
Subject: 2021-T-100 Award of Tender - Long Term Care (LTC), Gilmore Lodge, Fort Erie

Report to: Corporate Services Committee

Report date: Wednesday, September 15, 2021

Recommendations

1. That CCDC-2 Stipulated Price Contract 2021-T-100 “Gilmore Lodge Long Term Care (LTC) Home Redevelopment, Fort Erie” **BE AWARDED** to Walsh Canada, at their bid price of \$80,754,320 (including 13% HST);
2. That the Gross Budget for Gilmore Lodge LTC Home Redevelopment, Fort Erie, **BE INCREASED** by \$18,516,547 and that the increase **BE FUNDED** from:
 - Provincial Grant – \$3,987,680
 - Debentures – \$12,612,403
 - Development Charges – LTC Facilities – \$1,916,464;
3. That the Regional Chair and the Regional Clerk **BE AUTHORIZED** to execute a CCDC-2 Stipulated Price Contract between Niagara Region and Walsh Canada as proposed in Recommendation 1; and
4. That the necessary by-laws **BE PREPARED** and **PRESENTED** to Council for consideration as per Appendix 3 to Report CSD 50-2021.

Key Facts

- The purpose of this report is to seek Council’s approval to award a contract to Walsh Canada for construction of the new Gilmore Lodge LTC Home, Fort Erie, and undertake a gross budget adjustment per the Budget Control By-law Section 6.6B.
- Council approved a total project budget of \$73 million for the Gilmore Lodge Long Term Care Home redevelopment as part of the 2020 Capital Budget which included \$5.6 million for Hospice redevelopment. Hospice has now been removed from project scope resulting in revised approved budget of \$67.4 million. Hospice will be constructing their building independent of the Region’s build.

- The new project estimate is now \$85.9 million, representing a gross budget increase of \$18.5 million.
- The Gilmore Lodge LTC Redevelopment construction budget has been significantly impacted by pandemic related disruptions and extraordinary material price increases.
- Additional funding required for the project will be offset by a Provincial Development Grant, additional Debt subsidized from Provincial Construction Funding Subsidy (CFS), Development Charges and Debt reduced from the Linhaven Long Term Care Home Redevelopment project. There will be no increase to the 2021 Region levy or change to the separate levy of 1.54% approved in 2020 for debt servicing costs for the LTC Home Redevelopments.

Financial Considerations

In 2020, Regional Council approved the Linhaven and Gilmore Lodge Long Term Care (LTC) Home Redevelopments, with a total budget of \$175,000,000 with a separate levy increase of 1.54% for the debt servicing costs net of Provincial per diem subsidy. The project budget estimated for Gilmore Lodge Long Term Care Home Redevelopment, Fort Erie (Project Number 10GD1505) was \$73,000,000 (Appendix 1 to Report CSD 50-2021) of which \$5,600,000 was allocated for the Hospice redevelopment. The development of the Long Term Care Home was part of the Region's asset management plan.

Prior to tendering, the Hospice redevelopment was removed from the scope of the Gilmore Lodge LTC Redevelopment project. Hospice is constructing their building independent from the Region's construction of the Gilmore LTC. As a consequence, the construction budget and external funding to be provided by Hospice to the Region were reduced by \$5,600,000, resulting in a revised approved budget of \$67.4 million.

The cost of the tender award is \$72,721,766 (inclusive of 1.76% non-refundable HST). To accommodate this tender award and revised project estimates, the overall project budget will need to increase to \$85,916,547. The result is a gross budget increase to project expenditures of \$18,516,547.

The Linhaven and Gilmore Lodge LTC Redevelopment construction budgets have been directly, and significantly, impacted by pandemic related disruptions to the construction

sector. Over the past 16 months, impacts including, but not limited to, new and enhanced employee safety protocols, supply chain interruptions, labour/travel restrictions and material shortages have resulted in significant construction cost increases.

Extraordinary material price increases and market volatility, coupled with a robust construction market since the fourth quarter of 2020, have resulted in escalated construction costs beyond what could have been anticipated. Building materials including, but not limited to, metal stud, aluminum framing, drywall, insulation, rebar, structural steel, metal fabrications, lumber and wood related products and sheet metal have experienced significant price increases between 15% and 25% over the past several months. Material price increases have translated to a 5% to 10% increase in the overall construction cost.

