



**SUBJECT: Tender Award – EICS 22-35 Skyway Community Centre**  
**TO: Mayor and Members of Council**  
**FROM: Environment, Infrastructure and Community Services**

Report Number: EICS-15-22

Wards Affected: All

File Numbers: 175-07

Date to Committee: August 4, 2022

Date to Council: August 4, 2022

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**Recommendation:**

Award the Request for Tender (RFT) EICS-22-35 for Skyway Community Centre to Norlon Builders London Limited for \$37,021,769.55 including H.S.T. (13%) and provisional item(s);

Authorize the Manager of Procurement Services to issue an internal purchase order to the bidder named above;

Approve the revised total budget of \$39,433,100 (Net H.S.T.) with revised financing proposed as recommended in the report EICS-15-22;

Authorize the additional funding of \$2,000,000 from Tax Supported Debt, \$403,000 from the Corporate Accessibility Implementation Project (BD0058) and \$4,710,100 from the infrastructure renewal reserve fund;

Authorize the City Clerk to prepare the debenture and by-law;

Authorize the Mayor and City Clerk to sign any required agreements, subject to the City Solicitor as to form.

**PURPOSE:**

**Vision to Focus Alignment:**

- Support sustainable infrastructure and a resilient environment
  - Building more citizen engagement, community health and culture
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## Executive Summary:

The existing Skyway Arena is a 22,000 square foot building originally constructed in 1974. Previous staff reports have demonstrated the demand for ice and the community interest in a multipurpose recreational facility in the south east of Burlington. Council choose to proceed with an enhanced design of Skyway Arena which included an NHL size rink, six (6) dressing rooms, cold and warm viewing areas and two (2) community rooms with a walking track and to be designed and built to be a low carbon facility.

The building permit has been approved and project is scheduled to commence October 1, 2022, provided Council approve the revised project budget and overall financing proposal presented within EICS-15-22.

The Skyway Community Centre project received three compliant bids. The lowest compliant bid creates a funding shortfall of \$7.11 million compared to the total project budget that was approved in April 2022 (EICS-03-22) of \$32.3 million. As per the Financial Matters section of this report staff are recommending that the additional amount of funding be provided from tax supported debt of \$2 million, \$4.7 million from the City's infrastructure renewal reserve fund and \$0.4 million from capital order BD0058, Corporate Accessibility Implementation Project.

## Background and Discussion:

The table below shows the change to the Total Project Cost over the last three years. The lowest compliant bid has resulted in an increased construction cost to \$36.7 million, including softs costs, and project contingency, the new total project cost is estimated at \$39.4 million (including the parks revitalization component). This is an increase of 22% from the Class A, most recently completed in March 2022 or \$7.1 million.

| Description  | Class A-2020 | Class A – Oct.'21 | Class A – March' 22 | Tender – July '22 |
|--|--------------|-------------------|---------------------|-------------------|
| <b>Construction Cost</b>   | \$20.2 M     | \$23.0 M          | \$29.5 M            | \$36.7 M          |
| <b>Total Project Cost</b><br>(including design fees, park component) | \$25.1 M     | \$28.5 M          | \$32.3 M            | \$39.4 M          |

## Strategy/process

The original prequalification for General Contractor (GC) as well as short list of mechanical and electrical, and landscape subtrades did not result with any qualified GC's this was subsequently reissued with reduced qualifications. As a result of this process submissions were evaluated and five (5) prequalified GC's were shortlisted.

Three (3) of the five (5) Prequalified GC's submitted pricing at time of tender as noted in Appendix A.

The number of firms submitting is a direct reflection of the current construction market and the lack of industry capacity. It is important to note, that the cost of this project is impacted by uncontrollable variables such as pandemic related pauses/ delays, strikes, supply chain issues, shipment delays and weather, etc. over the past two years in addition to more recent inflationary pressures as detailed in report EICS-03-22.

### **Options Considered**

The Tender was released for a CCDC- 2 contract. No optional pricing options were included as this building is near carbon neutral design and operation and does not lend itself to be fragmented into sections or phases.

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### **Financial Matters:**

**Revised (Tender) Project Cost:** The tender results are provided in Appendix A. The recent cost update has resulted in a revised contracted construction cost of \$32.3 million (excluding HST and contingency), including the parks revitalization component. Additional expenses for HST, soft costs and project contingency bring the total project cost estimate to \$39.4 million.

**Senior Government Funding:** In July 2021, the City made an application to the Green and Inclusive Community Buildings Program (GIBC) for \$13,019,500. The City was not successful in their application to the GIBC program. The City continues to monitor Senior Government grant programs to support this project. Unfortunately, no new government funding programs to which this project would qualify have been offered since the application was made to the GIBC program.

**Ice Users Group:** In 2021, staff approached the Ice User groups to mitigate the project increases and to help fund this project. Given the current financial constraints the user groups are experiencing as a result of COVID, it is not currently feasible for the Ice Users to add to their current financial obligations with the City.

