




CITY OF BELLEVILLE
Rod Bovay, Director
Engineering & Development Services
Report No. ENG-2015-31
October 27, 2015

APPROVAL BLOCK	
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To: Mayor and Members of Council

**Subject: City Centre Revitalization & Redevelopment
Project Budget Review**

Recommendation:

“THAT the Director of Engineering and Development Services Report No. ENG-2015-31 City Centre Revitalization and Redevelopment Project Budget Review, be received.”

Strategic Plan Alignment:

The City of Belleville's Strategic Plan identifies nine strategic themes. This report aligns with all of the strategic themes which includes Infrastructure; Industrial and Commercial Development; Residential Development; Transportation and Mobility; City Centre Revitalization; Cultural and Recreation; Tourism and Waterfront Revitalization; Community Health, Safety and Security; and Environment.

Background:

Staff has completed a detailed review of the design for Phases 2 and 3 construction to identify areas where cost savings could be realized. The purpose of this report is to provide an update on the outcome of the review and to identify options as the City moves forward with this project.

On April 13, 2015, Council awarded Contract ENG2015-06 City Centre Revitalization and Redevelopment Project Construction Contract Phase 1 to Len Corcoran Excavating Limited at a net cost to the City of \$8,506,887.71. This contract is included in the overall project budget of \$21,050,000.00.

While this contract represents only the first phase of the City Centre Revitalization and Redevelopment (CCRR) project, it is considered the most complex phase. During construction of the Phase 1 project, costs and constructability have been closely administered and monitored with impacts related to business continuity being assessed. During the final design of the Phase 2 and Phase 3 projects, the experience obtained through Phase 1 has been used to refine the design of these remaining two phases in an effort to develop a contract package that will provide for the most economically favourable outcome while addressing business continuity needs.

Financial/Analysis:

The approved project budget for the CCRR Project is \$21,050,000.00. Following the award of the contract for Phase 1 construction a detailed review of the design for Phases 2 and 3 was completed and project estimates were developed for several possible options to move the remaining phases of the project forward. These project estimates were based on the costs being dictated through market conditions and the prices received for Phase 1 construction (refer to *Attachment 2 - Market Conditions Memorandum*). The following three (3) options have been identified for moving the project forward:

Option 1: Complete all aspects of CCRR project over two years (2016 and 2017) by issuing a tender for both Phases 2 and 3 in 2016 with construction in 2016 and 2017.

Option 2: Complete Phase 2 of the project (Front Street from Victoria Avenue to Bridge Street, including Victoria Avenue and Campbell Street) in 2016 by issuing a tender for only Phase 2 in 2016. Review design and reconstruction plans for Phase 3 and tender as a separate project.

Option 3: Complete Front Street and Bridge Street reconstructions over two years (2016 and 2017). Review design and reconstruction plans for side streets (Victoria Avenue, Campbell Street, McAnnany Street and Market Street) and tender as a separate project.

The table below presents the low and high construction estimates to complete each option as well as the overall updated project estimates, and estimated project variances. The low construction estimate represents the cost under “normal” market conditions and the high estimate represents current market conditions based on the Phase 1 costs. The ‘Estimated Updated Project Budget’ value in this table is based on the high estimates.

Options	Construction estimates (plus HST)		Estimated Updated Project Budget	Estimated variance from original budget of \$21,050,000	
	Low	High		Amount	Percent
Option 1	\$10,395,000	\$14,823,000	\$31,119,000	\$10,069,000	48%
Option 2	\$4,841,000	\$7,067,000	\$21,989,000	\$939,000	4%
Option 3	\$8,599,000	\$12,745,000	\$28,638,000	\$7,588,000	36%

Option 1: Complete all aspects of CCRR project over two years.

If Phases 2 and 3 are re-tendered as one contract with no changes, based on recently experienced market values of such highly complex and demanding specialized civil construction, **it will be necessary to increase the project budget by approximately \$10.1M to an amended total of approximately \$31.2M.**

Option 2: Complete Phase 2 construction (Front Street from Victoria Avenue to Bridge Street, including Victoria Avenue and Campbell Street). Review design and reconstruction plans for Phase 3 and tender as a separate project.

With multiple development opportunities being planned within the Phase 3 construction limits (i.e. Century Village Development, Memorial Arena, Market Square, Intelligencer Building, Waterfront development); tendering Phase 3 separately within the next 2 to 5 years would ensure that public funds being invested compliment the needs of future private investors and that the local businesses, property owners and those who inhabit the Downtown Core will have some time to recoup from the two years of construction in that district. Completing Phase 3 within the next 2 to 5 years would not prevent further or future land and building development from occurring within the project area if reconstruction is completed on Front Street up to Bridge Street in 2016.

If the project is to be re-tendered in this form, it may be necessary to increase the project budget to reflect the as tendered prices received through a competitive tendering process which will reflect current 2016 market conditions.