The project team has carried out two consecutive construction cost estimates for the Gilmore Lodge LTC home redevelopment between January and July 2021. Despite maintaining the same building program and implementing value engineering measures, construction costs continued to increase well over what was anticipated. Over the six month period from January to July 2021, the construction estimate increased by \$1,528,000 or 2.6%. This is exclusive of the escalation allowance of 4% per annum that was accounted for in the cost estimate. When factoring in the anticipated escalation of 2% over six months the actual construction cost increase of materials and labour over this period was \$2,752,824 or 4.6%.

The proposed gross budget increase of \$18,516,547 will be funded from a \$3,987,680 Provincial Grant (Ministry of Long Term Care Development Grant), \$12,612,403 in increased Debentures and \$1,916,464 in increased Development Charges. The additional funding became available through the Ministry of Long-Term Care's modernized funding model announced in September of 2020.

The proposed increased Debentures of \$12,612,403 is specifically composed of the following:

- \$6,616,312 directly offset by a decrease in Debentures from the Linhaven LTC Redevelopment. This reduction in Linhaven debenture funding is offset by utilization of the full Provincial Grant (Ministry of Long Term Care Development Grant) funding available to Linhaven (\$7,801,894), net of reduced eligible Development Charge funding (\$1,185,582).

- \$5,996,091 in incremental debt fully funded through additional Construction Funding Subsidy (CFS) per diem which allows for maintaining the same separate levy amount of 1.54% approved in 2020 for debt servicing costs associated with the LTC Home Redevelopments

The Ministry of Long-Term Care provides a CFS per diem to support the cost of developing or redeveloping long-term care homes. Both of the Niagara Region's homes currently scheduled for redevelopment (Linhaven (256 Bed Home - St. Catharines) and Gilmore Lodge (160 Bed home - Fort Erie) are eligible to receive funding under the Ministry's "Construction Funding Subsidy Policy for Long-Term Care Homes, 2019". This funding was discussed in greater detail in Report CSD 35-2021.

The Ministry has also introduced a new development grant component to the funding model, which is intended to cover a portion of eligible project costs. Both Linhaven and Gilmore Lodge are expected to receive the maximum development grant available based on eligible expenses in the approved budgets. The Development Grant funding was also discussed in greater detail in Report CSD 35-2021.

Impact to Operating Levy

In the 2020 operating budget, council approved a 1.54% separate levy in order to fund the debt financing costs (principal and interest) associated with the 2020 Capital request for the two projects. The separate levy approved in 2020, represents the net requirement to fund both the Linhaven and Gilmore Lodge projects (net of the ministry funding). Prior to the approval of the separate levy in the 2020 operating budget, the debt costs (\$948,639) associated with the original project budget of \$15,635,000, approved in the 2016 capital budget, were funded through a combination of ministry funding (\$483,421) and reprioritization of base budget (\$465,218).

The recently announced increase to the CFS per diem provides combined annual funding of \$370,929 per year for 25 years. (\$224,817 for Linhaven and \$146,112 for Gilmore). The increased CFS per diem will offset additional debt required to fund the Gilmore Lodge project while maintaining the same 1.54% separate levy in order to fund debt financing costs associated with the two projects as illustrated in Table 1 below:

Table 1 - Debt Charge Impacts with Increase CFS per diem

Item	Approved in 2020	Revised Strategy	Increase
Total Debt approved	\$144,522,000	\$150,518,091	\$5,996,091
LTC Redevelopment Debt Charge	8,786,935	9,157,864	370,929
MLTC Per Diem	(2,683,018)	(3,053,947)	(370,929)
Debt Charge/Net Cost	6,103,917	6,103,917	0
Budgeted in 2016 for previously approved debt of \$15 million	(483,421)	(483,421)	0
Net requirement for LTC (Approved in 2020 operating budget)	\$5,620,496	\$5,620,496	\$0
Impact to Levy	1.54%	1.54%	0%

The original and adjusted budgets with funding sources of both Gilmore Lodge and Linhaven are outlined in Appendix 2 to Report CSD 50-2021.

