



## City of North Bay Report to Council

Report No. IO-2023-16

Date: August 1, 2023

Originator: John Severino.

Business Unit:

Department:

Infrastructure and Operations

Engineering

Subject: Community and Recreation Centre Update – July 2023

Closed Session: yes  no

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### Recommendation

1. That Council receives Report No. IO-2023-016 dated August 1, 2023, with respect to the Community and Recreation Centre and;
2. That Council choose one of the three options presented in the report and direct staff to complete the work necessary to implement the selected option.

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### Background

Due to the significant change in market conditions and the results of Tender 2023-23 North Bay Community and Recreation Centre for the construction of a new Community and Recreation Centre, this report provides information for Council regarding the status of direction provided in Res. 2023-73 Tendering for the construction of the Multi-Purpose Community and Recreation Centre dated February 14, 2023. In addition, it provides background information on the project, the low tender, current general market conditions, and community impacts of an unplanned closure of West Ferris Arena. It summarizes three potential options for Council's consideration.

The North Bay Community and Recreation Centre project was initiated in 2016 after the results of the Sam Jack's (West Ferris) Arena Condition Assessment that was completed in the summer / fall of 2015. Background was based on the information published in the 2013 MURF report (updated in 2019). The pre-design work was guided by the Arena Council Sub-committee (2016-2018). In 2019, Council identified Omischl Sports Complex as the preferred site for a new double pad Community Centre and directed staff to initiate a Request for Proposal to select the architectural and engineering firms (Res. No. 2019-158 (a) and (b)). The project was undertaken as a conventional

design/bid/build contract structure, where the City hires a designer to complete the design, and then received bids from builders for the construction of the facility.

In September 2019, the City awarded MJMA Architects, who partnered with Mitchell Jensen, a local firm, for design of a new Community and Recreation Centre to replace the West Ferris Community Centre. On November 17, 2020, at a Special Committee Meeting of Council, Council was presented design renderings of the final design, a schedule update and cost estimates (Class A) as of that time. Council moved the project to the Special Capital Budget Committee. Through the 2021 Capital Budget and Planning process, Council directed staff to initiate the procurement process for pre-qualification of general contractors. In addition, Council directed staff to hold tendering of the project until the Cassellholme project's plan was completed.

Report to Council No. IO-2022-012 summarizes project activities between November 2020 and December 2022.

In brief, during the project, the project team secured a \$25.78 million grant that required the facility be designed to the CAGBC Zero Carbon Building Standard V2. The work to make modifications to the design were approved by Council on June 15, 2022 (Res No. 2022-218).

A third-party Class A cost estimate was updated in November 2022 to account for the design modifications and known market conditions at the time and ensure that the budget was still aligned with market conditions.

The design was completed and put out to tender April 2023 and closed on June 14<sup>th</sup>, 2023.

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## **Tender Results**

The lowest bid for the construction of the Recreation and Community Centre (excluding the intersection) came in at \$69.263 million or approximately \$808 per square foot (sqft.). which significantly exceeded the estimated cost. The square foot cost is within the range of community centre project awards in the last 6-8 months in Ontario. For illustrative purposes, several projects are listed in Appendix B. The public information demonstrates the impact of cost escalation since 2021. The information is based on publicly available sources.

A meeting was held with the low bidder to understand the cost and cost drivers of the project. The project team asked directly about the impact of the trident footprint design on construction costs. The contractor indicated that the trident footprint represents a minor difference in cost and is not a major factor.

The project team inquired if redesigning the building as a side by side would save a considerable amount of money. The contractor responded that there would be no major savings and that such a redesign would not be

recommended.

Value engineering opportunities were also discussed. It was understood that achieving savings of \$4 million would be a significant challenge and that further savings would require cutting elements from the functional program.