Option 3: Complete Front Street and Bridge Street reconstruction over two years. Review design and reconstruction plans for side streets (Victoria Avenue, Campbell Street, McAnnany Street and Market Street) and tender as a separate project.

The redevelopment of Front Street is key for future private investment to be realized, with Bridge Street being the next priority in terms of infrastructure needs. Reconstruction of the side streets, including Victoria Avenue, Campbell Street, McAnnany Street and Market Street, could be tendered as a separate project with

reconstruction of these streets being driven by future development revenues and other potential grant funds realized over a 2 to 5 year period.

If the project is to be re-tendered in this form, it will be necessary to increase the project budget by approximately \$7.6M to an amended total of \$28.7M.

As noted above, the project estimates provided for each option are based on costs being dictated by market conditions and the prices received for Phase 1 construction (refer to *Attachment 2 - Market Conditions Memorandum*). Although amendments have been made to the proposed traffic management plan by allowing some full road closures for Phases 2 and 3 construction compared to the staging required during Phase 1 construction, it is quite possible that construction cost savings could be realized as a result of these closures, however there is no guarantee that cost savings will be realized when the contract for future phases is tendered.

With the City's vision for redevelopment and private investment being realized with the Phase 3 area, and the opportunity for future development of a number of key assets, tendering Phase 3 separately as identified in Option 2 is the recommended strategy moving forward as this allows the CCRR project to continue towards completion while allowing additional time for the vision and plans for the Phase 3 area to develop. Furthermore, Option 2 provides opportunity to stay within the currently allocated budget and enables the City to investigate and potentially secure infrastructure funding through other sources or programs. Finally, it will provide impacted stakeholders the opportunity to recoup from two years of heavy construction.

Conclusions:

With no guarantee that cost savings will be realized by tendering Phase 2 and 3 as one contract, and with multiple opportunities for future public/ private partnerships and funding opportunities for Phase 3 reconstruction, it is recommended that the City Centre Revitalization and Redevelopment Project proceed to tendering with the Phase 2 contract in 2016, while developing a larger vision for Phase 3 and investigating funding opportunities for Phase 3 as a separate project.

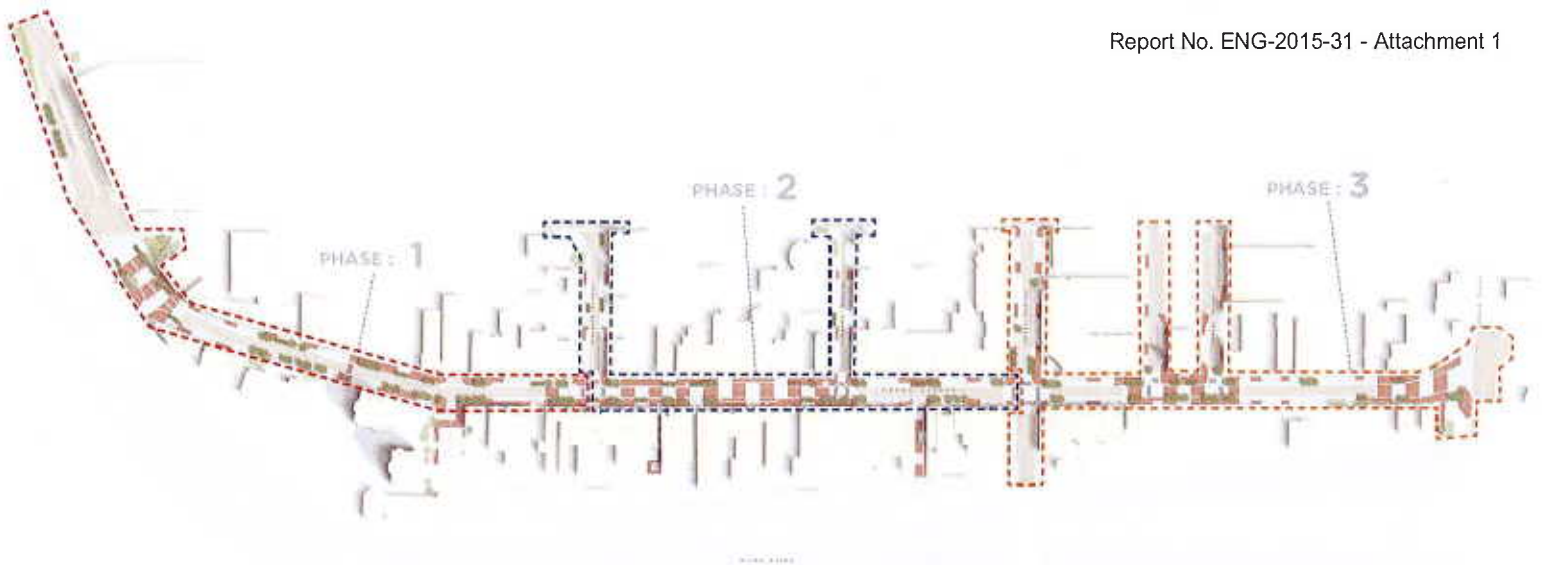
Attachments:

1. Presentation: CCRR Project Budget Review
2. Memo: Market Conditions – Municipal Downtown Infrastructure Reconstruction Projects

Respectfully submitted,



Rod Bovay,
Director, Engineering and Development Services



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City Centre Revitalization & Redevelopment Project
Project Budget Review
2016 Capital Budget– October 27, 2015

Why Are we Building Belleville?