Analysis

A Request for Prequalification (RFPQ) of General Contractors “2020-RFPQ-83 - Request for Prequalification of General Contractors for the Niagara Region Long-Term Care Redevelopment Project” was issued through Procurement on September 16, 2020. The RFPQ closed on October 15, 2020, with the Region receiving a total of sixteen (16) submissions. Two of the proposals failed to meet all mandatory submission requirements and were disqualified. The remaining submissions were found to be in compliance with all mandatory requirements and technical submissions were evaluated.

A five member evaluation committee, with representation from Construction Energy and Facilities Management, Seniors Services and the Architect was formed to review the remaining compliant RFPQ submissions. Proposals were evaluated according to the scoring criteria outlined in the RFPQ, and approved by Council through Report CSD 26-2020. The overall evaluation process was overseen by a representative from Procurement Services. Coming out of the evaluation process, a total of seven (7) general contractors met the minimum benchmark score and were successfully pre-qualified for both the Linhaven and Gilmore Lodge tenders. The list of pre-qualified contractors is identified below:

- Amico Infrastructure Inc.
- Aquicon Construction Co. Ltd.
- Buttcon Limited
- Graham Construction and Engineering LP
- Magil Construction Ontario Inc.
- Percon Construction Inc
- Walsh Canada

On July 13, 2021, the Region issued Request for Tender 2021-T-100 “Gilmore Lodge Long Term Care (LTC) Home Redevelopment, Fort Erie – General Contractor for Construction” to the seven prequalified general contractors. A total of five addenda were issued throughout the six week tender period that closed on August 23, 2021.

At tender close, the Region received bids from four (4) of the seven pre-qualified contractors. Upon review of the mandatory submission requirements by Procurement Services, all bids were deemed to be compliant.

A summary of the tender results is presented in the table below (excluding HST). All bids include a \$3.0 million construction contingency.

Bidder	Tender Price	Rank
Amico Infrastructure Inc.	\$73,360,000	3
Aquicon Construction Co. Ltd.	No Bid	n/a
Buttcon Limited	\$73,786,458	4
Graham Construction and Engineering LP	No Bid	n/a
Magil Construction Ontario Inc.	No Bid	n/a
Percon Construction Inc	\$71,631,000	2
Walsh Canada	\$71,464,000	1

Walsh Canada was the low bidder, submitting a tender price of \$71,464,000 + HST. All four bids were within \$2,322,458 (3.2%) of one another. The tight range in pricing is indicative of a common understanding of the project requirements amongst the bidders.

The low bid was \$5.3 million higher than the anticipated construction cost identified in the pre-tender Class A estimate. Detailed bid breakdowns were provided by the two lowest bidders and compared against the Class A estimate. Overall, increases were identified throughout most categories of the bid, with some of the larger variances observed in general requirements (contractor staff, bonding, insurance, profit, overhead)

and mechanical (HVAC and plumbing). The increased costs could be a result of contractors building increased risk into their bids due to the ongoing volatility in the construction market, supply chain issues and material price increases.

Award of the Contract is contingent on the gross budget for Gilmore Lodge LTC Home Redevelopment (project 10GD1505) being increased. The proposed methodology for funding the budget shortfall is identified in the Financial Considerations section of this report.

Alternatives Reviewed

Throughout the design phase the project team, responding to information gleaned from progressive construction cost estimates, carried out a series of value engineering sessions to reduce construction costs. A number of refinements and changes were incorporated into the design to achieve savings. The resultant building design has an optimized and efficient layout, incorporates durable building materials, promotes infection control, meets Ministry of LTC design standards and reduces future operational costs. After tender close, the project team considered further potential cost saving measures to reduce costs. Although there is an opportunity to achieve some initial minor capital savings, the changes would have other negative impacts including reduced operational efficiency, diminished staff and resident safety, shorter product/material lifecycles and increased operational costs. When considering the true cost of implementing any further changes to the design, the project team is recommending that no further reductions be made.

Relationship to Council Strategic Priorities

Not applicable.

