



2024 Annual Capital Project Management Update

Item 7C

May 26, 2025

Building Investment, Finance and Audit Committee

Report: BIFAC:2025-35

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

From: Acting Vice President, Facilities Management

Date: April 22, 2025

PURPOSE:

This report provides an update on planned capital construction that was approved by the BIFAC in 2024. 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.

RECOMMENDATION:

It is recommended that the Building Investment Finance and Audit Committee receive this report for its information.

REASONS FOR RECOMMENDATION:

Background

In 2024, 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 2024, 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: Capital planning, Project design and 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%.

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, change orders often arise from unforeseen issues within existing building conditions. This is, in part, due to portfolio age (95.8% of the portfolio is over 30 years old and 75.5% is over 50 years old) and a capital repair plan that has been 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

Project cost control begin with a set of contract documents prepared by professional design consultants who are prequalified following TCHC procurement procedures. TCHC, relies on consultants, architects, and engineers to prepare these documents with a reasonable standard of care. With renovation projects, it is expected that construction documents can contain a degree of inconsistency in the scope of work, given that existing conditions may be conducted with limited access to all building elements, or rely on dated building plans, drawings, and surveys.

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, 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: 2024 Change Orders by Reason

Reason for Change Order	% of Change orders
TCHC (Owner) Directed	36.0%
Unforeseeable Site Conditions	21.4%
Design Changes and Omissions	12.2%
Other	28.0%
Phased Projects	2.4%
Total	100%

Project Close Outs

In 2022, the Internal Audit department recommended that Facilities Management (“FM”) implement a process for reviewing capital project close-outs through an annual auditing process. Construction and Preservation has agreed to audit a minimum of three Capital Project Close-Outs per Business Unit (“BU”), per year.

Facilities Managers of each BU are responsible for selecting projects to review, and to ensure that at least one program per BU was procured through a competitive process. Facilities Managers are then required to audit individual projects to ensure that any actions required to remedy faults, errors or deficiencies discovered during have been reconciled.

Close-outs audits for 2024 have been completed and reviewed by the Acting Vice President, Facilities Management. 2024 audits have been determined to be in compliance with internal policies and procedures. Completed audit documentation is available to staff on the internal shared drive.

Conclusion

In 2024, TCHC delivered \$349M of its capital plan with a change order rate of 3.1% (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:

“Daisy Wong”

Daisy Wong
Acting Vice President, Facilities Management

ATTACHMENT:

1. BIFAC Approved Capital Project Contract Awards: 2024 Status Update

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BIFAC Approved Contracts						Change Orders		
Date of Meeting	Report Title	Amount	Vendor	Estimated Completion Date	Scope	Cumulative Amount	Cumulative Percent	Current Project Completion Status
18-Mar-2024 BIFAC:2024-26	Comprehensive Envelope, Mechanical and Electrical Retrofit at 840 Eglinton Avenue West	7,616,943	Brook Restoration Ltd.	21 months	Deep retrofit consisting of replacing balcony structures, window and balcony doors, overcladding, balcony guard rails, and the roof. Installation of solar photovoltaic panels, heat pump systems for, electrical heat pump domestic hot water heater, energy recovery ventilation for suites and common areas, in-suite lighting, and associated electrical work.	19,520	0.26%	11%
28-May-2024 BIFAC:2024-48	Building Envelope Rehabilitation at 575 Adelaide Street West*	6,776,915	Trinity Services Ltd.	16 months	Deep retrofit consisting of replacing existing windows and balcony railings as well as install vented and insulated cladding for the east and west facing exterior walls. Replace the electrical baseboard heating system with an efficient ducted heating and cooling system for all dwellings.	- (2,499,253)	-36.88%	6%

BIFAC Approved Contracts						Change Orders		
Date of Meeting	Report Title	Amount	Vendor	Estimated Completion Date	Scope	Cumulative Amount	Cumulative Percent	Current Project Completion Status
18-Mar-2024 BIFAC:2024-25	Establishment of Roster of Pre-Qualified Vendors for the Water Efficiency Retrofits Program	40,000,000	Greenline Renovations, Joe Pace, Solid General Contractors, Summit Building Solutions	5 years	Establish a roster of pre-qualified vendors for water efficiency retrofits to reduce water use through upgrades to tenant toilets, aerators, and showerheads. The scope of the original program has been expanded to include identifying plumbing fixtures and components that could be contributing to excess water usage and/or damage to property and related architectural finishes in bathrooms.	0.00	0.00%	20%

* The change order to the project at 575 Adelaide Street West include a credit on brick replacement and the mechanical/electrical scope of work. Required repairs to bricks were less extensive than initially estimated and the mechanical portion of the scope was removed as it was determined as non-critical work that could be deferred.