The City of Belleville owns more than \$3.5 billion in assets with \$400 million in maintenance and upgrade needs of these assets.

Build Belleville projects have been selected strategically and are linked to economic growth.

Plan ensures balance of the infrastructure gap can be financed through increased revenues from future growth and development.

**We are investing in
Economic Growth!**



Phase 1 Construction

Phase 1 of the project, to be completed December 2015, includes approximately 130 metres of Station Street, from Church Street to Pinnacle Street, and 390 metres of Front Street, from Pinnacle Street to Victoria Avenue.

Project Timeline:

- Tender Contract Awarded for a net cost of \$8.51M – April 13, 2015
- Construction Begins – May 11, 2015
- Completion – 2015



Phase 2 Construction

Phase 2 of the project, to be completed in 2016, includes Front Street from Victoria Avenue to Bridge Street, including portions of Victoria Avenue and Campbell Street between Front Street and Pinnacle Street.

Project Timeline:

- Issue Tender
January 12, 2016
- Award Tender Contract
March 2016
- Construction Begins
April 2016



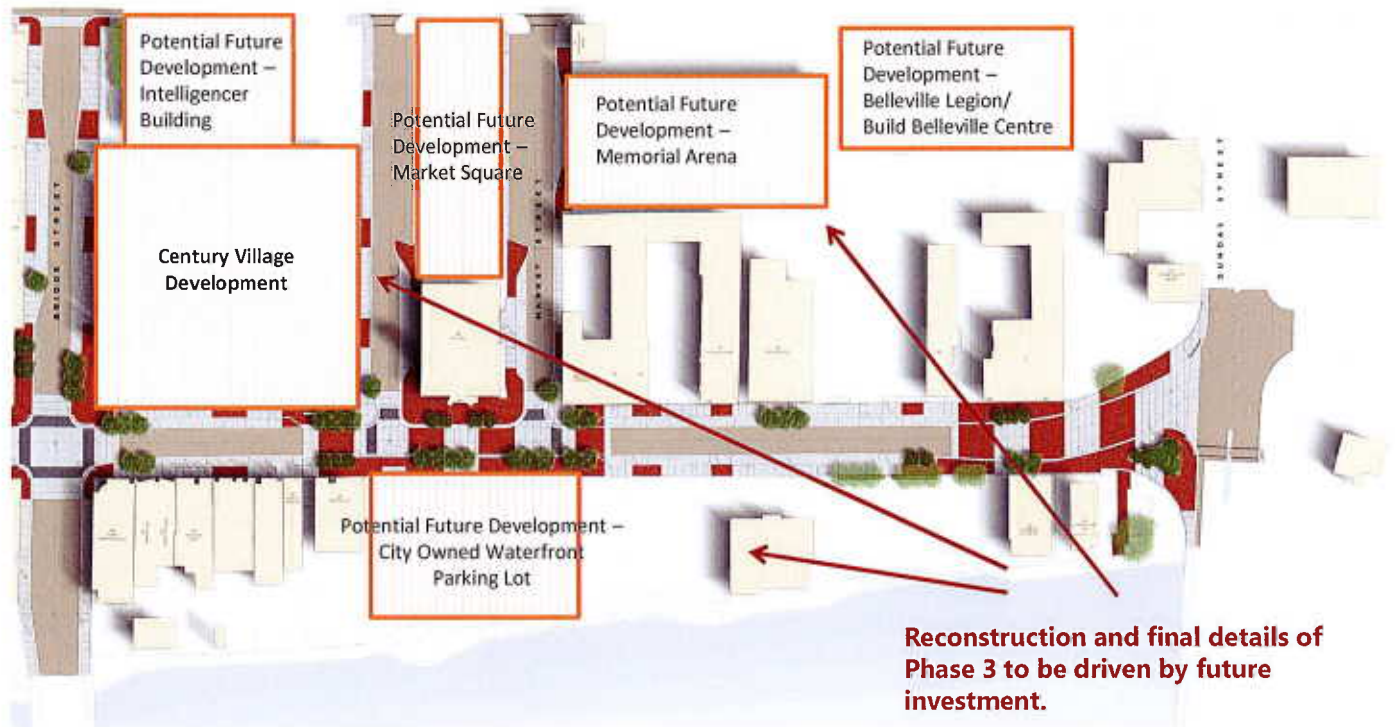
Phase 3 Construction

Phase 3 of the project includes Front Street from Bridge Street to Dundas Street, including portions of Bridge Street East, Market Street and McAnnany Street between Front Street and Pinnacle Street.