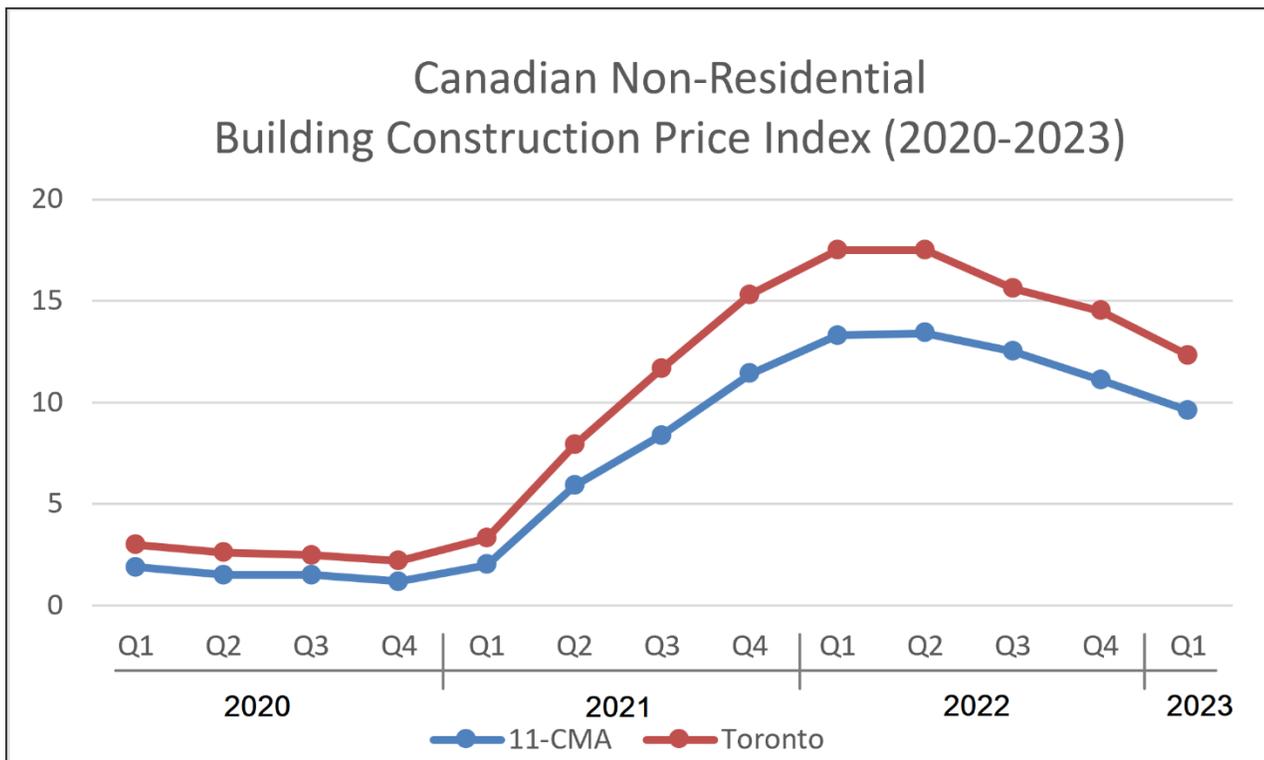
The significant increase from the cost estimates were attributed to labour and material cost escalation in the marketplace. No single element of this project stood out as an obvious driver of costs. Labour and material cost escalations in the market are impacting all construction projects currently.

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### Construction Cost Environment

Inflation numbers in Canada are provided by Statistics Canada. The number that best reflects the inflation faced by the North Bay Community and Recreation Centre project are found in the 11 Canadian Metropolitan Area (CMA) Non-Residential construction index. More specifically, the Toronto CMA number.

Since 2021, the Toronto CMA for non-residential construction rose from 3.0% in Q1 2021 to 17.5% in Q1 2022. The latest data available is for Q1 2023, the Toronto CMA for non-residential construction number has come down to 12.3%. This represents the percentage that the cost to build this project will increase by over the next year should inflation numbers stabilize.



As illustrated in the above graph, inflation has been trending upward since Q2

2021. As of Q2 2022, inflation has begun to decline.

From Q1 2020 through Q1 2023, building construction costs have increased by 36.26%. There is no consensus in industry about whether high inflation will persist or not over the coming years.

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## **Project Delivery Method**

The North Bay Community and Recreation Centre project was undertaken as conventional design/bid/build stipulated sum price contract, also known as a fixed-price contract. This form of contract was selected as it provides clear costing prior to beginning construction works, allocates the risk of overruns to the contractor, and minimizes disputes related to change orders.

