OBJECTIVE:
To provide an update and receive Council direction regarding the tender results for the previously-approved construction of the Waterfront Pavilion (Dunnville Farmers Market) capital project.

RECOMMENDATIONS:
1. THAT Report PED-EDT-09-2017 Waterfront Pavilion (Dunnville Farmers Market) Capital Project Update be received;
2. AND THAT Tender No. PED-EDT-02-2017 Construction of the Waterfront Pavilion (Dunnville Farmers Market) be awarded to G.S. Wark Ltd. in the amount of $894,420 plus applicable taxes;
3. AND THAT the Revised Budget for the Waterfront Pavilion (Dunnville Farmers Market) project, as outlined in PED-EDT-09-2017, be approved;
4. AND THAT $65,000 in savings from the Dunnville Waterfront Park project be reallocated to the Waterfront Pavilion/Dunnville Farmers Market project;
5. AND THAT an additional $30,000 be funded from the Ward 5 Community Vibrancy Fund;
6. AND THAT an Application and Permit Fees Refund in an amount not to exceed $10,000 as per the terms and conditions of the Downtown Areas Community Improvement Plan be approved;
7. AND THAT given Council’s approved policy to not commence a community funded capital project until the fundraising monies are deposited with the County, and given that the Dunnville Farmers Market Committee has honoured all previous fundraising targets and also agreed to contribute an additional share of the higher tender price but needs reasonable time to fundraise, the additional community contribution of $10,000 be interim financed by the Ward 5 Community Vibrancy Fund in order to allow construction to commence, with reimbursement from community fundraising to be payable over a five-year period.

Prepared by: Lidy Romanuk, BA, EcD, CEcD, Manager, Economic Development and Tourism
Respectfully submitted: Craig Manley, MCIP, RPP, General Manager of Planning and Economic Development
Approved: Donald G. Boyle, Chief Administrative Officer

EXECUTIVE SUMMARY:
In March 2017, a tender was issued for the Waterfront Pavilion/Dunnville Farmers Market project. The tender closed on Tuesday, April 11, 2017 and the lowest compliant bid received for project was $123,000 above the Council-approved construction budget. Staff have developed a funding strategy to allow the tender to be awarded as follows:
The reallocation of savings resulting from the Dunnville Waterfront Park tender coming in under budget;
The reduction in project costs undertaken through negotiation with the lowest bidder;
The reduction in project costs by funding building permit fees through the Downtown Areas Community Improvement Program;
Additional contribution to off-set increased costs from the Ward 5 Community Vibrancy fund with the support of the Ward Councillor; and
Additional community contribution from community fundraising.

Given the high visibility and integration of this building within the Dunnville Waterfront redevelopment and the strong partnership with the Dunnville Farmers Market Committee, staff recommend Council approve the increased budget and the financing options as described in more detail in Option 2 of this report.

BACKGROUND:

On November 1, 2016, report PED-EDT-09-2016 was approved by Council, outlining a recommended design and the overall projected costs to construct the Waterfront Pavilion/Farmers Market. At this time, a budget was approved by Council to an upset total capital cost of $885,000 based on cost estimates provided by a consulting architect. The approval to tender was conditional upon the Dunnville Farmers Market Committee depositing with the County $200,000 towards the project budget.

Related to the Waterfront Pavilion/Farmers Market initiative, Council also approved a design and budget for the development of an adjacent Waterfront Park at an estimated total cost of $1,027,000. The total combined costs for these two closely related projects was approved at $1,912,000. The Waterfront Park tender was issued on March 21, 2017 and came in approximately $65,000 under the budget amount. The Waterfront Park tender was awarded on May 11, 2017 and is proceeding.

The Dunnville Farmers Market Committee continued its fund-raising efforts and successfully raised the required contribution of $200,000 in advance of the release of the tender.

