



SUBJECT: Skyway Community Centre– Financial Approval for Construction

TO: Environment, Infrastructure & Community Services Cttee.

FROM: Environment, Infrastructure and Community Services

Report Number: EICS-03-22

Wards Affected: All

File Numbers: 175-07

Date to Committee: April 7, 2022

Date to Council: April 19, 2022

Recommendation:

Direct the Executive Director of Environment, Infrastructure and Community Services to proceed with the Request for Prequalification for General Constructor and Tendering for the construction of the new community centre at Skyway; and

Approve the revised total budget for the Skyway Community Centre at \$32.3 million, with revised financing proposal as recommended in environment, infrastructure and community services report EICS-03-22; and

Direct the Manager of Government Relations to seek confirmation on the existing Green and Inclusive Building program grant application and continue to seek future opportunities for Federal and Provincial grant funding, and report back on the existing application and future grant opportunities including any impact to the City's financing proposal as outlined in environment, infrastructure and community services report EICS-03-22.

PURPOSE:

Vision to Focus Alignment:

- Support sustainable infrastructure and a resilient environment
- Building more citizen engagement, community health and culture

Background and Discussion:

Strategy/process

The City requested a Class A Cost Estimate to be prepared by a third-party Quantity Surveyor. The table below shows the change to the Total Project Cost based on the Class A cost estimates completed over the last three years. The most recent update has increased the construction cost to \$29 million, including soft costs, and project contingency total project cost is estimated at \$32.3 million (including the parks revitalization component). This is an increase of 29% from the Class A, in 2020 or \$7.2 million.

Description	Class A- 2020	Class A – October 2021	Class A – March 2022
Construction Cost	\$20.2 M	\$23.0 M	\$29.0 M
Total Project Cost (including design fees, park component)	\$25.1 M	\$28.5 M	\$32.3 M

Pandemic Impact (2020 to 2022)

There have been significant implications on construction costs as a result of the pandemic. The industry has seen construction costs increase by 20-30% from 2020 to 2022 due to supply change and labour availability during the pandemic. The impacts are highlighted as follows,

Materials Cost Increase:

- Structural steel has increased from \$5.6/kg in 2020 to \$8/kg in 2022.
- Roofing and glass are still fraught with issues and lead-times are hard to manage.
- Electrical and mechanical equipment and controls order lead-time has grown from 12-16 weeks (standard lead-time) to 30-40 weeks with 8-10% increases.
- Very energy intensive market materials such as cement, concrete and brick will see prices increasing due to the skyrocketing gas and oil costs due to the Ukrainian conflict.
- At the time of this report, even lumber pricing has been steadily increasing again to pandemic highs.
- Pricing for many products is highly volatile and no pricing guarantees are available.

Transportation Cost and Time Increase:

- Materials and equipment backorders compounded with challenges of shipping the equipment from overseas has increased cost and time onto projects.
- A typical load of lumber from British Columbia to Ontario pre-pandemic cost is approximately \$4,500 but that transportation fee has climbed to \$12,000 in 2021.

Labour Shortages:

- The increase has been driven due to material prices and supply chain issues, as well as less truck availability to drive the shipment and less available labour to load and unload them.
- Shipping from ocean crossing pre-pandemic was 20-30 days. Now shipping durations have extended to 73 days from port to port. (*Daily Commercial News Dec. 29, 2021*)
- Now that some of the pandemic restrictions are being lifted there is a resulting backlog of work for General Contractors, so much that they are continuing to decline price of work.

Throughout the pandemic staff continue to implement mitigation strategies to off-set lead time and cost issues. For example,

- Prequalification of not just General Contractors (GC) but steel, electrical and mechanical equipment subcontractors to reduce risks of procuring companies that may go out of business.
- Working with design team and GC to develop cost effective product solutions or substitutions that are manufactured in North America and do not require overseas shipping.
- Introducing different procurement strategies, early delivery models, data alliances to assess risk and diligent tracking is essential.