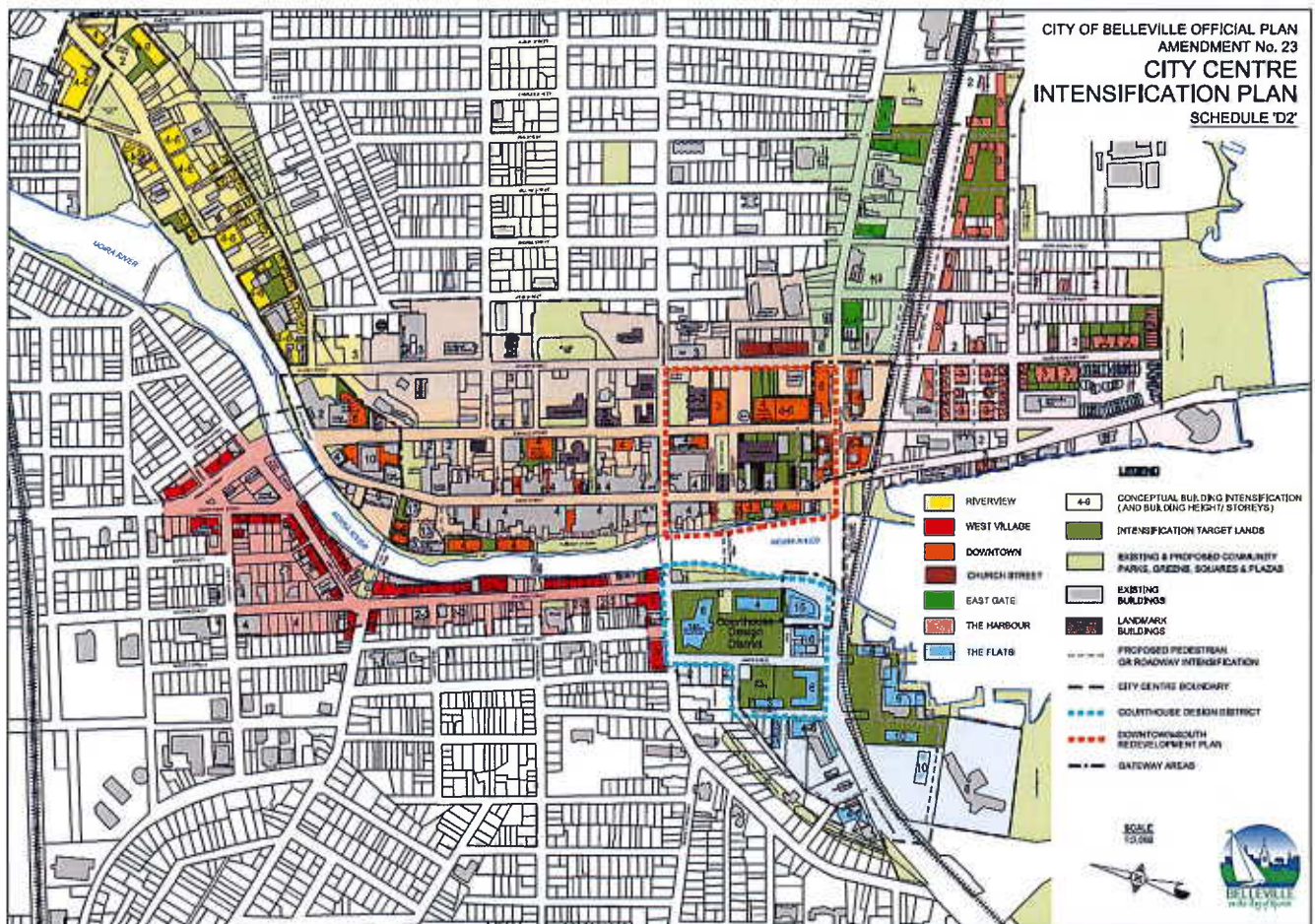


New Opportunities - Phase 3

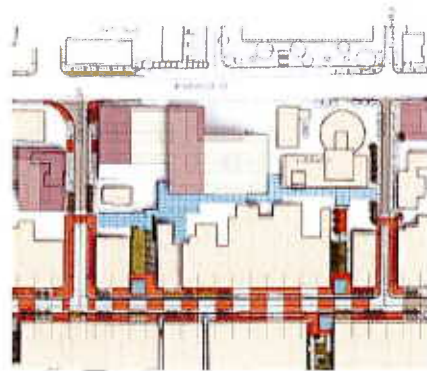
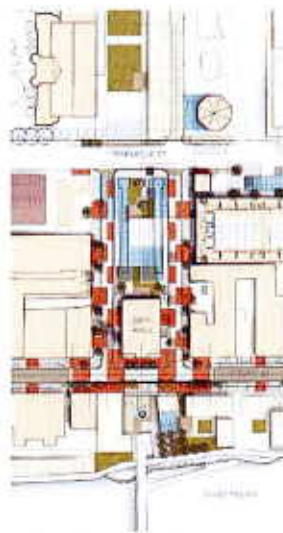
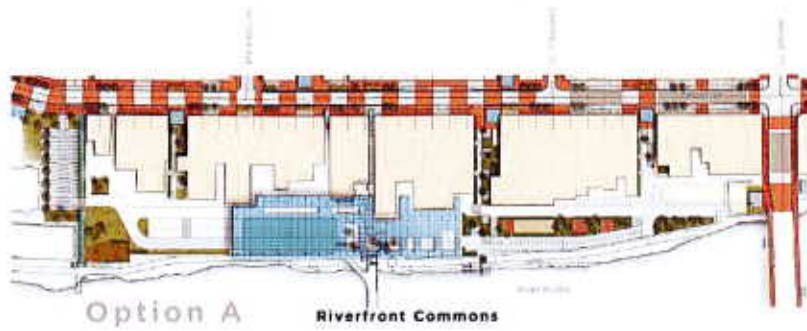
With the City's vision for redevelopment and private investment being realized, and the opportunity for further future development, reviewing design plans for Phase 3 and tendering as a separate project could be the best strategy moving forward in order to reduce the amount of additional funding currently required to complete this project.