Subsequently:

- A Request for Pre-Qualification for General Contractors was released on January 26, 2017 and closed on February 14, 2017. Six general contractors were selected to bid on the project once the tender was released; and
- A Request for Tender—PED-EDT-02-2017 Construction of the Waterfront Pavilion (Dunnville Farmers Market)—was released on March 31, 2017 and closed April 11, 2017. Five of the six pre-qualified bidders submitted bids. All bids were substantially over the approved budget. The lowest bid received was $918,000 plus applicable taxes, which was approximately $123,000 higher than the approved construction budget. Four of the five bids were within $59,000 of each other.

The remainder of this report outlines the results of Tender PED-EDT-02-2017 Construction of the Waterfront Pavilion (Dunnville Farmers Market) and the next steps for Council consideration.

ANALYSIS:

Project Tender:
The tender documents were based upon a basic building design presented to Council through report PED-EDT-09-2016 in October 2016 and costed by a consulting architect.
Tender PED-EDT-02-2017 Construction of the Waterfront Pavilion (Dunnville Farmers Market) was issued on March 31, 2017 and closed April 11, 2017. Five submissions out of a possible six were received. All bids were above the approved construction budget of $795,000; the lowest bid was $123,000 over the approved construction budget.

Upon the closing of the tender, staff and the Dunnville Farmers Market group met with the consulting Architect to discuss the budget shortfall as well as options moving forward. Potential reasons identified for the budget overage are as follows:

- Timing of the project and the fact that contractors are already very busy with projects;
- Additional construction costs to address geotechnical issues based on the results of borehole testing received February 28, 2017, indicating a deeper bearing soil than originally anticipated. This prompted redesigning of the foundation which in turn, increased construction costs. Furthermore, in post tender negotiations the building committee continued to modify the proposed foundation to the current design being proposed; and
- Significant capital infrastructure funding from the federal and provincial governments for Canada’s 150\textsuperscript{th} projects appear to be impacting construction costs broadly.

In keeping with the Procurement Policy 2013-02, staff initiated negotiations with the lowest compliant bidder. It should be noted that, because of the type of building (i.e. basic shell/pavilion) and the fact a number of design features had previously been removed prior to issuance of the construction tender to achieve a reasonable project budget, there were limited options available to negotiate reductions. Following a meeting with the lowest compliant bidder and a line-by-line analysis of the bid, staff and the bidder were able to identify $23,580 costs savings to the project without significantly compromising the intent and quality of the original design as outlined below:

<table>
<thead>
<tr>
<th>Recommended Construction Changes</th>
<th>Total Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate staining of the wood structural members to match the “brown pressure-treated lumber” – including scissor trusses and the LVL beams.</td>
<td>$6,800</td>
</tr>
<tr>
<td>Eliminate part of the foundation walls (the wall is being removed under the door openings supporting the floor slab but still remaining under the load bearing walls between the columns and door openings. The floor slab will be thickened to strengthen it since the wall is removed below it).</td>
<td>$9,280</td>
</tr>
<tr>
<td>Replace 3-ply roof truss at 1500 c/c with 2-ply truss at 1200 c/c.</td>
<td>$7,500</td>
</tr>
<tr>
<td><strong>Total Savings</strong></td>
<td><strong>$23,580</strong></td>
</tr>
<tr>
<td><strong>Revised Construction Budget Shortfall</strong></td>
<td><strong>$99,420</strong></td>
</tr>
</tbody>
</table>

**Options:**

The following options to address the tender results for the Waterfront Pavilion/Dunnville Farmers Market are presented for Council’s consideration.

**Option #1 – Do Not Award the Tender for the Waterfront Pavilion/Dunnville Farmers Market Project**

If Council proceeded in this direction, the Waterfront Park project would continue and the Dunnville Farmers Market project would be cancelled. The land area intended for the market would be converted into additional parking resulting in additional paving costs and the need to redesign the parking area to best use the space. The County would be required to return the $200,000 of community contributions back to the Dunnville Farmers Market Committee which, in turn, would need to disburse the funds back
to donors. The Market project and the Waterfront Park projects are currently integrated with one another in terms of design. Specifically, the park washroom and hydro connections are incorporated into the Market structure. The cost of these items required for the Waterfront Park project that are currently connected to the Waterfront Pavilion/Dunnville Farmers Market would need to be reallocated. It is expected that these additional costs would require the $65,000 of savings that resulted from the bid on the Waterfront Park initiative.