Other Pertinent Reports

- CSD 35-2021 Corporate Services Committee June 16, 2021
- COM 8-2021 Public Health & Social Services April 13, 2021
- CSD 26-2020 Corporate Services Committee May 13, 2020
- CSD 53-2019 Budget Review COTW October 10, 2019
- COTW 05-2019 Committee of the Whole July 4, 2019
- CSD 15-2018 Corporate Services Committee April 4, 2018
- CL-C 21-2018 Regional Council April 12, 2018
- CSD 50-2017 Regional Council June 20, 2017

- CSD 49-2017 Regional Council June 29, 2017
- CSD 43-2017 Corporate Services Committee June 21, 2017
- CSD 9-2017 Corporate Services Committee January 11, 2017
- CAO 10-2016 Regional Council July 21, 2016
- CAO 4- 2016 Regional Council March 24, 2016
- CAO 13-2015 Regional Council June 11, 2015
- CAO 05-2015 Regional Council March 26, 2015

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Appendices

Appendix 1 Gilmore Lodge LTC Home Redevelopment Total Estimated Project Cost

Appendix 2 Linhaven and Gilmore LTC Home Redevelopment Combined Budgets

Appendix 3 By-Law to Authorize Long-Term Financing

Gilmore LTC Home Redevelopment, Fort Erie
Total Estimated Project Cost

CSD 50-2021
September 15, 2021
Appendix 1

Project Element	Council Approved Budget	Budget Decrease	Budget Increase	Revised Council Approved Budget	Expended & Committed as of 08/12/21	Contract Award/ Forecast	Budget Remaining
	(A)	(B)	(C)	(D) = (A) + (B) + (C)	(E)	(F)	(G) = (D) - (E) - (F)
<u>Total Estimated Project Cost (10GD1505)*</u>							
Construction Contingency and 1.76% non-refundable HST)	\$ 56,070,000	\$ (5,600,000)	\$ 22,251,766	\$ 72,721,766	\$ -	\$ 72,721,766	\$ -
(b) Project Contingency	5,360,000	-	(4,368,993)	991,007	-	991,007	-
(c) Property Acquisition	4,530,000	-	805,744	5,335,744	5,335,744	-	-
(d) Consulting Services	2,540,000	-	100,640	2,640,640	2,270,307	370,333	-
(e) Permitting	-	-	301,827	301,827	-	301,827	-
(f) Furniture, Fixtures and Equipment	3,050,000	-	(30,775)	3,019,225	-	3,019,225	-
(g) Project Management (In-House) and Operations	1,450,000	-	(543,662)	906,338	284,564	621,774	-
Total Estimated Project Cost	\$ 73,000,000	\$ (5,600,000)	\$ 18,516,547	\$ 85,916,547	\$ 7,890,615	\$ 78,025,932	\$ -
Project Funding Sources							
Debt***	\$ (58,022,000)	\$ -	\$ (12,612,403)	\$ (70,634,403)	\$ (15,335,000)	\$ (55,299,403)	\$ -
Development Charges - LTC Facilities	(9,078,000)	-	(1,916,464)	(10,994,464)	(1,238,524)	(9,755,940)	-
Other External - LAM Grants	(300,000)	-	-	(300,000)	(300,000)	-	-
Other External - Other	(5,600,000)	5,600,000	-	-	-	-	-
Provincial Grant (MLTC Development Grant)	-	-	(3,987,680)	(3,987,680)	-	(3,987,680)	-
	\$ (73,000,000)	\$ 5,600,000	\$ (18,516,547)	\$ (85,916,547)	\$ (16,873,524)	\$ (69,043,023)	\$ -

*All costs include 1.76% non-refundable HST

** Total Contract Award is equal to i) \$71,464,000 before tax; ii) \$72,721,766 including 1.76% non-refundable HST; iii) \$80,754,320 including 13% HST

*** Debt increase consists of funding swap from Linhaven project of \$6,616,312 + incremental debt funded additional Construction Funding Subsidy per diem of \$5,996,091 = \$12,612,403