Building a Vision for our City Centre

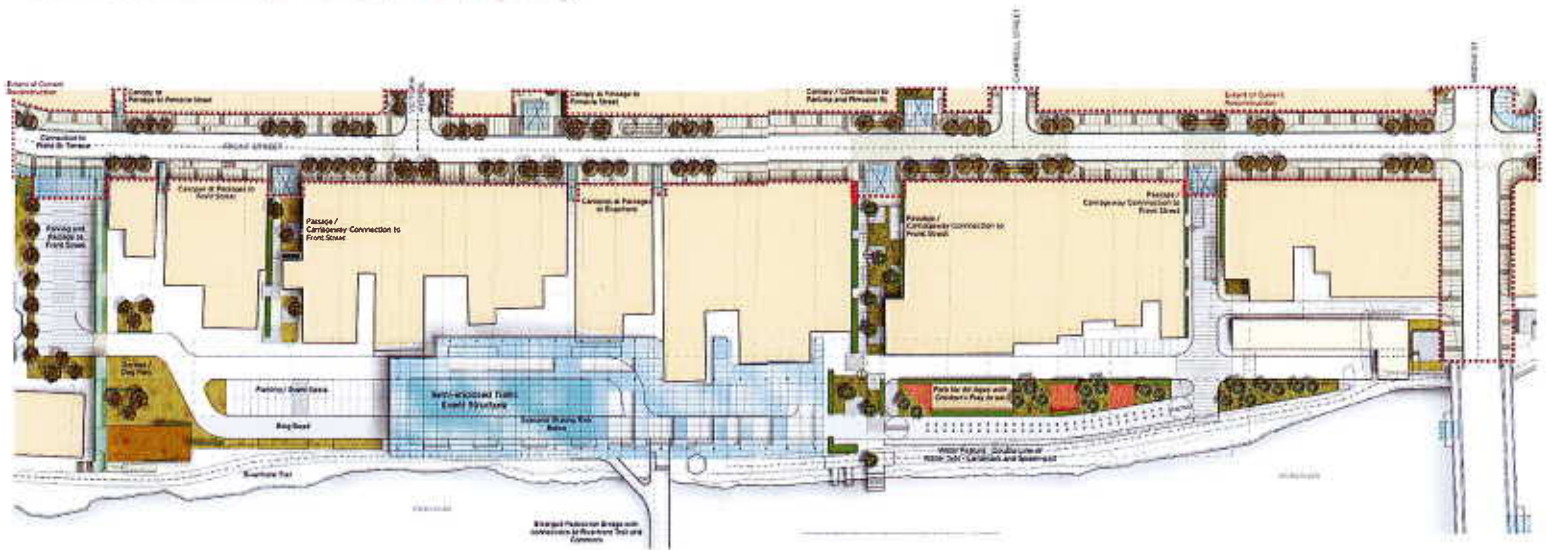


FUTURE PHASES



These Options (Option A: the Riverfront Commons, Option B: City Hall Commons, and Option C: the Library Terrace) - are presented as potential choices for a next phase of work in the ongoing Downtown Revitalization / Build Botetown initiative. We encourage everyone to indicate which Option provides the best "next step" for Botetown.