Staff do not recommend this option for a number of reasons which include:

- The Waterfront Park and Dunnville Farmers Market complement one another and are designed to integrate with one another. The combined use provides a greater opportunity for activities related to tourism, recreation and community special events;
- The current Farmers Market structure is at the end of its useful life and Council would need to make a decision whether to continue with providing a structure for this use, or not, going forward;
- If the Dunnville Farmers Market project does not go forward there will be no washrooms built into the Park;
- The hydro panel for the Park was planned to be installed into the Market building (although this could likely be accommodated through the Park tender savings);
- A change order would be required to address the change to the contracted quantities of granular, asphalt, paint, etc. for the additional parking area. The cost would need to be negotiated with the Waterfront Park awarded contractor; and
- Overall, the community supports this project and has indicated its desire to see it proceed.

**Option #2 – Award the Tender With the Budget and Funding Revisions**

Staff recommend that Council amend the project budget to an amount of $990,000 and utilize the following funding mechanisms to off-set the increased project costs, such that, there is no additional tax funded impacts for the combined Market/Waterfront Park initiative:

- Incorporate savings of $23,580 identified through the negotiation with the lowest bidder into the overall projects costs;
- Redirect $65,000 savings from the Waterfront Park budget to the Waterfront Pavilion/Dunnville Farmers Market budget to further offset the increased costs;
- Fund the remaining outstanding balance from the Ward 5 Community Vibrancy Fund (CVF) allocation to cover the $30,000 shortfall;
- Incorporate a Permit Fees Refund in an amount not to exceed $10,000 as per the terms and conditions of the Downtown Areas Community Improvement Plan; and
- Require the Dunnville Farmers Market Committee to raise an additional $10,000 to offset the increased contribution provided by the Ward 5 CVF.

Option #2 will ensure both the Waterfront Park and Waterfront Pavilion/Dunnville Farmers Market projects are constructed as planned this year. Significant work has been completed to arrive at this point in the project and the Dunnville Farmers Market Committee has worked tirelessly during the last year to achieve its fund-raising goal of $200,000. The proposed funding strategy continues to incorporate the previously identified contingency funding for both the building and the waterfront park to address any issues that may arise during construction.

The Dunnville Farmers Market Committee has committed to addressing a portion of the shortfall through the contribution of an additional $10,000 in funding to be payable within five years, bringing the total community contribution to $210,000.

The local Councillor has indicated that, in the interest of expediting the project, he would recommend an additional $20,000 in Ward 5 Community Vibrancy Funds (CVF) towards the project and will backstop the $10,000 community contribution so the project can proceed this year. This will provide the
community with sufficient time to raise its additional amount. If Council approves this interim step, the additional donations will be deposited back in the Ward 5 CVF as received by the County, with such date to be no later than five years from Council Approval.

The project is situated within the Community Improvement Project area, and as such, is eligible to receive reimbursement of building permit fees through the Community Improvement Grant Program. This will provide the opportunity to reduce project costs by a maximum of $10,000.

Council should note, the existing Market Structure will continue to be used during the time period when the new Pavilion/Market building is being built. This existing structure is outside of the construction zone associated with the Waterfront Park and new Market building. As such, the demolition of the existing structure estimated at $20,000 was not included in the new building project budget nor in the tender document. This cost will be brought forward separately during the 2018 Tax Supported Capital Budget.

**Additional Financing Required:**

The increased pricing of the tender resulted in the geotechnical requirements to be moved from the construction budget to costs outside of the tender. The request for more funds will provide a small contingency of approximately $6,000.