### **Prior Approved Funding:**

To date \$32.3 million of City funding has been approved towards the Skyway Community Center and associated park renewal. The most recent funding approved occurred through report EICS-03-22, in the amount of \$20.2 million.

**Project Shortfall:** Based on the City’s prior approved funding to date (\$32,320,000), and the revised total project cost at tender (\$39,433,100), the project shortfall is \$7,113,100.

**Revised Financing Proposal:**

|  |                     |
|--|---------------------|
| <b>Total Project Cost:</b><br>(including design, contingency, and parks component) | <b>\$39,433,100</b> |
| Less: Prior Approved Funding   | (\$32,320,000)      |
| <b>Funding Shortfall:</b>  | <b>\$7,113,100</b>  |
| <b>Financing Proposal:</b>   |                     |
| Tax Supported Debt   | \$2,000,000         |
| Infrastructure Renewal Reserve Fund  | \$4,710,100         |
| Re-budget: Corporate Accessibility (BD0058)  | \$403,000           |
| <b>Total Revised Financing Proposal</b>  | <b>\$7,113,100</b>  |

**Total Financial Impact**

The total budget approved amount is \$32,320,000. The total cost for this project at tender award is \$39,433,100 leaving a project shortfall of \$7,113,100. As mentioned earlier in this report, COVID, strikes, material and labour shortage and shipment delays have all impacted this overage.

There continues to be extreme cost increases in materials and supply chain issues that are causing extreme delays in some deliveries and contractors in some instances are having to secure goods that can be available, sometimes at a premium. With the extent of projects on the market at the moment, contractors may be more selective.

It appears that the market pressures affected by material price increases, general contractor and sub-contractor capacity, labour shortage are resulting in additional risk being included in bids received.

One of the biggest factors is that the construction market is looking to remain busy for the foreseeable future (5+ years) with lots of federal work being pushed out, housing demand, and other private developments which all make labour and materials in

demand and ultimately prices high. It is the Quantity Surveyors opinion that we will not see any significant price drops over the next year or two.

Staff have recommended the above revised financing proposal to continue the work initiated for the Skyway Community Center. Staff recommend the City use tax supported debt of \$2 million. This will have an impact on the City's debt capacity and debt charges budget which is discussed further below. The proposal further recommends re-purposing the existing approved City funding for the Corporate Accessibility Implementation Project because of the additional accessibility upgrades associated with this new facility. Lastly, the City is drawing a significant amount of funding from the infrastructure renewal reserve fund to cover the remainder of the shortfall.

### **Infrastructure Renewal Reserve Fund**

The uncommitted reserve fund balance as of March 2022, for the infrastructure renewal reserve fund prior to the recommended draw is \$11.1 million. Should Council approve proceeding with the Skyway Community Center the balance in the reserve fund will reduce to \$6.4 million. The City relies on the infrastructure renewal reserve fund as a primary component to fund the renewal of the City's \$5.2 billion of assets. A draw of this magnitude will impact the sustainability of this funding source and the asset management financing plan going forward.

**Tax Supported Debt Charges:** Based on the proposed financing for the Skyway Community Center above, it is projected that our debt capacity limit will be approximately 11%. The City's tax supported debt is paid through the City's operating budget, the 2022 budget for debt charges is \$8.5 million. The proposed financing recommendation for the Skyway community center of an additional \$2 million in tax supported debt (15 years, 4.5%) will result in additional debt charges of \$190,000 annually. This is incremental to the debt charges for the \$13 million in tax supported debt approved for this project through report EICS-03-22 (April 2022). The revised impact to debt charges as a result of an unbudgeted increase to the city's tax supported debt of \$15 million is \$1.4 million or 0.74% tax rate impact.

The interest rate environment is showing signs of flux, and yields are already increasing. These increases make the use of debt more expensive, increasing the annual debt repayment. When we issue tax supported debt financing any material difference in the rate at the time of issuance than what is projected above may impact the annual debt repayment and corresponding tax rate impact.

The City is approaching its debt limit of 12.5%, and the approval of the Skyway community center should be done in consideration of other large community investments the City has on the horizon in which debt financing will likely be utilized.

### Other Resource Impacts

Facilities and Buildings are working with RPF and Forestry staff to ensure a smooth transition and relocation occurs to Hydro property.

### Impact to Multi-year Budget Simulation

The multi-year budget simulation (Appendix A of F-25-22) assumed operating impacts of \$1,575,000 (tax impact of 0.84%) as it relates to Skyway Community Center. The revised operating budget impacts is now estimated at \$1,875,000 (tax impact of 0.98%). The increase is attributable to the additional debt requirement to fund the project shortfall.

| Item  | Incremental Budget Impact | Tax Impact (%) |
|---|---------------------------|----------------|
| Human Resources                                       | \$295,000                 | 0.14%          |
| Operating Materials, Supplies, and Purchased Services | \$280,000                 | 0.13%          |
| Program and Rental Revenues                           | (\$100,000)               | (0.03)%        |
| Tax Supported Debt Charges                            | \$1,400,000               | 0.74%          |
| <b>Total Net Operating Impact</b>                     | <b>\$1,875,000</b>        | <b>0.98%</b>   |

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### Climate Implications

Staff have worked with the design team to reduce the emissions produced by the facility to align with both the Climate Emergency Declaration and the Corporate Energy and Emissions Management Plan. The design also incorporates improved accessibility and inclusivity to align with the needs of our community.