Riverfront Commons



Riverfront Walk



Riverfront Festivals & Events

Potential Riverfront Development



Pedestrian bridge connecting Front Street to Courthouse District



Watercraft Access Downtown

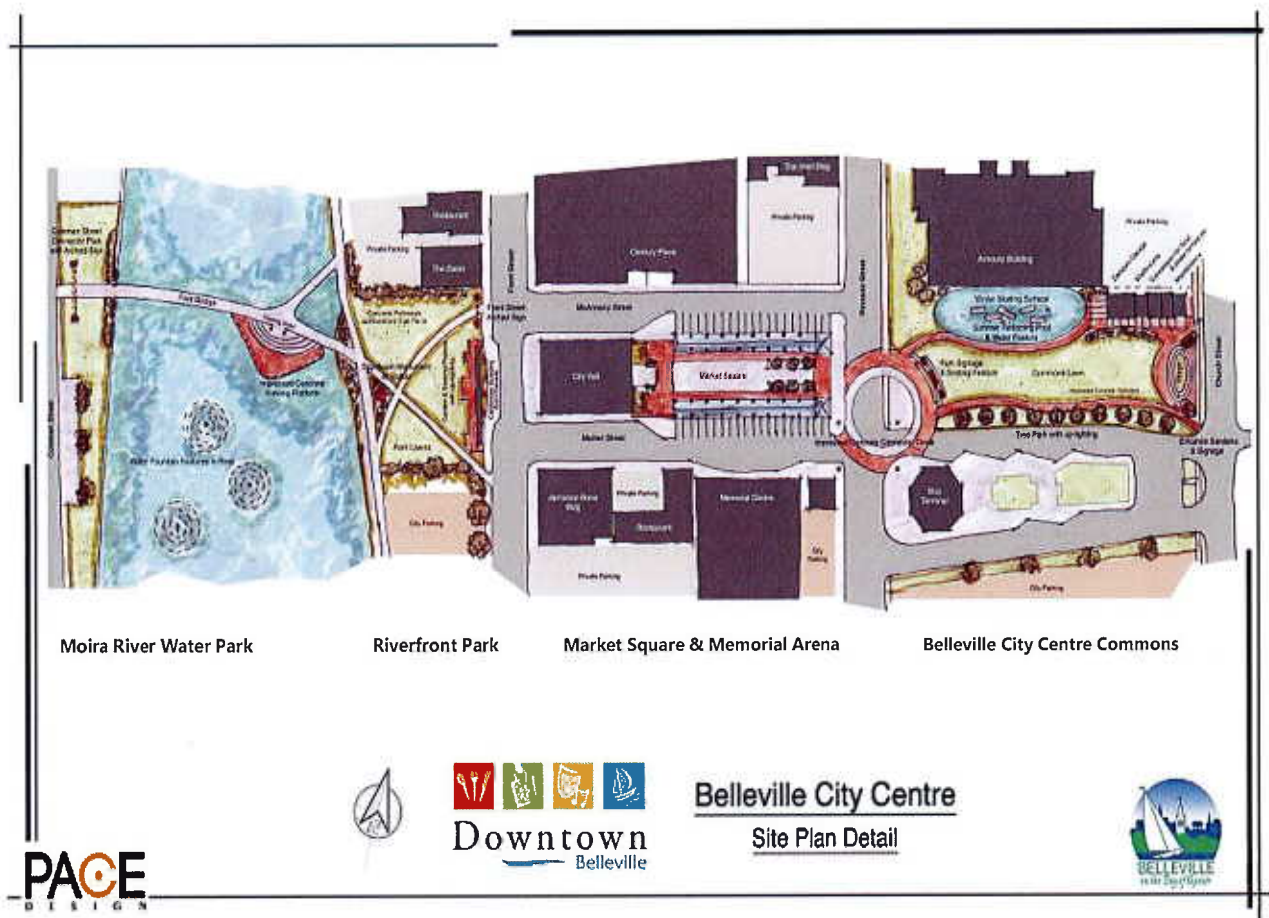


Commercial/ Residential Mix Along Riverfront



Riverfront Patios

Connecting Riverfront and City Centre Commons



CITY HALL COMMONS

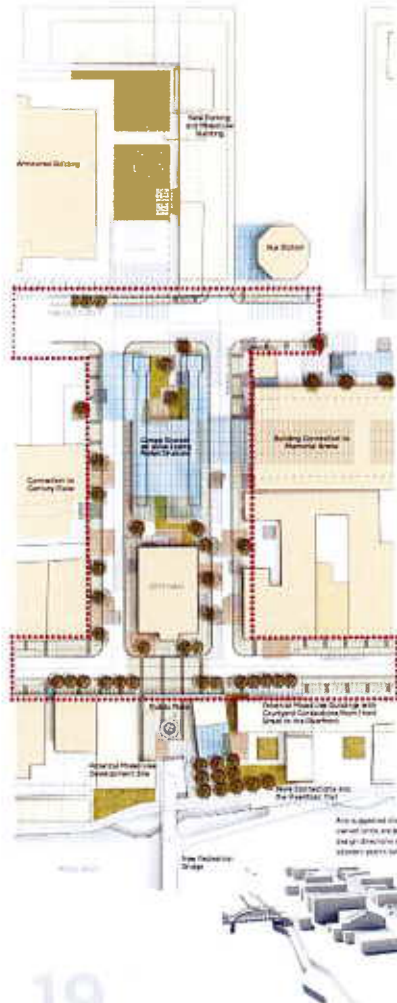
CITY HALL COMMONS

The new City Hall Commons creates a major new cultural precinct with Belleville's premier landmark building, linking City Hall and the Market from Third Street to the Riverfront Trail in a new cultural precinct. The new Commons also brings together several other landmark buildings - the Registry Building and Memorial Arena - all re-established into a new public space of the Commons.

Along People's Street to the east, a new green lawn is set to meet to the Armature making a green connection to the formal building frontage on Bridge Street. The new green lawn, which can be used for public amenities like skating rink, water features and play areas, is also flanked by a new potential parking / mixed use building.

In the Market, an upper structure extends over Market Street and McCann Street to create a north-south cross-direction, while incorporating the existing Market structures, that can connect directly with the Memorial Arena and Registry Building. The surface in the central City Hall block creates a varying pattern of space pavements that breaks down the division of sidewalk and road. This allows the asphalt expanse that presently exists to become a cohesive public space that can be used at the time, not just during Market hours. Potential connected uses of related all-season markets, residential uses and parking buildings are shown close connecting with the Memorial Arena, bringing new life to its monumental walls.

To the west, the new plaza extends the public frontage of City Hall to the Riverfront Trail and potential new pedestrian bridge. This new plaza is enclosed by the preserved Front Street arched facade and potential buildings (north side and south side of proposed plaza). These new buildings would direct the open space toward the river and Bay of Gyrona beyond. The addition of this potential pedestrian bridge can create a new looping Riverfront walk, knitting the east and west sides of the Mura River together, with access to the new



Comments:

Area is depicted through an architectural drawing, showing current conditions, are presented only as reference based on the guidelines in support of suggested improvements to enhance public space.



Financial Analysis

The following three (3) options have been identified for moving the project forward:

1. Complete all aspects of CCRR project over two years.