Market Bulletins are available that have indicated,

- “The industry is not seen to recover or stabilize from COVID for the next 2 years and do not foresee construction costs going to pre-pandemic pricing ever.” (*STO Building Group – Supply Chain Market Update Bulletin Feb 2022*).
- “Despite the near-term challenges, construction industry growth in Canada is still expected to grow by 8% due to improvements in labour recruitment, supply chain solutions, alternative materials, and a good project management team. (*Building “The Good, The Bad and the Struggle: 2022 Construction Industry Outlook Jan 17, 2022*).

The good news story is that construction has rebounded well from the effects of the COVID-19 pandemic, thanks to a strong housing market and public sector infrastructure investments, a rethink on commercial space and drive towards sustainability. (*BuildForce Canada*). The pace of residential activity is expected to be moderate, but a growing inventory of major infrastructure projects and a projected recovery in commercial building construction is expected to create growth (*Construction Forecasts March 18, 2022*).

Options Considered

Staff have explored phasing the construction however, the design of the near carbon neutral facility does not lend itself to separation of areas including the phasing of the baseball diamond and park. A costing exercise was completed in October 2021 by a third-party Quantity Surveyor where the overall cost of phasing the construction would increase the project budget by approximately \$3 million to redesign the facility and proceed to site plan and building permit resubmission. This is not recommended by staff.

Project Timelines

The City has continued pursuing approval for the Building Permit. The timing on this approval is expected in May 2022 at which time the City has six months to commence construction after issuance (November 2022). Construction must start within 6 months of building permit issuance to avoid having to revise the design to the new code requirements and re-submit with applicable review fees, this comes with a considerable cost to the City.

Once construction commences staff expect the construction duration to be approximately 18 months.

As such, staff are bringing forward this report recommending a financing proposal to continue the work to date on the Skyway Community Centre project and minimize further cost escalation.

Financial Matters:

Revised Project Cost: The City requested a Class A Cost Estimate to be prepared by a third-party Quantity Surveyor. The recent cost update has resulted in a revised construction cost of \$29 million (including the parks revitalization component).

Additional expenses for soft costs and project contingency bring the total project cost estimate to \$32.3 million.

Senior Government Funding: In July 2021, the City made an application to the Green and Inclusive Community Buildings Program (GIBC) for \$13,019,500. At the time the grant application was made, the total project cost was estimated to be \$25.2 million. There has been no response to date from the GIBC program on the application. The City continues to monitor Senior Government grant programs to support this project. Unfortunately, no new government funding programs to which this project would qualify have been offered since the application was made to the GIBC program.

Ice Users Group: In 2021, staff approached the Ice User groups to mitigate the project increases and to help fund this project. Given the current financial constraints the user groups are experiencing as a result of Covid, it is not currently feasible for the Ice Users to add to their current financial obligations to the City.

Total Financial Impact

Prior Approved Funding: To date \$12,128,500 of City funding has been approved towards the Skyway Community Centre and associated park renewal. This is detailed in the table below.

Budget Year	Total City Funding Approved
2015	\$530,000
2016	\$685,000
2018	\$1,000,000
2019	\$1,535,000
2020	\$5,434,020
2022	\$2,944,480
Total	\$12,128,500

Project Shortfall: Based on the City's prior approved funding to date (\$12,128,500), and the revised total project cost (\$32,320,000), the project shortfall is estimated to be \$20,191,500. This project shortfall assumes that the application made to the Green and Inclusive Community Buildings Program does not materialize.

As mentioned above, based on cost escalations that will continue, and the timing of building permit, staff are recommending this revised financing proposal assuming the

project is fully funded by the City. A report will be provided to Council should we receive any future update on the GIBC grant application that will impact the financing proposal.

Spending to date: To date the City has spent \$1.26 million in design and permit application costs with a further \$250,000 anticipated to have this project shovel ready. These values are included in the \$32.3 million total project cost estimate.