There are many contract delivery methods for vertical infrastructure projects. Common methods are summarized in Appendix C.

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## **Impact of Unplanned Closure of West Ferris Arena**

The West Ferris Arena serves as a hub for ice sports activities, and its potential closure would significantly limit recreational opportunities for residents. Local ice sports teams, youth leagues, and adult programs heavily rely on this facility for practices, games, competitions, and skill development. The facility provided 1,500 hours of programmed ice during the 2022/2023 season. The limited capacity in nearby communities to absorb this programming would lead to disrupted and reduced schedules leading to decreased time available for ice sports.

In addition, current sport tourism initiatives would be impacted significantly as tournament hosting would be severely restricted. Reduced sport tourism will impact the local economy, affecting restaurants, retail establishments, and hotels that benefit from visitors attending tournaments and events.

There are many potential failure modes identified for this facility. Through increased monitoring and snow removal from the structure, the facility itself is not a safety risk. The brine piping has been identified as being in service beyond its expected service life. The longer a suitable replacement to maintain ice sports and recreational opportunities for the community is delayed, the higher the probability of an unplanned closure at West Ferris Arena.

The closure of West Ferris Arena prior to the availability of new ice pads will cause a significant impact to the residents that use North Bay's arenas. The 2013 MURF report (updated 2019), demonstrated that there is a need for 5 ice pads. Relying on 3 ice pads to meet demand will require all users to reduce their usage and associated schedules. Losing this asset prior to its replacement will impact an important quality of life community amenity. Up

to date social infrastructure, like arenas, in addition to being a community development driver are important assets for retaining and attracting new residents.

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## Financial/Legal Implications

As reported in Report to Council IO-2022-012 dated December 7, 2022 a preliminary financing plan had been established for Capital Project 3711RF – City of North Bay Community and Recreation Centre.

The preliminary financing plan utilized \$25.778 million in Federal funding, and as a result of prudent planning, the use of one-time dividends and funding from the Canada Community Building Fund. The report outlined that the final amount of special debt will be subject to completion of the tendering process and finalization of the project costs. Subsequently, further financing changes were recommended during the 2023 Capital Budget to include \$1 million from both the Municipal Accommodation Tax and OLG revenues.

With the closing of Tender 2023-23 North Bay Community and Recreation Centre on June 14, 2023, the project cost has increased by \$24.6 million for reasons described within this report. In efforts to control overall corporate costs and debt limits, administration reviewed open capital projects as well as projects in 2024 and 2025 to determine what projects have funding that could be redirected to the Community and Recreation Centre. The review determined that should Council proceed with the project as tendered \$6.9 million from various projects could be redirected to the North Bay Community and Recreation Centre. The \$6.9 million is comprised of approximately \$3.9 million from PAYGO (Pay-As-You-Go) and approximately \$3 million from debt. can be redirected to the project.

The anticipated financing plan to support the tendered project is as follows:

<b>Source</b>	<b>Proposed Financing Plan (Millions)</b>	<b>Previous Financing Plan (Millions)</b>
PAYGO (Tax Levy)*	7.35	4.30
PAYGO (water & Wastewater)	0.95	
Reserve Special Dividends	3.00	3.00
Canada Community Building Fund	9.40	9.40
Green and Inclusive Grant	25.80	25.80
Municipal Accommodation Tax	1.00	1.00
OLG Revenue	1.00	1.00
Special Debt	27.79**	7.10
<b>Total</b>	<b>76.29</b>	<b>51.60</b>

\*Subject to change based on 2024 and 2025 Capital budget deliberation.

\*\*Administration is committed to continued review of projects with surpluses over the term of construction in efforts to continue to reduce the final amount of special debt being issued for the Community and Recreation Centre.

The preliminary financing plan utilized \$7.1 million in special debt. The revised plan may issue up to \$27.794 million in special debt. Although the change in debt is significant the City will remain within the Ministry of Finance debt limits.