2. Complete Phase 2 of the project (Front Street from Victoria Avenue to Bridge Street, including Victoria Avenue and Campbell Street) in 2016. Review design and reconstruction plans for Phase 3 and tender as a separate project.
3. Complete Front Street and Bridge Street reconstructions over two years (2016 and 2017). Review design and reconstruction plans for side streets (Victoria Avenue, Campbell Street, McAnnany Street and Market Street) and tender as a separate project.

Option	Construction Estimates (plus HST)	Estimated Updated Project Budget	Estimated Variance (\$)	Estimated Variance (%)
1	\$14,823,000	\$31,119,000	\$10,069,000	48%
2	\$7,067,000	\$21,989,000	\$939,000	4%
3	\$12,745,000	\$28,638,000	\$7,588,000	36%

Recommendation: Option 2

Complete Phase 2 of the project (Front Street from Victoria Avenue to Bridge Street, including Victoria Avenue and Campbell Street). Review design and reconstruction plans for Phase 3 and tender as a separate project.



Rationale/ Benefits:

- Provides opportunity to stay within the currently allocated budget.
- Allows for infrastructure improvements to be driven by future development (i.e. Century Village Development, Memorial Arena, Market Square, Intelligencer Building, Waterfront development).
- Ensures public funds being invested compliment the needs of future private investors.
- Gives downtown stakeholders time to recoup from the two years of construction.
- Enables City to investigate and potentially secure infrastructure funding through other sources.
- Completing work up to Bridge Street allows for further or future land and building development to occur immediately.



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Memorandum

Subject: Market Conditions– Municipal Downtown Infrastructure Reconstruction Projects
 Date: October 15, 2015
 Attention: Mayor's Implementation Team

Re: City Centre Revitalization and Redevelopment (CCRR) Project

The purpose of this memorandum is to provide information and analysis of construction costs under today's market conditions for municipal downtown infrastructure reconstruction projects.

Background:

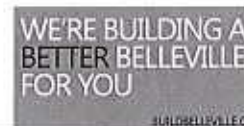
The initial high level project estimate was developed in 2012 at a value of \$21 million for the City Centre Revitalization and Reconstruction project which was subsequently approved by Council in February 2013. Detailed estimates were received by the consultant in July 2014. In August 2014 the initial tender for this project took place, which resulted in bids greatly exceeding the initial high level estimate from 2012, the consultant's detailed estimate, and the project budget. As a result, the tender was cancelled and a review of the design and contract approach was completed to identify potential sources of cost savings to stay within the initial high level budget of \$21 million. The new approach included separating the project into three phases to be completed over three years.