**FINANCIAL/LEGAL IMPLICATIONS:**

The 2016 Tax Supported Capital Budget as amended included $885,000 related to this project, with funding from Community Donations, CRR-General, Community Vibrancy Fund Reserve, and the Community Partnership Capital Reserve. To assist with the costs related to the required building permit, staff recommend these permit costs be funded from the Community Improvement Plan Reserve as this project lies within the Community Improvement Project area designated by the County up to a maximum of $10,000. After incorporating the $10,000 rebate for the building fees the balance of the Community Improvement Reserve fund will be $122,555.

For the above noted reasons, staff propose a revision to the budget as follows:

<table>
<thead>
<tr>
<th>829.0002 Dunnville Market/Pavilion</th>
<th>Current Approved Budget</th>
<th>Proposed Revised Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Costs</td>
<td>$795,000</td>
<td>$894,420</td>
</tr>
<tr>
<td>Engineering and Other Costs</td>
<td>$90,000</td>
<td>$95,580</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$885,000</strong></td>
<td><strong>$990,000</strong></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Donations*</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>CRR-General ($65,000 redirected from Waterfront Park Budget)</td>
<td>$250,000</td>
<td>$315,000</td>
</tr>
<tr>
<td>Community Vibrancy Fund Reserve*</td>
<td>$150,000</td>
<td>$180,000*</td>
</tr>
<tr>
<td>(includes $10,000 to be reimbursed by Dunnville Farmers Market Committee)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Partnership Capital Reserve</td>
<td>$285,000</td>
<td>$285,000</td>
</tr>
<tr>
<td>Community Improvement Plan Reserve</td>
<td>$0</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Total Financing</strong></td>
<td><strong>$885,000</strong></td>
<td><strong>$990,000</strong></td>
</tr>
</tbody>
</table>

* Accounts for full contribution of $30,000 from Community Vibrancy required for increased budget, $10,000 of which to be reimbursed within five years.
With respect to the $10,000 advance, it should be noted that normal County practice in these circumstances is to extend funding to user groups up to the end of the construction period. A five year payback period for the $10,000 advance is being recommended under this scenario as the Dunnville Farmers Market Committee has limited time available to commit to fundraising due the demands of the farming seasons.

In addition to the requested funding for the proposed construction project, the County is required—under Public Sector Accounting Board (PSAB) reporting standards—to record the fair market value of tangible capital assets. This addition/enhancement will be amortized over the estimated life of the associated asset for accounting purposes.

Ongoing additional operating costs will be the responsibility of Haldimand County, although a portion of these costs will be offset by revenue from the Dunnville Farmers Market’s ongoing rental of the space, as well as Pavilion rentals by the public and community groups. The County currently retains the seasonal stall rental revenue of approximately $4,000 (net of HST). The Dunnville Farmers Market Association currently retains the weekly and daily stall rental revenue. The current rental fees will be reviewed as a part of the County’s ongoing annual user fee review.

The operating costs related to maintenance will be reviewed and updated for inclusion as a new initiative in the operating budget, upon completion of the capital project. On average, current expenditures are approximately $1,900 for portable washroom rental, hydro and minor maintenance. Based upon the proposed size and additional amenities, costs will increase with the new facility for additional utilities, waste disposal, snow removal, cleaning and general maintenance by staff. Capital replacement or repair will form part of the County’s tax supported budgets, and will ultimately have to be incorporated into the County’s long-range capital funding plan. Given the significant service level enhancement, this will have a net levy impact in future years.

As noted previously, the demolition of the existing market structure was not included in the tender amount. This cost is estimated at approximately $20,000 and will be brought forward separately in the 2018 Tax Support Capital Budget.

**STAKEHOLDER IMPACTS:**
This report was developed in consultation with staff from the following Divisions: Facilities & Park Operations, Planning & Development, Finance, Support Services and Community Development & Partnerships. The Dunnville Farmers Market Committee has also been consulted and has committed to raising an additional $10,000 over a five year period.

**REPORT IMPACTS:**
Agreement: Yes
By-law: No
Budget Amendment: Yes
Policy: No

**ATTACHMENTS:**
None.