



Annual Capital Project Management Update – 2020 BIFAC Approved Contracts

Item 6A

June 23, 2021

Building Investment, Finance and Audit Committee

Report: BIFAC:2021-55

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Vice President, Facilities Management

Date: June 15, 2021

PURPOSE:

The purpose of this report is to provide an update on planned capital construction approved by the BIFAC in 2020, as requested by the BIFAC at their August 13, 2019 meeting. This report provides details on how construction projects are managed, along with the processes and procedures in place to vet and manage cost and budget changes.

RECOMMENDATIONS:

It is recommended that the BIFAC receive this report for information.

BACKGROUND:

In 2020, TCHC delivered over 1,100 planned capital projects, ranging from small scale component replacements to complete and holistic tower renewals. Attachment 1 outlines the current status of capital project

contract awards approved by the BIFAC in 2020, including a summary of change orders and anticipated construction end dates for these projects.

TCHC's capital projects are managed and delivered by following three key phases:

1. Capital planning
2. Project design
3. Construction delivery

Each phase of capital delivery implements cost control measures to reduce significant changes at the latter end of a project, as costs tend to increase throughout the duration of a project.

Facilities Management has established governance protocols and practices internally to ensure that changes to budgets are vetted by the appropriate level of staff authority. These processes are aligned with TCHC's Procurement Policy, and ensure that project changes are reviewed and approved by senior staff, procurement review committees, the President and CEO, and the Board of Directors, in keeping with budget thresholds and signing authorities.

PROJECT CHANGES AND COST CONTROL:

Change orders are a formal means of incorporating modifications into a construction project contract, and are a key cost control measure for TCHC. Change orders are modifications to the original scope of work, schedule, and/or budget.

The industry average for change orders is typically 5-20% of the original construction contract value, with the majority of construction projects incurring change orders between 10-15% (source: Ameresco Canada Inc.).

Delivery of capital construction in fully occupied buildings, coupled with an aging portfolio and the state of facility conditions, present a variety of challenges for project managers, and can contribute to additional scope of work arising during construction.

In keeping with industry best practice, TCHC tracks change orders against the following categories:

1. TCHC (Owner) Directed

TCHC (Owner) Directed is defined as changes to the project scope that arise through owner discretion and recommendation. For TCHC, this often means expanding work to address similar building requirements or deficiencies coincident to the original work, but excluded from the contract. For example, extending a corridor flooring replacement into a tenant common room that is in poor repair.

2. Unforeseeable Site Conditions

For TCHC, the largest cause of change orders arises from unforeseen issues within existing building conditions. This is, in part, due to portfolio age (85% of the portfolio is over 30 years old and 35% is over 50 years old) and a capital repair plan that has been, until recent years, historically underfunded.

Often, poor building conditions and extensive degradation are concealed until the onset of construction work. While destructive testing, condition assessments and investigations are conducted routinely at the start of significant capital projects, TCHC is still vulnerable to additional costs due to unforeseeable site conditions.

3. Design Changes, Omissions and Oversight

Project cost control begins with a high-quality set of accurate contract documents. The professional design services who prepare contract documents are subject to the same limitations as other professional practices, such as medicine or law. Building owners, like TCHC, can rely on architects and engineers to prepare these documents with a reasonable standard of care and skill. It is to be expected that construction documents can and will contain some degree of inaccuracy or inconsistency. This is especially true of renovation projects where consultants must accurately map out existing conditions with limited access, or are required to rely on older building plans and survey materials provided by the owner.

4. Other/Miscellaneous

Working in occupied buildings while delivering a significant amount of capital work can lead to a wide range of additional costs that are often unique to TCHC. For example, in order to reduce risk to the company, TCHC may need to enact Constructor fees, which are built into construction contracts in anticipation of multiple construction teams at a site. In addition, special provisions may be required to address the needs of a tenant or tenant group who require additional support or accommodation during construction. It is also common that a project may take on additional scope that was planned for a future project. For improved efficiencies and to minimize disruption to tenants, this scope is added to an existing project.

CONCLUSION:

In 2020, TCHC delivered its full \$350M capital plan with \$29.7 million in change orders being issued against completed planned capital work. This represents an 8% change against planned capital repair work in 2020, which is well within the industry average.

TCHC will continue to adhere to industry norms in terms of construction project management. TCHC will maintain rigorous and effective cost control measures throughout the capital delivery process, in keeping with TCHC's Procurement Policy.

SIGNATURE:

"Allen Murray"

Allen Murray
Vice President, Facilities Management

ATTACHMENT:

1. BIFAC Approved Capital Project Contract Awards: Status Update

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Attachment 1: BIFAC Approved Capital Project Contract Awards: Status Update

BIFAC Approved Contracts						Change Orders			Current Status
Date of Meeting	Report #	Report Title	Original Approved Amount	Vendor	Estimated Project Completion Date	Scope	Cumulative Amount	Cumulative Percent	
April 27, 2020	TCHC:2020-32	Direct Award: Sprinkler Head Replacement at 717 Broadview Avenue (VAC 20054)	\$700,000.00	Greater Toronto Fire Protection Inc.	Oct. 2, 2020	No Change Orders			Job Complete
April 27, 2020	TCHC:2020-32	Direct Award: Fire Alarm Panel Replacement at 26 Locations (VAC 20078)	\$597,317.50	Mircom Engineered Systems	Nov. 2020	No Change Orders			Job Complete
September 14, 2020	BIFAC:2020-38	Contract Award: Plumbing Sanitary Replacement at Moss Park (RFP 20045)	\$4,024,935.00	Martinway Contracting Ltd.	Dec. 30, 2022	TCHC Directed -Replace existing in-suite domestic water piping branches and fittings to match existing. -Revise kitchen milwork.	\$58,033.13	1.44%	15%
June 17, 2020	BIFAC:2020-20	Contract Award: Combined Heat and Power ("CHP") at 16 Locations (RFP 19453)	\$18,264,051.66	JTS Mechanical Systems Inc.	March 30, 2022	TCHC Directed -Supply and install new roof platform where CHP is located, facilitating future maintenance at each of the 16 sites.	289,170.72	1.58%	40%

BIFAC Approved Contracts						Change Orders			Current Status
Date of Meeting	Report #	Report Title	Original Approved Amount	Vendor	Estimated Project Completion Date	Scope	Cumulative Amount	Cumulative Percent	
September 14, 2020	BIFAC:2020-43	Contract Award: Envelope Repairs, Cladding, and Roofing at 2 Brahms Avenue (RFP 20079-PP)	\$7,649,270.00	Trinity Services	Dec. 22, 2023	No Change Orders			30%