Financing Proposal:

Total Project Cost: (including design, contingency, and parks component)	\$32,320,000
Less: Prior Approved Funding	(\$12,128,500)
Funding Shortfall:	\$20,191,500
Financing Proposal:	
Tax Supported Debt	\$13,000,000
Development Charges (Parks & Recreation)	\$580,000
Infrastructure Renewal Reserve Fund	\$508,205
Federal Gas Tax (One-Time Funding)	\$4,524,520
Re-budget: Sherwood Park Facility	\$1,578,775
Total Revised Financing Proposal	\$20,191,500

Staff have recommended the above revised financing proposal to continue the work initiated for the Skyway Community Centre. It is recommended that the City use tax supported debt to offset the grant funding. The issuance of debt would be applied near project completion, as such if the city was successful in its grant application, the debt funding would no longer be required and could be easily displaced. However, if the application is not approved, debt will be required, and this will have an impact on the City's debt capacity and debt charges budget which is discussed further below. The proposal further recommends re-purposing the existing approved City funding for the Sherwood Park Facility renewal towards this project. The Sherwood Park facility project will be re-budgeted in the 2023 capital budget and forecast, based on a revised timeline of initiating this project.

The following provides uncommitted reserve fund balances as of December 2021, for the reserve funds proposed to be used, prior to the recommended draws above;

- Development Charges (Parks & Recreation): \$582,393
- Infrastructure Renewal Reserve Fund: \$12,286,083

Operating Budget Impact

Traditionally Skyway Arena has been closed during the day on weekdays. There will be an operating budget impact as this single pad arena is transformed into a new Community Centre. This will require an operational change to support daytime programming in the community rooms, on the ice and to have the track available for use. Preliminary estimates of this impact are outlined below.

Item	Incremental Budget Impact	Tax Impact (%)
Human Resources	\$295,000	0.14%
Operating Materials, Supplies, and Purchased Services	\$280,000	0.13%
Program and Rental Revenues	(\$100,000)	(0.03)%
Tax Supported Debt Charges	\$1,100,000	0.6%
Total Net Operating Impact	\$1,575,000	0.84%

Human Resources: Additional staffing is required to operate and maintain an enlarged facility, as well support the daytime use and expanded programming of the new community centre. This will require the addition of 4.5 FTE of which 2.5 FTE are required for facility operations and 2.0 FTE for customer service and programming.

Operating Materials, Supplies, and Purchased Services: With the transformation of this facility into a community centre there will be additional costs required for programming supplies. The expanded size of the facility will also incur additional janitorial, maintenance and utility costs from those budgeted for the existing single pad arena.

Program and Rental Revenues: The facility design will allow the City to support daytime programming in the community rooms, on the ice and to have the track available for use. Staff are looking forward to adding programs like pickle ball, “No Socks for Ivan” and other recreational programs for the South East Burlington Community.

Tax Supported Debt Charges: Including the recent acquisition of Lions Club Park, the approval of the 2022 capital budget, the pending acquisition of the Bateman site, and proposed financing for the Skyway Community Centre above, it is projected that our debt capacity limit will be approximately 11%. The City’s tax supported debt is paid through the City’s operating budget, the 2022 budget for debt charges is \$8.5 million.

The proposed financing of Skyway Community Centre with \$13 million in tax supported debt (15 years, 3%) may result in additional debt charges of \$1.1 million annually should the City not be successful in its grant application.

The interest rate environment is showing signs of flux, and yields are already increasing. These increases make the use of debt more expensive, increasing the annual debt repayment. Should we need to issue tax supported debt financing in place of the grant application, any material difference in the rate at the time of issuance than what is projected above may impact the annual debt repayment and corresponding tax rate impact.

Impact to Multi-year Budget Simulation

The most recent multi-year budget simulation (Appendix A of F-45-21) assumed operating impacts of \$304,000 in 2024 (tax impact of 0.14%). The revised operating budget impacts are now estimated at \$1,575,000 (tax impact of 0.84%). The majority of this increase is attributable to increased maintenance and utility expenses and the potential requirement of \$1.1 million in tax supported debt charges should the grant application be unsuccessful.

Other Resource Impacts

The construction of Skyway Community Centre and renewal of Skyway Park are one integrated and cohesive design. The planned works for the park includes the removal of one ball diamond, the reorientation of the second ball diamond and the relocation of the children's playground. As part of the 2019 and 2020 capital budget process, \$785,000 was approved for the renewal of Skyway Park. This funding forms part of the larger project budget. The park renewal work must be completed concurrently with the facility component of the project.

