



REQUEST FOR DECISION

Report Date: April 15, 2020

Contact: Administration

Agenda Item Number:

Meeting Date: April 15, 2020

TO: Town Council

FROM: Administration

SUBJECT: Strathmore Municipal Building Update

RECOMMENDATION: That Council accept this report for information.

The new Town Hall, Kinsmen site renovations and Strathmore Commons projects were intended to be the culmination of five years of a downtown and community revitalization. This report is intended to provide a summary of facts for potential release to the public. The project goals were to build a new Town Hall to replace an ailing municipal building, portables and two rental buildings, to bring an influx of staff and customers into downtown, and to beautify and connect the local parks and pathways system.

In the Fall budget approval of 2018 Strathmore Town Council made the decision to authorize the construction of a new Town Hall and associated projects on the west side of the Kinsman Park parking lot, adjacent to Lakeside and Parklane Boulevards.

In early 2019, based on public consultation and some cost assessments, Council made the decision to relocate the proposed site to the east side of Kinsmen Park parking lot. The initial proposed project for a building as at August 2018 on the west side of Kinsmen Parking Lot was estimated at \$7.5 million by Gibbs Gage, inclusive of consulting and exclusive of site works and other park upgrades. A small furniture, fittings and equipment (FF&E) budget was considered albeit not fully developed. In addition, the Municipal Building was contemplated as being integrated into a larger North Kinsman Renovation project as part of the Strathmore Commons. This created another project.

On May 8, 2019, a consultant, Tech Cost, sent the Town a cost estimate for the Building cost of \$13,067,000 and 30,892 sq.ft. which included a 6,350 sq.ft. basement. This cost estimate was not shared with Council or key senior administration. A Construction Management (CM) was awarded May 31, 2019, to PCL. The pre-construction services to be provided by PCL included:

- Prepare a Class C Construction Cost Estimate at the end of the Schematic Design Phase.
- Advise the Town if it appears that the construction cost estimate may exceed the project budget, and make recommendations for corrective action.

Then in July 2019, \$3.9 million dollars was approved towards two projects: a) site remediation and infrastructure renewal; and b) the Strathmore Commons long term parks program. Council felt strongly about not only making infrastructure improvements but clean up the environmental damage of over 100 years of commercial/industrial development. This environmental remediation was a necessary project which further improved water quality and fish habitat in Kinsmen Lake. Also included are the Devonian Garden, boulevards, site works, infrastructure, parking lots and site enhancements; The original budget contemplated \$800,000 to be allocated for park enhancements such as a portion going toward the new pedestrian bridge crossing at Gray's Park over the canal.

In June of 2019 PCL advised the Town's project manager that the initial building concept alone would likely cost between \$12 million and \$13 million. As a result, the Town, Architect and PCL determined a number of cost saving measures aimed at reducing the project costs. Based on the amended scope, on August 8, 2019 PCL sent a letter to the Town's Project Manager with PCL's budgetary pricing of \$12,267,937, follows:

- Site utilities and improvements: \$3,739,648
- Building construction: \$8,476,432

This budgetary pricing did not include soft costs or FF&E. The estimate was based on a building area of 22,055 sq.ft. On the same date PCL also sent the Town a letter with additional proposed scope changes "to reduce overall construction costs to align with anticipated project funding". Then a Value Engineering (VE) process took place with the SMB team working to further reduce costs. Council and key senior administration were not kept informed by the project sponsor.

During that next VE phase further discussions between the then SMB Team and PCL took place. It became apparent that the costs of a building would again exceed the proposed budget of \$7,500,000. There were also significant costs to servicing and site preparation, as well as site remediation and unknown underground utilities. Finally, anticipated cost savings due to competitive pricing in a down market did not materialize. As a result, the project continued to face significant cost pressures on the \$800,000 allocated to the Commons. Again, Council and key senior administration were not kept informed of the VE impacts on the projects by the project sponsor.

