



Direct Award: Integrated Project Delivery (Design and Construction) of an Energy Retrofit at Leslie Finch

Item 2E

February 26, 2021

Board of Directors

Report: TCHC:2021-03

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee (“BIFAC”)

Date: February 5, 2021

PURPOSE:

The purpose of this report is to seek the Board’s approval for the direct award to The Atmospheric Fund (“TAF”) for integrated project delivery (design and construction) of an energy retrofit at Leslie/Finch (1-15 Field Sparroway & 2-10 Tree Sparroway).

BIFAC approval was required for this contract award as it exceeds the \$500,000 financial approval limit of TCHC’s President and CEO, and the contract award does not arise from a competitive procurement call.

RECOMMENDATIONS:

It is recommended that the Board approve following recommendations:

- (a) Approve the direct award to The Atmospheric Fund for an upset limit of \$7,821,068.00 (exclusive of taxes) for the integrated project delivery of an energy retrofit at Leslie/Finch as follows:
 - \$3,236,200.00 of TCHC capital funding;
 - \$2,841,800.00 loan from The Atmospheric Fund; and
 - \$1,743,068.00 of interest for the loan based on 5% per annum over a 20 year term (the effective interest rate is 2.58%); and

- (b) Authorize the appropriate staff to take the necessary actions to give effect to the above recommendation.

BIFAC

This report was approved by the BIFAC on February 5, 2021.

REASONS FOR RECOMMENDATIONS:

Partnership with TAF

TAF is a City of Toronto agency that finances and supports initiatives that reduce greenhouse gas emissions and improve air quality in Toronto and across the Greater Toronto and Hamilton area.

TCHC has partnered with TAF on a number of projects to utilize expertise and funding opportunities to implement a range of energy retrofit programs and projects. Facilities Management will be looking to establish a broader relationship with TAF around other future funding and service opportunities to help achieve TCHC's energy goals.

TAF is recommended to deliver the energy retrofit project as they have the project management resources and technical expertise to deliver the work. With additional funding from TAF, TCHC can complete a building retrofit with comprehensive energy conservation measures for increased energy and utility savings at this site.

TAF will provide project management services, including procurement of the designer and construction contractor, and provide contract administration services, with oversight and approval from TCHC.

Energy Retrofit Project

Leslie/Finch was built 1973 and is a townhouse development that consists of 175 three and four bedroom units.

The heating and ventilation systems at Leslie/Finch are in need of replacement and/or upgrades. When constructed, little attention was paid to energy-efficient design, and the heating and ventilation system upgrades represent an opportunity to implement comprehensive energy conservation measures and a full energy retrofit at this site. Additional energy conservation measures for this project include window replacement, lighting retrofits, and installation of high-efficiency toilets and low-flow showerheads/aerators.

An engineering firm was retained to conduct a feasibility study, outlining options and recommendations for heating and ventilation system upgrades. A subsequent engineering firm conducted an energy audit to identify energy conservation measures for increased energy and utility savings.

TAF is recommended to execute the design and construction of the energy retrofit at Leslie/Finch, per the recommendations outlined in the feasibility study and energy audit.

The estimated construction cost of the project is \$6,600,000.00. In partnering with TAF, TCHC is able to leverage \$522,000.00 in incentives and grants, and \$2,841,800.00 in loans. TCHC will finance \$3,236,200.00 in planned capital funding.

With the \$522,000.00 in incentives and grants, the effective interest rate of the loan is 2.58%, which is comparable to other funding opportunities available to TCHC. The loan repayment and interest on the loan will be paid through \$5,773,169.00 in projected energy savings over 20 years, upon completion of the project.

The partnership with TAF is the most efficient option to deliver the energy retrofit project at Leslie/Finch, when compared to other available funding opportunities. It also aligns with the initiative to enhance TCHC's strategic relationship with TAF to secure future funding opportunities over and above the capital plan. This will allow TCHC to further implement energy conservation measures to achieve corporate energy goals and meet CMHC energy targets.

The financing of the project is outlined in Table 1 and the details of the loan are provided in Table 2.

Table 1: Funding Table

Funding Source	Amount
Construction Costs	\$6,600,000.00
Non-repayable Incentives/Grants	\$522,000.00
Loan from TAF	\$2,841,800.00
TCHC Capital Including Contingency	\$3,236,200.00
Total Funding Sources	\$6,600,000.00

Table 2: Loan Details

Item	Details
Principal Loan	\$2,841,800.00
Term	20 years
Interest Rate	5%
Annual Payment*	\$229,243.00
Total Interest Over 20 years	\$1,743,068.00
Total Projected Energy Savings Over 20 years	\$5,773,169.00

*The annual payment is calculated based on the assumption that the loan interest starts at the beginning of 2022 and an annual payment is to be made at the end of each year.

PROCUREMENT PROCESS:

The direct award is recommended under the following justification under section 4.3(a) of TCHC's Procurement Policy:

- i. For the purchase of goods or services where there is a sound business case the details of which may include:
 - a) the purchase of goods under exceptionally advantageous financial circumstances, including but not limited to bankruptcy or receivership, but not for routine purchases.

By partnering with TAF, TCHC is able to leverage additional funding through a combination of grants and loans. With additional funding, TCHC can implement higher performing systems and additional energy conservation measures that would otherwise not have been included in the project.

The \$2,841,800.00 loan was secured by TAF through the Federation of Canadian Municipalities – Municipal Greenfund. The \$522,000.00 grant was secured through a combination of sources available to TAF, from various incentives and funds.

TAF will procure the design consultant and construction contractors in keeping with the City of Toronto's procurement guidelines, and with oversight and approval from TCHC.

The Procurement Award Committee approved the recommendation to award the work to TAF at its meeting on January 21, 2020, subject to BIFAC and Board approval. At that time, the Committee took note of the following considerations:

- The award is within reasonable and acceptable range for the scope of work;
- The recommended proponent has performed similar work for TCHC with satisfactory results;
- The recommended proponent has confirmed they have the capability and capacity to deliver the scope of work; and
- The pricing is reasonable and acceptable for the work, and is comparable to similar scopes of work.

IMPLICATIONS AND RISKS:

The scope of work will replace the heating and ventilation systems that have reached the end of their life-cycle and require significant upgrades. This scope of work will improve the quality of building systems, provide opportunities for energy savings and support TCHC's overall energy efficiency goals, including achieving National Co-Investment Fund energy reduction targets.

To mitigate risks, staff will continuously and rigorously monitor the performance of the contractor during the course of the project. Performance will be evaluated in accordance with TCHC's Vendor Compliance evaluation system. Results gathered through project reviews can be used to support decisions to partner with TAF for future projects.

Funding is confirmed within the 2021 Capital Budget as approved by the Board (TCHC:2020-88).

SIGNATURE:

"Allen Murray"

Allen Murray
Vice President, Facilities Management

STAFF CONTACT:

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