On April 13, 2015, Council awarded Contract ENG2015-06 City Centre Revitalization and Redevelopment Project Construction Contract Phase 1 to Len Corcoran Excavating Limited at a net cost to the City of \$8,506,887.71. This contract is included in the overall project budget of \$21,050,000.00.

While this contract represents only the first phase of the City Centre Revitalization and Redevelopment (CCRR) project, it is considered the most complex phase, with traffic management requirements, sanitary sewer replacement, storm sewer replacements and accessibility issues for the residential apartment towers. These factors have resulted in the contract costs as tendered for this phase.

Analysis:

Through the construction of the Phase 1 project, costs and constructability have been closely administered and monitored with impacts related to business continuity being assessed. During the final design of the Phase 2 and Phase 3 projects, the experience obtained through Phase 1 will be used to refine the design of these remaining two phases in an effort to develop a contract package that will provide for the most economically favourable outcome while addressing business continuity needs.



In an attempt to understand and rationalize the tender results obtained thus far, a research of similar downtown reconstruction projects was conducted. Research has revealed that concurrent with our project, the City of Kingston is also undergoing a downtown revitalization phased over several years, while Prince Edward County has planned a revitalization of Main Street in Picton. The following table summarizes the recent contract activities for the downtown revitalization projects planned in this eastern Ontario region:

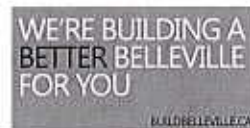
Table 1: Cost Estimates vs. Construction Costs – Downtown Reconstruction/ Rehabilitation Projects 2015

Project	Scope of Work	Estimate	Total Tender Submission HST included	Bids Received	Change in Cost
City of Kingston Princess St. Reconstruction Phase 3	Princess St from Bagot to Clergy Montreal St from Brock to Queen Sydenham St from Princess to Queen Clergy St from Princess to Queen	Approx. \$3 million over budget = \$11,500,000.00	\$14,627,480.49	2	27%
Prince Edward County Picton Main St. Rehabilitation Project	550 m of Main Street (Chapel Street to Bridge Street). Rehabilitation/ reconstruction of sanitary sewers, watermains and service connections; asphalt roadway, sidewalks and curbs; street lights; and associated works.	\$2,778,548.00	\$6,488,425.65	1	134%

Based on the tendering results presented in the above table it is evident that market conditions are significantly impacting the total construction costs related to municipal infrastructure projects. There are a number of comparable infrastructure projects scheduled within Eastern Ontario that are facing similar financial impacts that the City of Belleville has seen during the Phase 1 Construction tender for the CCRR project.

Additional factors that are increasing the project cost compared to initial budget estimates when looking at complex downtown infrastructure projects in the region include (i) increased expectations and level of effort required to meet communications demands, public relations, and merchant support, (ii) time constraints and accelerated project schedule to meet key deadlines, (iii) accommodating vehicular access/ deliveries, (iv) complexities of infrastructure and time required to install services. These factors all appear to have played a role to some extent in the higher than expected tender results as summarized in the above table.

In a 2014 report issued by the Residential & Civil Construction Alliance of Ontario (RCCAO), infrastructure construction price changes are estimated from 1998 to 2013. Although there is



little data available over the last two years, this report clearly demonstrates both gradual and drastic changes in price each year over the previous year (see Appendix A – RCCAO 2014 Report). Therefore, on a go-forward basis any project budgeting and tendering process must consider the annual escalation of construction costs and recognize that budgets established three or more years ago will be impacted by these increases. Initial high level project estimates for the City Centre Revitalization Project that resulted in an approved project budget were developed in 2012, three (3) years prior to the Phase 1 construction tender being issued.

Another important factor when assessing the reason for increasing costs for infrastructure projects similar in scope to Belleville's City Centre Revitalization Project, is the demand for civil works for reconstruction and municipal infrastructure projects. With the demand for work being high and supply of heavy civil contractors being low, municipalities in this region are receiving minimal bids for these complex projects that reflect higher value for work. This is an obvious conclusion when the tendering results in the above table are reviewed; in no situation has any municipality, including the City of Belleville, been successful in attracting more than two (2) bids, despite efforts to attract as many bids as possible to secure the best price for the entire project.

Conclusion:

In conclusion, it is evident that projects similar in scope to the City Centre Revitalization Project are being dictated primarily by market conditions, with high demand and low supply also being a critical factor. This evidence supports that the construction industry is significantly impacting municipal project budgets and making it difficult to achieve these budgets, while acknowledging that tenders for this project have been issued three to five years after receiving the initial high level project estimate.

During the final design of Phase 2 and 3 projects, staff will review the design and examine areas where cost savings can be realized, while determining the best options for moving construction for this project forward.