The existing children's playground is inspected on a regular basis and will be repaired as needed to it keep open for public use as long as possible. Should it be closed for repair or taken out of inventory (due to of end of life), this will be communicated to the community in advance.

The arena building is currently being re-purposed temporarily to accommodate Forestry staff during the pandemic. Construction is anticipated to begin in September 2022 at which time Forestry staff will be relocated.

Climate Implications

Staff have worked with the design team to reduce the emissions produced by the facility to align with both the Climate Emergency Declaration and the Corporate Energy and

Emissions Management Plan. The design also incorporates improved accessibility and inclusivity to align with the needs of our community.

The following table provides the change to the GHG (T) Annual Emissions as a result of the revitalization to the Skyway Community Centre. This is obtained in the current energy modeling based on the same operating hours as previously held at Skyway Arena, square footage and HVAC selection.

Description	Annual GHG (T)	Mechanical and Electrical
2016 Standard Arena Design	196	Standard gas operated mechanical system and electricity – no longer sufficient even though it is cost-effective as gas is economical for heating, but emissions are greater.
New Skyway Community Centre	23**	Geothermal Electrical <i>** this can be further reduced to 16 GHG (T) if solar is implemented in the future</i>

Engagement Matters:

Since 2019 no additional project engagement has been held.

Upon receipt of this report staff recommend informing the Lakeside Community and the Ice Users of the status update of this project outlining the change in timelines and funding challenges and potential future impacts, so that we are open and transparent with the community about the current situation.

Conclusion:

As the City recovers from the pandemic, the demand for ice will increase and being one pad short will limit participant time for accessing ice sports as well as the indoor community room and walking track facilities.

Access to ice and floor sports as well as indoor community rooms and walking track facilities will be critical to serve this area of the City and support its residents.

Staff feel this project is well positioned to provide needed recreational opportunities to the community with a design that shows the City is committed to our net carbon neutral target of 2040 and is both a leader in the community and among municipalities.

Respectfully submitted,

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Appendices:

A. Fact Sheet Skyway

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.

Appendix A - Fact Sheet Skyway

SKYWAY COMMUNITY CENTRE

PROJECT BRIEF: The existing Skyway Arena is a 22,000 square foot building originally constructed in 1974. Previous staff reports have demonstrated the demand for ice and the community interest in a multipurpose recreational facility in the south east of Burlington. Council chose to proceed with an enhanced design of Skyway Arena which included an NHL size rink, 6 dressing rooms, cold and warm viewing areas and two community rooms with a walking track and to be designed and built to be carbon neutral. The city has applied for grant funding (June 2021) for this project for approximately \$13 million. No indication as to whether the City has been approved for this grant funding. The financing plan developed is under the assumption that grant funding is not approved.

REPORT REFERENCES:

- PR-13-16
- CW-48-19
- EICS-02-21
- EICS-03-22

ESTIMATED PROJECT BUDGET:

Phase 1: Land Acquisition: *Land not required as part of this project.*

Phase 2: Site/ Facility Development *(including Park component)*

Timeframe: 2022/23	Est. Costing: \$32,320,000 million
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CAPITAL FINANCING PROPOSAL

PRIOR APPROVED FUNDING \$12,128,500	
PROPOSED FUNDING (SHORTFALL) \$20,191,500	
Tax Supported Debt	\$13,000,000
Infrastructure Renewal reserve fund	\$508,205
Development Charges: Parks & Recreation	\$580,000
Federal Gas Tax <i>(one-time allocation)</i>	\$4,524,520
Re-budget Sherwood Facility project	\$1,578,775

ESTIMATED ANNUAL LIFECYCLE NEEDS *(not all inclusive)*

Operating Budget Impact:

- Expanded facility
- Additional FTE's
- Operating costs (utilities, maintenance)
- Debt impact

Capital Budget Impact:

- 2% of REVISED replacement value