These alterations to the building scope and scale generated significant increases to "soft costs", for redesign, architects, and re-engineering. The original soft costs estimates had been moved by previous project management leadership out of the building budget unbeknownst to Council and key senior administration. Additionally, some temporary contract staff were added to support the project some of whose costs had not been factored in for these individuals. In other cases, such as communications, the consultancy ended and a different person joined under a term contract to gain more value at the same cost. All soft costs are at a proposed budget cap of \$1,500,000.

In the 2020 Capital Budget, Council was requested to allocate \$850,000 for FF&E. Due to a reduction in building size it is not practical to re-use existing furniture as the layout does not accommodate these workstations efficiently. Staff are looking to reduce the spend on FF&E by looking for mildly used furniture in vacant office space out of Calgary.

Additional funding is now required to complete the project; albeit removal of some of the Strathmore Commons Park enhancements could be used to reduce the budget shortfalls. This measure is not being recommended.

In early 2020, Council and key senior administration were apprised of issues facing all projects. In February senior administration and consultants notified Council of budget overruns that were found in the initial project review. Council made swift and decisive decisions with the recommendations and supported change in project leadership personnel. With a refresh of the project team, the addition of a major projects office and Council Committee of the Whole on oversight Council is now taking a much more direct, “hands on” approach. This includes unfiltered disclosures of all aspects of the project progress to both Council and the public. Council has also directed staff to bring forward a revised financial plan that would complete all outstanding projects to fruition.

Funding the Projects:

No property tax funding is being recommended going forward whatsoever to support these projects. Rather, it is recommended that additional funding of \$2.335 million (\$1.5 million in soft costs, \$400,000 in increased building costs, and \$435,000 “contingency” for potential unknowns), be funded by Council authorizing an advance on future year’s Provincial Municipal Sustainability Initiative (MSI) funding. The MSI funding is a guaranteed provincial funding source provided to municipalities.

The Town would take an advance against future MSI grants, payable in 2021, 2022 and possibly 2023. This is a prudent and low-cost way to fund the project that would not impact taxes and align with Council’s Long-Term Financial Plan.

If the entire amounts are not required, Council has the discretion to make the decision either to cancel or to reallocate the remaining funding.

The following are four tables that outline funding for the three projects: Municipal Building, Infrastructure Improvements and Environmental Rehabilitation as well as a long-term park enhancement program - the Strathmore Commons. A cost breakdown for each of the projects as follows:

Municipal Building

	Spent to date	Remaining Costs	Total Expense
Building	\$2,560,000	\$5,340,000	\$7,900,000

Infrastructure Improvements and Environmental Rehabilitation

	Spent to date	Remaining Costs	Total Expense
Site Servicing and Rehabilitation	\$2,710,000		\$2,710,000

Strathmore Commons and NE Kinsmen Improvement

	Spent to date	Remaining Costs	Total Expense
Commons and NE Kinsmen Improvements	\$250,000	\$1,275,000	\$1,525,000

Furniture, Fitting & Equipment and Soft Costs

Furniture, Fitting and Equipment includes non-fixed parts of the building, such as cubicles, workstations, seating and kitchen equipment. Soft costs include architectural costs, engineering design costs, community consultation costs and other costs for non-physically tangible aspects of the project.

	Spent to date	Remaining Costs	Total Expense
Furniture, Fitting and Equipment		\$850,000	\$850,000
Soft Costs	\$1,054,000	\$430,000	\$1,484,000

Next Steps:

The Project Team is committed to further transparency and full disclosure to Council and the public. As the project moves through next steps, including updates at all Council meetings, there shall be time for Council to make key decisions as well as continue to receive constant updates on costs and expenditures. A key decision was made at the April 15th Regular Council meeting to give local contractors the opportunity to repurpose the space currently designated as CRU.

Staff propose that the next series of updates, in May, focus on a full update and discussion of site costs to date, upcoming costs, and the beginnings of a full and proper engagement on future projects at Kinsmen Park and the Commons parks projects. This could include perhaps a citizen engagement on low cost, small park amenities which engage and support Council's vision (e.g., stationary outdoor gym equipment, paths or community gardens). In addition, initiatives could be funded, for example, by a mix of senior government grants and sponsorship. With Council's support, these fully public discussions would begin at the May Committee of the Whole.

REVIEWED & APPROVED BY TOWN ADMINISTRATION