Linhaven and Gilmore LTC Home Redevelopment
Combined Budgets

CSD 50-2021
September 15, 2021
Appendix 2

Description	Linhaven Council Approved Budget	Linhaven Revised Approved Budget	Gilmore Lodge Council Approved Budget	Gilmore Lodge Revised Approved Budget	Linhaven and Gilmore Total Originally Approved	Linhaven and Gilmore Total Adjusted	Difference
	(A)	(B)	(C)	(D)	(E) = (A) + (C)	(F) = (B) + (D)	(G) = (F) - (E)
Region	102,000,000	105,652,420	67,400,000	85,916,547	169,400,000	191,568,967	22,168,967
Hospice			5,600,000		5,600,000	-	(5,600,000)
Total Estimated Project Cost	\$ 102,000,000	\$ 105,652,420	\$ 73,000,000	\$ 85,916,547	\$ 175,000,000	\$ 191,568,967	\$ 16,568,967
Project Funding Sources							
Debt	(86,500,000)	(79,883,688)	(58,022,000)	(70,634,403)	(144,522,000)	(150,518,091)	(5,996,091)
Development Charges - LTC Facilities	(15,500,000)	(14,314,418)	(9,078,000)	(10,994,464)	(24,578,000)	(25,308,882)	(730,882)
Provincial Grant (MLTC Development Grant)		(11,454,314)	-	(3,987,680)	-	(15,441,994)	(15,441,994)
Other External - LAM Grants			(300,000)	(300,000)	(300,000)	(300,000)	-
Other External - Other			(5,600,000)		(5,600,000)	-	5,600,000
	\$ (102,000,000)	\$ (105,652,420)	\$ (73,000,000)	\$ (85,916,547)	\$ (175,000,000)	\$ (191,568,967)	\$ (16,568,967)

THE REGIONAL MUNICIPALITY OF NIAGARA

BY-LAW NO. <>

A BY-LAW TO AMEND AUTHORIZED LONG-TERM FINANCING
(1-25 YEARS) IN THE AMOUNT OF \$135,183,091 ~~\$129,187,000~~;
NIAGARA REGION CAPITAL PROJECTS

WHEREAS Section 403, *Municipal Act, 2001*, S.O. 2001, c.25. as amended, authorizes the Council of The Regional Municipality of Niagara (Regional Council) to authorize long-term borrowing by the issue of debentures on the credit of the Regional Corporation for its own purposes and for the purposes of one or more of its lower-tier municipalities, and

WHEREAS long-term financing for capital projects included in the 2020 Capital Budget that was adopted by the Regional Council on December 5, 2019 and approved by By-law No. 2019-97 and By-law No. 2019-99 on December 12, 2019, is deemed to be amended as shown on the Treasurer's Report attached to this by-law (Appendix I).

NOW THEREFORE the Council of The Regional Municipality of Niagara enacts as follows:

1. That the amounts of long-term financing (1-25 Years) for projects J_20001203 and J_10GD1505 authorized in the 2020 Capital Budget be amended as shown on the Treasurer's Report attached to this by-law (Appendix I);
2. That the Treasurer be authorized to execute the Treasurer's Report attached to this By-law as Appendix I; and
3. That this by-law shall come into force and effect on the day upon which it is passed.

THE REGIONAL MUNICIPALITY OF NIAGARA

James Bradley, Regional Chair

Ann-Marie Norio, Regional Clerk

Passed: <>

Appendix I – Treasurer’s Report:

TREASURER'S REPORT			
<u>PROJECT IDENTIFICATION AND FINANCING INFORMATION</u>			
Project ID	Description	Long-term Financing	Term (min-max)
J_20001203	20-LTC St. Catharines New Home	\$86,500,000	1 - 25
J_10GD1505	20-LTC Fort Erie New Home	\$79,883,688	1 - 25
		\$42,687,000	
		\$55,299,403	
	TOTAL	\$129,187,000	
		\$135,183,091	
<u>TREASURER'S VERIFICATION REPORT</u>			
(REQUIRED ONLY ON PROJECTS INVOLVING DEBENTURE FINANCING)			
<p>This confirms that I have checked the "Debt Repayment Limit" for Regional Niagara and passage of the by-law to approve these projects will not cause the Region to exceed its limit.</p>			
<p>DATE _____</p>			
<p>SIGNATURE _____</p>			