



2023 Annual Capital Project Management Update

Item 9E

May 28, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-51

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

From: Vice President, Facilities Management

Date: May 10, 2024

PURPOSE

This report provides an update on planned capital construction that was approved by the BIFAC in 2023. 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 Building Investment Finance and Audit Committee receive this report for information.

REASONS FOR RECOMMENDATIONS

Background

In 2023, TCHC delivered over 1,000 planned capital projects, ranging from small scale component replacements to complete and holistic tower renewals. Attachment 1 to this report outlines the current status of capital project contract awards approved by BIFAC in 2023, 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, or appropriate Committee, 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.).

Renovation work will typically land in the higher end of that range. In the case of TCHC several factors, including the 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 often contributes 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 change orders are 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 (90% of the portfolio is over 30 years old and 74% 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 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. With renovation projects, it is expected that construction documents can contain some degree of inaccuracy or inconsistency, given that existing conditions may be mapped out 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 that requires 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.

Table 1: 2023 Change Orders by Reason

Reason for Change Order	% of Change orders
TCHC (Owner) Directed	33.6%
Unforeseeable Site Conditions	30.9%
Design Changes and Omissions	21.1%
Other	11.8%
Phased Projects	2.6%
Total	100%

CONCLUSIONS:

In 2023, TCHC delivered its full \$350M capital plan with a change order rate of 4.3% (as calculated by TCHC Procurement) across completed projects. This is well within the industry average for retrofit work in occupied conditions.

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: 2023 Status Update

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Attachment 1: 2023 BIFAC Approved Capital Project Contract Awards: Status Update

Date of Meeting	Report #	Report Title	IFAC Approved Contracts			Scope	Change Orders		Current Status
			Amount	Vendor	Estimated Completion Date		Cumulative Amount	Cumulative Percent	
January 27, 2023	BIFAC: 2023-16	Over Cladding, Window and Roof Replacement, Landscape and Mechanical Upgrades at 2195 Jane Street (RFP 22114)	12,868,012.00	Trinity Services	June 3, 2025	Over cladding, windows and exterior door replacement, reconfiguration of the vestibule and lobby, exterior building signage, mechanical upgrades to ventilation of the apartments, addition of thermostats to the radiators and an expanded drop-off area is to facilitate parking wheel-trans vehicles.	161,737.50	1.26%	11.2% fm-441504
January 27, 2023	BIFAC: 2023-15	Comprehensive retrofit, envelope, mechanical and electrical at 330 Gerrard Street East (Donvale Manor, Dev. 170) (RFQ 22261)	9,449,693.00	Brook Restoration	March 10, 2025	Structural and masonry repairs, face-brick demolition, new insulation and over cladding, replacement of windows, balcony doors, exterior doors, exterior stairs, railings, canopies, and balcony guardrails, replacement of natural gas boilers and in-suite radiators, replacement of boilers for domestic hot water with integrated storage tank.	83,676.56	0.89%	19.9% fm-443297
July 17, 2023	BIFAC: 2023-72	Comprehensive Building Repairs (over cladding and windows) at 3479 St Clair Ave E as per (RFP 22186)	4,142,750.00	Trinity Services	December 31, 2025	Replacement of buildings windows and exterior doors, re-cladding, replacement of the roof membrane, and addition of exhaust fans to all units above the stove and ducted to the exterior.	0.00	.00%	5.0% fm-450852

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July 17, 2023	BIFAC: 2023-74	Window, Roof Replacement and Mechanical Upgrades 3680 Keele (RFQ 23048)	7,562,218.00	Limen Group	February 28, 2025	Window replacement, brick repairs, roof replacement, heating and domestic hot water boiler and pump replacement, in-suite heating controls and plumbing valves, make-up air unit and rooftop unit replacement, and interior accessibility upgrades to the site superintendent office.	0.00	0.00%	6.0% fm-443293
July 17, 2023	BIFAC: 2023-75	Comprehensive Retrofit – Overcladding, Window Replacement, Roof Replacement and Mechanical Upgrades at 40 Teesdale Pl.	17,529,400.00	Limen Group	December 31, 2027	Over cladding, window and roof replacement and in-suite mechanical work.	18,328.54	0.10%	8.0% fm-450853
Sept. 8, 2023	BIFAC: 2023-92	Common Area Accessibility Upgrades at 3847 Lawrence Avenue East	2,724,060.00	Green Leaf Contracting	December 15, 2025	Accessibility upgrades to main entrance vestibule, entrance lobby, mailboxes, staff offices and support spaces. Addition of a fitness room, multi-faith room, multipurpose room, larger laundry room, and kids' playroom. A new entry vestibule at the rear of the building, upgraded garage access and improved drop-off area for Wheel Trans.	0.00	0.00%	11.0% fm-451880

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Sept.8, 2023	BIFAC: 2023-97	Rehabilitation of 17 Vacant Units at 50 Torbolton Drive	6,737,810.00	Martinway Contracting	December 31, 2027	Full renovation of the building, installation of a new façade, windows, doors and roof to Passive House standards. New interior finishes and upgrading the foundation. Installation of solar panels.	0.00	0.00%	15% fm-450747
Sept. 8, 2023	BIFAC: 2023-93	Underground Garage Repairs Phase 2, 3 and 4 at 6 Glamorgan Avenue	2,749,014.00	Riviera Restoration	December 31, 2027	Complete garage podium slab concrete repair, wholesale waterproofing replacement and foundation wall repair	0.00	0.00%	29.0% fm-450924
Nov. 2, 2023	BIFAC: 2023-116	Construction - Window and Façade Reconstruction at 33 Coatsworth Crescent (RFP 23045)	14,692,845.00	Limen Group	March 1, 2026	Brick façade removal, installation of new cladding, new windows and doors, accessibility upgrades to doors, new heating and ventilation system, balcony upgrades and in-suite modifications to increase ventilation.	0.00	0.00%	2.0% fm-451143
Nov. 2, 2023	BIFAC: 2023-117	Construction-Comprehensive Deep Energy Retrofit - 575 Danforth Road (RFP 22352)	6,517,386.00	Joe Pace	May 30, 2025	Comprehensive retrofit, roof replacement. prefabricated cladding system, brick replacement, new windows, and mechanical systems.	0.00	0.00%	2.0% fm-451721 fm-452367