

DATE: July 20, 2018

FILE: 0890-20/Integrated Admin Bldg

TO: Chair and Directors
Committee of the Whole

FROM: Marc Rutten
Acting Chief Administrative Officer

Supported by Marc Rutten
Acting Chief Administrative
Officer

M Rutten

RE: Comox Valley Regional Office Building Contract Award

Purpose

The purpose of this report is to consider award of contract for the construction of the Comox Valley Regional Office building.

Recommendation from the Acting Chief Administrative Officer:

THAT as a result of a competitive process, the contract for construction of the Comox Valley Regional Office Building project be awarded to Knappett Projects Inc. in an amount not to exceed \$10,352,514 exclusive of GST.

Executive Summary

The corporate offices are an extremely important aspect of Comox Valley Regional District (CVRD) operations as the centre of activity for governance in the region with meeting facilities for the Board, its committees, commissions and the greater Comox Strathcona Regional Hospital District (CSRHD) and Comox Strathcona Waste Management (CSWM) service. It houses key assets including information technology infrastructure, fleet vehicles and corporate records. As the central office for staff it is a critical aspect of providing ongoing reliable services to stakeholders and the public.

The CVRD leases office space, at a current annual lease cost of approximately \$330,000. The construction of a regional office building is included in the Board's strategic priorities chart as a "Now" priority. CVRD has collaborated with the City of Courtenay and School District 71 to purchase property and include space sharing synergies in the design of a new office building.

- The construction of a CVRD owned office located outside of the floodplain will provide a significant improvement to CVRD operations and also addresses lease cost and lease term risks associated with a leased premise.
- An Invitation to Tender (ITT) for construction of the Comox Valley Regional Office building was released on May 26, 2018. At the close of the ITT on July 4, 2018 five tenders were received with the lowest compliant bid at a value of \$10,693,000 excluding GST.
- In order to reduce projects costs the design team worked with the low bidder to find cost savings of \$340,486. An updated contract price of \$10,352,514 has been received from Knappett Projects Inc.
- The borrowing requirement of \$8.2 million from the adopted financial strategy remains unchanged and will be funded by the existing annual lease costs and reserve contribution (total \$505,000).

- The result of these negotiations and follow up financial analysis is that CVRD are now in a position to award a contract for construction of the Comox Valley Regional Office Building project.

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Background/Current Situation

An ITT was released on May 26, 2018 for the construction of a new permanent CVRD office building. At the close of the ITT on July 4, 2018 five tenders were received with the lowest compliant bid at a value of \$10,693,000 excluding GST. The full tender results and additional financial analysis were provided at the July 10, 2018 Committee of the Whole meeting. At that time, the low bid, when combined with the other project costs exceeded the overall project funding. Subsequently, the design team initiated negotiations with the low bidder, Knappett Projects Inc., to identify further opportunities to reduce the project costs. The negotiation was conducted solely with the low bidder in line with industry standards. In addition, CVRD staff reviewed other financial strategies to increase the funding for the project as well as reduce the project soft costs.

In discussion with Knappett Projects, the design team found cost savings of \$340,486. These savings are due to design changes such as using alternative materials and systems with equivalent function (e.g. cladding, lighting) and reductions in scope of the project that are not critical to operations (e.g. balcony, bike lanes). Savings were also found from removing aspects of the project that could be added in at a later date (e.g. folding partition in boardroom, security cameras) pending funding availability. Based on these design changes, a post tender addendum was issued to Knappett Projects Inc. who have responded with a reduced bid amount of \$10,352,514.

Staff have also developed an updated financing strategy and have identified that along with delaying certain project costs, including the design changes identified above, CVRD can defer entering into long term debt for up to five years, thus allowing CVRD to make additional reserve contributions to fund construction during the interim financing period. Further, the contingency has been adjusted and is well within industry standards.

The result of these negotiations and follow up financial analysis is that CVRD is now in a position to award a contract for construction of the Comox Valley Regional Office Building project.

Policy Analysis

At their November 29, 2016 meeting the Board carried the following motions:

THAT the financial strategy for the construction of the Comox Valley civic centre-regional office building project utilize the existing lease payment amounts and existing annual reserve contribution towards the funding of the project long-term debt costs;

AND FURTHER THAT the long-term debt costs and borrowing terms be finalized upon receipt of Class C cost estimates;

AND FURTHER THAT the financial strategy be implemented through the establishment of a general administration function specific for the purpose of constructing, managing and operating a Comox Valley civic centre-regional office building;

AND FINALLY THAT an alternate approval process be conducted with respect to the establishment of a service for the Comox Valley civic centre-regional office building and required loan authorization bylaw.

At their May 30, 2017 meeting the Board carried the following motions:

THAT the Board support the schematic design, as included in Appendix B of the staff report dated May 24, 2017, to proceed to the public engagement and detailed design development process;

AND FURTHER THAT the Board send a letter to the City of Courtenay Council requesting their design feedback regarding potential interest in a shared Board room/council chambers and Emergency Operations Centre by the end of June 2017;

AND FURTHER THAT the Board send a letter to the School District 71 Board, providing an update on the current design timeline and seeking their confirmation by the end of June 2017, as to whether they are interested in pursuing the development of administration space for the School District at this time in the Comox Valley Civic Centre;

AND FURTHER THAT the long-term debt costs and borrowing terms be based upon the Class D cost estimate;

AND FINALLY THAT \$1,500,000 in Community Works Funds be committed to the Comox Valley civic centre project to be funded equally from the community works fund reserves for Electoral Area A, B and C (excluding Hornby and Denman Islands).

