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ADMINISTRATIVE REPORT

Report Date: November 17, 2009
Contact: Garrick Bradshaw
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RTS No.: 08392
VanRIMS No.: 08-2000-20
Meeting Date: December 15, 2009

TO: Vancouver City Council

FROM: Director of Facilities Design & Management and the Director of Real Estate Services

SUBJECT: Award of Construction Contract for Office Tenant Improvements at the Woodward's Heritage Building

RECOMMENDATION

- A. THAT, Council authorize the General Manager of Business Planning and Services to negotiate and award a sole-sourced construction contract up to a maximum value of \$300,000 with Westbank Projects Corporation ("Westbank") for the tenant improvements for the City of Vancouver's office space in the Woodward's Heritage Building. Source of funding to be the 2009 Capital Budget as approved by Council on July 21, 2009 (RTS 8155 refers);
- B. THAT all such legal documents be on terms and conditions satisfactory to the General Manager of Business Planning & Services and the Director of Legal Services; and
- C. THAT the Director Legal Services be authorized to execute and deliver on behalf of the City all legal documents required to implement Recommendation A;
- D. THAT no legal rights or obligation will be created or arise by Council's adoption of Recommendations A, B and C above unless and until such legal documents are executed and delivered by the Director of Legal Services.

GENERAL MANAGER'S COMMENTS

The General Manager of Business Planning and Services RECOMMENDS approval of the foregoing.

COUNCIL POLICY

Council approval is required for the award of any construction contract with a value over \$300,000, and such award is generally based on a competitive tendering process.

Approved Standing Authorities state that "there are rare situations that arise from time to time where it is appropriate to sole source the acquisition of goods or service. In these cases the approval of the City Manger and, at the City Manager's discretion, City Council is required."

Contracts are to be awarded on the basis of best value for the City.

PURPOSE

The purpose of this report is to seek Council approval to negotiate and award a sole-sourced Construction contract up to a maximum value of \$300,000 to Westbank for the tenant improvements required for the Community Services Group departmental move to the Woodward's Heritage building, subject to confirmation that the proposal received provides value to the City.

BACKGROUND

On September 29, 2004 Council selected Westbank Projects Corporation and Peterson Investment Group Inc. to be the Developer of the Woodward's site. Westbank is acting as both Landlord and the Contractor on the Woodward's Heritage Building redevelopment project.

On July 21, 2009, Council authorized the City as tenant to occupy the remainder of the City Head Lease premises in the Heritage Building. The Head Lease includes a total of 55,000 square feet of office space. The City's occupancy of the lease area will be approximately 20,700 gross rentable square feet.

Under the existing Lease, the Landlord (Westbank) is required to provide the City with an 'enhanced' base building (finished interior) shell that includes: mechanical rooms, public corridors, washrooms, carpet, ceiling, lighting, electrical, sprinkler and HVAC distribution suitable to an open office plan. The City, as tenant, is responsible for the design and construction of its tenant improvements that will include: the construction of main reception area, copy rooms, data rooms, storage rooms, meeting rooms, lunch rooms, offices and also the supply and installation of data lines and office furniture.

The base building is presently under construction and the 'enhanced' building shell is presently scheduled for base building occupancy and hand-over to the City for tenant improvements on February 1st, 2010. Following typical practices, the City's tenant improvement work would take approximately 4 months resulting in a potential move-in date of approximately May 30th, 2010.

DISCUSSION

The Cultural Services department of the Community Services Group currently located at the City Square complex (Cambie & 12th Ave) will be relocating to the Woodward's Heritage building upon completion of the base building construction and the proposed tenant improvements. Initially, the City planned for the completion of the tenant improvements and

occupancy of the premises in January 2010. However, due to delays in the project, Westbank's handover date to the City has been revised to February 1, 2010.

There is an opportunity to achieve economies of schedule and cost by engaging Westbank to complete the City's tenant improvements while completing their own base building work. The City's fixturing period could be cut in half, reducing it from 4 months to 2 months, allowing a potential move-in date as early as April 1, 2010.

Construction material waste would be reduced by constructing all of the office space at one time. The existing handover arrangement would necessitate removing and/or revising of flooring, ceiling, HVAC, sprinkler and electrical items to accommodate the City's tenant improvements. By engaging Westbank, cost savings would be realized by not having to pay to revise items built as part of the base building fit-out.

Construction coordination issues would also be reduced by using trades mobilized on site to build the tenant improvements at the same time as the enhanced base building.

The intent in sole-sourcing is also to capitalize on Westbank's intimate knowledge of the building and its systems by integrating the City's tenant improvements with the base building work.

The City would seek a proposal from Westbank and then evaluate it with a third party external Quantity Surveyor to confirm that the City would be receiving value that reflects the current market environment, and that the benefits noted above would be achieved. Upon validation, the General Manager of Business Planning and Services would enter into a Construction Contract with Westbank.

ALTERNATIVES/OPTIONS

Should the proposal from Westbank not clearly demonstrate the benefits noted above, the City will wait until the developer hands over the completed base building at which time Facilities Design and Management staff will conduct an open tender for a General Construction contract as per City standard practices.

FINANCIAL IMPLICATIONS

This report requests Council to authorize the General Manager of Business Planning and Services to negotiate and award a sole-sourced construction contract up to a maximum value of \$300,000 with Westbank for the tenant improvements for the City's office space in the Woodward's Heritage Building. Source of funding to be the 2009 Capital Budget approved by Council for Woodward's tenant improvements.

The cost savings of a sole-source contract have yet to be quantified.

Budget Risk Implications. City staff have engaged an external Quantity Surveyor to develop an estimated cost of the tenant improvement work. The City would enter into the contract with Westbank only if the proposed costs were less than the existing estimate. Integration of the base building work and tenant improvements will reduce the potential for change orders and additional costs during a separate tenant improvement construction period.

CONCLUSION

The City has a long standing, successful relationship with Westbank in the planning, design and implementation of the Woodward's development. There exists an opportunity to capitalize on this relationship to achieve additional cost and schedule savings, and sustainability goals by engaging Westbank to complete the City's tenant improvements at the same time as the base building construction is being completed. The Directors of Facilities Design and Management and Real Estate Services recommend that the City request a proposal from Westbank to complete this work and, if determined to provide value to the City, the General Manager of Business Planning and Services be authorized to enter into a sole-sourced Construction contract with Westbank for completion of the City's office space tenant improvements.

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