treatment Plant is operational. The current estimated timeline is December 2020.

3. Financial Implications

There is currently \$7 million dollars assigned in the McLoughlin Point Amenity - Waterfront Parks Reserve Fund for waterfront park improvements. During the recent Request for Tender procurement process and subsequent value engineering discussions with Knappett Projects Inc., the total project budget of constructing the multi-purpose building and site development at Esquimalt Gorge Park is identified at \$9,909,437:

Total project budget	\$9,909,437
Current funds assigned	\$7,000,000
Project funding shortfall	(\$2,909,437)

Should Council consider borrowing for the project funding shortfall, staff suggests that long-term debt servicing of ten to thirty years is preferred over short-term borrowing as the short term borrowing has a greater impact on our liability servicing for the future Public Safety Building project. Any funds borrowed would not be required until later in 2021 and should Council decide on this option, staff would prepare a separate report with financing options at that time.

Funding alternatives for project shortfall:

Option #1

Transfer more than 20% of the assigned funds from the McLoughlin Point Amenity - Recreation Improvements Reserve Fund. Currently there is \$5 million assigned to the McLoughlin Point Amenity - Recreation Improvements Reserve Fund. This option would require formal approval from the Capital Regional District.

This would allow the Township to fund this project with existing amenity reserve funds and not require debt servicing. The remaining funds could be reallocated to either the Public Safety Building project or to future enhancement projects for recreation improvements. There is no guarantee that this request to transfer funds would be approved by the Capital Regional District.

Option #2

Transfer 20% (\$1 million of the \$5 million funds available) of the assigned funds from the McLoughlin Point Amenity - Recreation Improvements Reserve Fund. The current agreement with the Capital Regional District permits the Township to move up to 20% of the funds between the three reserve funds: Waterfront Parks Reserve Fund; Recreation Improvement Reserve Fund; and the Public Safety Facilities Reserve Fund.

The remaining amount of \$1,909,437 would be funded through long-term borrowing with a repayment term of ten years or more. This is to minimize the impact to the Capital Project Reserve Fund and minimize the impact to the Township's potential future borrowing plans for the Public Safety Building.

Option #3

Council could choose to enter into long-term borrowing for the full remaining shortfall amount required for the project. This would allow Council to continue to explore project options for the \$5 million assigned to recreation capital improvements within the downtown area. However, this would also have a greater impact on the liability servicing for future debt and the balance of the Capital Project Reserve Fund for future capital projects.

Option #4

Seek grant funding opportunities. Currently two Canada-British Columbia Investing in Canada Infrastructure Program grant funding opportunities are available: (1) Community, Culture, and Recreation; and, (2) CleanBC Communities Fund - Green Infrastructure - Climate Change Mitigation Sub-Stream.

The Community Recreation submission deadline is October 1st and the CleanBC Community Fund deadline is November 12th. This option may cause further delays and increased costs in the project as contract award as one of the current conditions is that construction activities cannot begin until grant approval is obtained. Should Council choose to rely on either of these grant funding options, an extension of the December 2020 contract deadline with the Capital Regional District would be necessary. While this project meets the funding eligibility, there is no guarantee that this project will receive grant funding. In addition, funding from community and private donations may assist with funding for site furnishings, however, these funds cannot be guaranteed

at this time.

In any event, these grant funding opportunities should be pursued and applied for as current conditions may change or there may be lack of applicable projects. This is not an actual stand alone option and grant applications should be undertaken as part of any funding alternative that is approved.

Option #5

Council could choose not to award the construction contract and direct staff to substantially change the design and scope of the current project. Council would need to seek a funding extension from the Capital Regional District for the December 2020 contract deadline as required in the Host Community 5-Year Agreement.

4. Sustainability & Environmental Implications

Construction designs have been refined and include components that will minimize environmental impacts and maximize opportunities for environmental initiatives and stewardship.

5. Communication & Engagement

A multi-phased engagement process that started in 2018 has been undertaken by the Township to inform the use of the McLoughlin Point Amenity Funds.

ALTERNATIVES:

(1) That Council:

- a. award Knappett Construction Inc the contract for construction of the multi-purpose building project at Esquimalt Gorge Park and direct staff to finalize the construction contract details; and,
- b. direct staff to request approval from the Capital Regional District for the transfer of more than 20% of the funds from the McLoughlin Point Amenity - Recreation Improvements Reserve Fund to the McLoughlin Point Amenity - Waterfront Parks Reserve Fund that are required for the project; and,
- c. should the Capital Regional District not permit the transfer of more than 20% of the McLoughlin Point Amenity Funds, direct staff to transfer 20% of the funds from the Recreation Improvements Reserve Fund to the Waterfront Parks Reserve Fund (\$1,000,000) and enter into long-term borrowing for the remaining funds required for the project (\$1,909,437)
- d. direct staff to actively apply for and pursue any applicable grant funding opportunities in order to reduce the amount of funds necessary from long-term borrowing.

(2) That Council:

- a. award Knappett Construction Ltd the contract for construction of the multi-purpose building project at Esquimalt Gorge Park and direct staff to finalize the construction contract details; and,
- b. direct staff to transfer 20% (\$1 million) of the funds from the McLoughlin Point Amenity Funds Recreation Improvements Reserve to the Waterfront Parks Project Reserve and utilize long-term borrowing for the remaining funds required for the project.

(3) That Council:

- a. delay issuing the contract award; and

- b. direct staff to submit a grant application for the multi-purpose building project at Esquimalt Gorge Park to the Canada-British Columbia Investing in Canada Infrastructure Program for Community, Culture, and Recreation and to the CleanBC Communities Fund program; and,
- c. direct staff to request a deadline extension from the Capital Regional District until June 2021 as required in the Host Community 5-Year Agreement.

(4) That Council:

- a. direct staff to cancel the tender and not award the construction contract; and,
- b. provide staff with alternate direction for the allocation of the McLoughlin Point Amenity Fund Waterfront Parks Project.