At their April 24, 2018 meeting the Board carried the following motions:

THAT the Comox Valley Regional District proceed with publically tendering the contract for the construction of the Comox Valley regional office building.

AND FURTHER THAT a staff report recommending contract award be brought back to the Board for consideration.

Bylaw No. 510, being the “Comox Valley Regional District Delegation of Purchasing Authority Bylaw No. 510, 2018” and the Board approved “Procurement Policy” require that the Board approve a contract award where the Board or staff have identified a procurement that requires additional approval where it is in the best interest of the CVRD.

Options

The Board has the following options:

1. To approve the contract award to Knappett Projects Inc.
2. To not award the contract and develop an alternative plan to fulfill the present and future office needs.

The project provides significant benefits to CVRD, is included in the Board’s strategic priorities chart as a “Now” priority and can be constructed within the available project funding. The ITT was issued with the intent to award the contract to the compliant tenderer offering the lowest price to the CVRD subject to funding being available. The lowest bidder for the project was Knappett Projects Inc. The marketplace has invested a considerable amount of time and financial resources in responding to this CVRD ITT. Failure to award a contract could lead to lasting harm to the CVRD’s reputation with bidders on future procurements. As such option 1 is recommended.

Financial Factors

In August 2017 the Alternate Approval Process (AAP) obtained elector approval and the Board adopted the bylaw necessary to borrow \$8.2 million. Staff have reviewed the financial strategy and using the Municipal Finance Authority's indicative interest rates for 30 year borrowing have determined that borrowing of \$8.2 million can be funded from the equivalent of the existing lease payments and building reserve contribution totalling \$505,000.

The financing strategy developed in 2017 identified project funding of approximately \$11.7 million which included the \$8.2 million from long term debt, \$2 million from reserves and \$1.5 million from electoral area community works funds. Staff have updated the financing strategy and by using interim financing and deferring entering into long term debt for the first five years, additional reserves are available to be used towards the project. As a result of this analysis, the project funding availability has been increased to approximately \$12.3 million.

The reduced bid amount of \$10,352,514 submitted by Knappett Projects Inc. represents the hard costs associated with construction of the building and site. An additional \$1,836,335 for soft costs brings the total to \$12,188,849. Soft costs include costs associated with municipal Development Cost Charges, building permits, consulting, insurance, moving, furniture, IT/AV equipment and contingencies.

The 2018 - 2022 financial plan was based on the lower Class C estimate but there is sufficient funding in the 2018 financial plan to proceed with the contract award. The 2019 – 2023 financial plan will be developed to reflect the project costs to completion, the funding sources and more accurate timing of the project.

Legal Factors

While the property is zoned appropriately for “government office”, variances for setbacks, landscaping and parking are required. A development variance permit and road closure/acquisition have been approved by the City of Courtenay (City). The project will also be subject to issuance of a building permit from the City.

Regional Growth Strategy Implications

The project has been designed to meet Leadership in Energy and Environmental Design (LEED) Gold standards, but not seek certification.

Intergovernmental Factors

The CVRD has been working closely with project partners including the City and School District 71 (SD71) to purchase the property, undertake the design and investigate shared space opportunities. Shared space synergies include the boardroom, multipurpose room and Emergency Operations Centre as well as a data centre (server room).

Interdepartmental Involvement

The architect has worked closely with the CVRD's internal project team and executive management team to develop the design of the office based on departmental operational requirements.

Citizen/Public Relations

The architect has worked closely with the CVRD's communication staff to undertake public engagement during the design process in line with the engagement plan approved by the Board at their September 2016 meeting. This included open houses and surveys, print advertisements, social media posts and neighborhood letters.

The completed design takes into consideration the residents and staff feedback through the design engagement process. The feedback provided focused on a more west coast feel, adjusting the colour and striving for LEED Gold Standards.

Some feedback has also been received questioning the building's energy efficiency, especially with regards to the building envelope. The building envelope includes a lot of glazing (windows) which doesn't provide as much insulation as the wall assemblies. The building design is a balance of various requirements such as energy efficiency and the desire for natural daylight. The building's energy efficiency is also being achieved through other features such as highly efficient mechanical systems (i.e. heating and ventilation system), heat recovery from the server room, LED lighting as well as a solar energy system.

Parking in the neighbourhood has also been identified as a concern. Per the City of Courtenay's zoning bylaw, the CVRD is required to have 53 parking spaces onsite. The current design accommodates 55 for CVRD. Staff recognize that the actual parking demand from its fleet, staff and public will be higher and that spillover into nearby streets will occur. Watt Consulting Group were retained to undertake a parking study for this project and estimated that this spillover would be approximately 59 based on future projections for fleet, staff and public parking. As part of this study Watt evaluated on-street parking situations for approximately 1.5 block radius of the project site. This evaluation identified 400 unrestricted public parking spaces and that during peak occupancy there would be approximately 237 available/unoccupied spaces. As such staff feel that there is significant capacity in the nearby street parking to accommodate any spillover from the CVRD offices. CVRD is also developing a transportation demand management program to encourage staff to carpool, bike, bus and walk to work in an effort to reduce staff parking demand. Staff will work with the city to monitor the situation and look at other opportunities to increase parking in the area. This could include redevelopment of the current SD71 property in the future to accommodate additional onsite parking.

Upon award of a contract further communication will be provided to residents and stakeholders regarding the next steps.