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## Corporate Strategic Plan

- Natural North and Near
- Affordable Balanced Growth
- Responsible and Responsive Government
- Economic Prosperity
- Spirited Safe Community

## Specific Objectives

- Invest in technology and work practices to reduce the City's energy consumption
- Protect, promote and enhance the environment in all aspects of the city's operations and plans
- Foster the creation of a community with a positive environment that instills pride and confidence and supports a resilient diversified and inclusive economy.
- Build on existing sports community to drive sport-tourism.
- Ensure an equitable distribution of resources across city neighbourhoods and include residents of all ages.
- Develop and provide recreational and community centre services geared to meeting the broad spectrum of needs in the community.
- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax base.
- Maximize funding opportunities with other governments

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## Options Analysis

**Option 1, Building Redesign:** This option involves cancelling the tender and initiating a redesign process of the building. This would make use of the existing functional program, site, and would be constrained by the existing species at risk avoidance permit. This option would allow the project delivery method to be changed if benefits are anticipated.

### Risks:

- Price escalation due to inflation at current rates (12.3% annualized) could adding \$8.5 million to the build cost over the next year.
- Moves project completion out to 2027.
- Delays in project delivery increase the risk of unplanned closure of West Ferris Arena.
- Price reductions available through redesign without program cuts are

minimal.

As the current pricing scenario indicates that fundamental changes to the project (reductions to the functional program) are necessary to achieve significant cost reductions, this option is not expected to result in meaningful cost reductions.

**Option 2, Project Redesign:** This option involves cancelling the tender and initiating a redesign process of the building and the building function. This would make use of the existing site but would revisit the functional program. Below is a chart with associated area costs based on average cost per square foot.

Description	Area Cost (\$/sqft)	Area (sqft)	Potential Savings
Community Organization Spaces	808	473	\$ 382,184.00
Community Room	808	3,016	\$ 2,436,928.00
Administrative Services	808	827	\$ 668,216.00
Lobby Servicing A1 and A2	808	1,647	\$ 1,330,776.00
Sports Org Storage	808	985	\$ 795,880.00
Walking Track*	808	9,069	\$ 7,327,752.00
Football Change Room 1	808	1,164	\$ 940,512.00
Football Change Room 2	808	1,164	\$ 940,512.00
<b>Total</b>			<b>\$ 14,822,760.00</b>
* unlikely to achieve this level of savings as the sqft. cost of the track will be less than the average and will require significant redesign. Note this would eliminate the facility function of hosting tournaments.			

**Risks:**

- Price escalation due to inflation at current rates could add \$8.5 million to the build cost per year.
- May move project completion out to 2029.
- Delays in project delivery increase the risk of unplanned closure of West Ferris Arena.
- Reduction/loss of certain program functions would reduce the utility of this facility and may not meet the needs of our stakeholders.
- Project delivery method changes would likely increase the risk of

uncertainty in pricing.

This option offers the opportunity to achieve meaningful cost reductions through cuts to the functional program. This approach introduces risk in the form of escalation costs due to inflation during the time it takes to re-design the project. This factor can significantly inflate the construction prices, eroding any potential cost-saving benefits derived from cuts to the functional program. Significant reductions to the functional program will be required to achieve meaningful cost reductions while also overcoming inflationary pressures. Public re-engagement is recommended as part of this option.

**Option 3, Award the Contract:** This option involves awarding the tender and initiating construction. The project team would work with the contractor and consulting team to identify potential reductions in project cost upon award.

Risks:

- Price reductions available through value engineering are minimal.

This would see construction completion in the fall of 2025 and would minimize the risk presented by inflation as well as an unplanned failure at West Ferris Arena.

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### **Recommended Option**

1. That Council receives Report No. IO-2023-016 dated August 1, 2023, with respect to the Community and Recreation Centre and;
2. That Council choose one of the three options presented in the report and direct staff to complete the work necessary to implement the selected option.

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Respectfully submitted,

Name: John Severino, P.Eng., MBA

Title: Chief Administrative Officer

**I concur with this report and recommendation**

Name David Jackowski, P.Eng.  
Title: Manager, Special Projects

Name Ian Kilgour, MCIP, RPP  
Title: Director, Community Services

Name Margaret Karpenko, CPA, CMA  
Title: Chief Financial Officer /Treasurer

Personnel designated for continuance:  
David Jackowski, P.Eng.  
Manager, Special Projects