



## ADMINISTRATIVE REPORT

Report Date: August 21, 2018  
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Meeting Date: September 19, 2018

TO: Standing Committee on City Finance and Services

FROM: General Manager of Real Estate and Facilities Management and Chief Procurement Officer

SUBJECT: Contract Award for Fire Hall 17 Construction

### **RECOMMENDATION**

- A. THAT Council authorize City staff to enter into a contract with D.G.S. Construction Company Ltd., for the construction of Fire Hall 17, for an estimated term of approximately two years with an estimated contract value of \$17,780,952.38 plus GST over the term of the contract.
- B. THAT, subject to approval of Recommendation A, Council approve additional project funding of \$4.8 million; source of funding is the Capital Facility Reserve; and that Council approve \$4.8 million increase to the 2015-2018 Capital Plan and to the Multi-Year Capital Budget. Expenditures will be managed within the overall approved 2018 Annual Capital Expenditure Budget;

FURTHER THAT the Director of Legal Services, Chief Procurement Officer and General Manager of Real Estate and Facilities Management be authorized to execute on behalf of the City the contract contemplated by Recommendation A.

- C. THAT no legal rights or obligations will be created by Council's adoption of Recommendations A and B above unless and until such contract is executed by the authorized signatories of the City as set out in these Recommendations.

### **REPORT SUMMARY**

The City issued an Invitation to Tender ("ITT") PS20181183, on July 11, 2018, for the construction of Fire Hall 17, to contractors pre-qualified under the previously held Request for Pre-Qualifications no. PS20180741. The ITT was advertised on the City of

Vancouver website and BC Bid and the work was called in accordance with the terms and conditions of the City's Procurement Policy ADMIN-008. City staff on the ITT evaluation committee and, subsequently, the Bid Committee have considered the responses received and, on that basis, recommend that the City enter into a contract as described above with D.G.S. Construction Company Ltd.

### **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

The City's Procurement Policy ADM-008 requires that contracts with values over \$2 million must be approved by Council following review and recommendations by the Bid Committee. The Bid Committee has considered, and recommended D.G.S. Construction Company Ltd. as the successful contractor.

### **REPORT**

#### **Background/Context**

The City plans to redevelop Fire Hall No. 17 located at 7070 Knight Street. The existing building was constructed in 1954 and no longer adequately meets current structural, operational and space needs. The replacement fire hall will have three levels above ground and one level of partial basement, four apparatus bays and full size hose tower. It will be of non-combustible construction and built to a post-disaster structural standard. It will include accommodation for a two-crew operation and provisions for use of the building and grounds for training, as well as an IT and communications hub. It will also include on-grade parking for six vehicles as well as a genset, garbage/recycling area and fueling provisions. The overall gross floor area is approximately 2020 m<sup>2</sup> (22,000sf).

Construction of a temporary fire hall located at the rear of the site was completed in June 2018. "Green Demolition" of the existing fire hall is starting this week, and will be completed in fall 2018 by a separate contractor in order to fast track completion of the new fire hall.

A two-step tender process was completed to first shortlist six general contractors who have a high level of expertise in similar projects (similar building types, construction of LEED Gold and Passive House certified buildings). An ITT was subsequently issued to identify which of the six pre-qualified contractors offered the lowest construction price while meeting the City's service requirements.

#### **Strategic Analysis**

The ITT was issued in accordance with City's Procurement Policy ADM-008.

The City received bids (including GST) from the following pre-qualified contractors:

- |                                     |                 |
|-------------------------------------|-----------------|
| 1. D.G.S. Construction Company Ltd. | \$18,670,000.00 |
| 2. Chandos Construction             | \$19,040,000.00 |

The bids were evaluated by representatives from Real Estate and Facilities Management and team members of the Consultant, HCMA Architecture + Design, under

the stewardship of Supply Chain Management to ascertain if the bids offered good overall value to the City.

The successful contractor submitted the lowest-priced compliant bid. Based on the overall evaluation, the team concluded that the tender submitted by D.G.S. Construction Company Ltd., best met the City's requirements and provided best overall value to the City.

### ***Financial Implications***

The Fire Hall 17 Redevelopment project currently has an approved budget of \$19.9 million, which includes a \$300K grant and \$2M loan from the Federation of Canadian Municipalities Green Municipal fund to help it achieve a net zero energy performance standard.

The results of the tender came in higher than anticipated. REFM has considered other options (e.g. re-tender), but it would take a longer time for project completion and it is expected that construction cost escalation will continue based on local market conditions. Additionally, the City may end up losing the Federal funding if we cannot meet the committed completion timeline.

The construction market in Vancouver has seen price increase of 8-12% over the last three years. Due to the higher construction costs and market conditions, the estimated total project cost has now increased from \$19.9 million to \$24.7 million. The largest price increases were seen in earthworks, mechanical, steel framing, wood framing and masonry (in order of priority). These construction cost increases were in line with construction tender results from other local public sector organizations such as the Vancouver School Board.

As the value of the recommended contract exceeds \$2 million, Council approval is required for the award of the contract. This report seeks Council approval of the contract award to DGS Construction, and approval of a \$4.8 million increase to the project budget. The funding source for the budget increase is the Capital Facilities Reserve, to be added to the 2015-2018 Capital Plan and to the Multi-Year Capital Budget. Expenditures will be managed within the overall approved 2018 Annual Capital Expenditure Budget.

The project budget increase of \$4.8 million (from \$19.9 million to \$24.7 million) reflects the higher than anticipated construction contract tender results, as well as higher than anticipated costs for construction of the temporary fire hall.

Financial Planning & Analysis (FP&A) has reviewed the cost of the goods and/or service and concurs that, subject to Council approval of the increase to the project budget at the time the contract award approval is requested, sufficient funding will be available from the project budget for the Fire Hall 17 Redevelopment project).

### ***Legal***

The City's Procurement Policy requires that all contracts that have been awarded by Bid Committee plus Council will be signed by the Director of Legal Services.

**CONCLUSION**

In summary, City staff recommends that the City of Vancouver enter into a two-year contract with D.G.S. Construction Company Ltd. for the construction of Fire Hall 17, as noted in this report.

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