The following table provides the change to the GHG (T) Annual Emissions as a result of the revitalization to the Skyway Community Centre. This is obtained in the current energy modeling based on the same operating hours as previously held at Skyway Arena, square footage and HVAC selection.

| Description | Annual GHG (T) | Mechanical and Electrical |
|-------------|----------------|---------------------------|
|-------------|----------------|---------------------------|

|                             |      |  |
|-----------------------------|------|--|
| 2016 Standard Arena Design  | 196  | Standard gas operated mechanical system and electricity – no longer sufficient even though it is cost-effective as gas is economical for heating, but emissions are greater. |
| New Skyway Community Centre | 23** | Geothermal Electrical<br><i>** this can be further reduced to 16 GHG (T) if solar is implemented in the future</i>   |

### **Engagement Matters:**

Not applicable.

### **Conclusion:**

Staff recommend that the RFT be awarded to Norlon Builders London Limited in the amount of \$37,021,769.55 including H.S.T for the construction of the New Skyway Community Centre and Park. This project incorporates significant service enhancements as requested by the community during the public engagement process. Access to ice and floor sports as well as indoor community rooms and walking track facilities will be critical to serve this area of the City and support its residents.

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Respectfully submitted,

Jennifer Johnson,  
Senior Project Manager  
Facilities and Buildings

### **Appendices:**

- A. Procurement Information
- B. Financial Budget

### **Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.

## Appendix A – Procurement Information

### Details

|                          |  |
|--------------------------|--|
| Advertised / Issue Date: | XX   |
| Advertised Methods(s):   | <input type="checkbox"/> OPBA <input checked="" type="checkbox"/> Biddingo <input type="checkbox"/> Construction Association<br><input type="checkbox"/> Other (specify) |
| Closing Date:            | July 27, 2022  |



|                                 |   |
|---------------------------------|---|
| Number of Bids Received:        | 3 |
| Total Number of Compliant bids: | 3 |

**Bid Results**

The contract is awarded to the lowest compliant bidder. Provisional Pricing not included in bid total.

| No. | Name of Company                       | Total Bid Including 13% HST |
|-----|---------------------------------------|-----------------------------|
| 1   | <b>Norlon Builders London Limited</b> | <b>\$37,021,769.55</b>      |
| 2   | Atlas Construction Inc.               | \$40,181,105.00             |
| 3   | Maystar General Contractors Inc.      | \$42,130,949.38             |

**Appendix B – 2022 Budget for Skyway Community Centre**

|  | <b>PROJECT April 2022<br/>Budget</b> | <b>PROJECT Tender<br/>BUDGET 2022</b> |
|--|--------------------------------------|---------------------------------------|
| <b>CONTRACTED CONSTRUCTION</b>   |                                      |                                       |
| Contracted Construction  | \$ 24,155,300                        | \$ 32,292,600                         |
| Allowances (warm viewing benches,<br>site furnishings, new Hydro<br>transformer, PA, IT/data, and<br>security) | \$ 1,075,000                         | \$ 470,000                            |
| HST (1.76%)  | \$ 444,053                           | \$ 576,600                            |
| <b>Subtotal Contracted Construction (Net<br/>HST)</b>  | <b>\$ 25,674,353</b>                 | <b>\$ 33,339,200</b>                  |
| Construction Contingency<br>(10% for tender budget)  | \$ 3,750,000                         | 3,333,900                             |
| <b>Total Contracted Construction</b>   | <b>\$ 29,460,000</b>                 | <b>\$ 36,673,100</b>                  |
| <b>INTERNAL COSTS</b>  |                                      |                                       |
| Capital Works Project Management<br>(2%)   | \$ 800,000                           | 800,000                               |
| Site Plan & Building Permit, etc   | 180,000                              | 180,000                               |
| FF&E   | \$ 500,000                           | 400,000                               |
| <b>Total Internal Costs</b>  | <b>\$ 1,480,000</b>                  | <b>\$ 1,380,000</b>                   |
| <b>EXTERNAL COSTS</b>  |                                      |                                       |
| Consulting Fees (includes<br>Commissioning)  | \$ 1,100,00                          | 1,100,000                             |
| Geotechnical, Inspections & Testing  | \$ 130,000                           | 130,000                               |
| Public Art   | 150,000                              | 150,000                               |
| <b>Total External Costs</b>  | <b>\$ 1,380,000</b>                  | <b>\$ 1,380,000</b>                   |
| <b>TOTAL PROJECT COSTS (ROUNDED)</b>   | <b>\$ 32,320,000</b>                 | <b>\$ 39,433,100</b>                  |