

**G) Rемаi Art Gallery of Saskatchewan/River Landing Parkade Deferred Items
(File Nos: CC.4130-2 and CS.4130-3)**

- RECOMMENDATION:**
- 1) that the deferred items removed from the EllisDon construction contract for the Rемаi Art Gallery of Saskatchewan River Landing Parkade Project, through the tender negotiations, be included in the project scope to a value of \$1,506,160 plus \$91,000 (Owner's construction contingency), totalling \$1,597,160; and
 - 2) that \$1,597,160 is funded by the Rемаi Art Gallery Fundraising for the Rемаi Art Gallery of Saskatchewan/River Landing Parkade Project.

TOPIC AND PURPOSE

The purpose of this report is to return the items that were deferred as part of the Rемаi Gallery/River Landing Parkade Project cost-cutting process in order to meet construction timing deadlines.

REPORT HIGHLIGHTS

1. The Gallery fundraising has successfully raised an additional \$695,640.
2. Cost-cutting was undertaken when in contract negotiations with EllisDon, and it included deferral of some Art Gallery components.
3. Deferral of some items allowed the project to hold fixed prices and include them in the contract at a later date. This allowed additional time for further fundraising.
4. The first EllisDon deadline to include some of the deferred items is November 5, 2013.
5. This report recommends including the deferred items in the scope of the contract, to a value of \$1,506,160 plus \$91,000 (Owner's construction contingency), totalling \$1,597,160.
6. The Gallery will raise the remaining \$901,520 needed, and the City will advance the funds in the interim in order to meet construction time constraints.
7. A decision to not include deferred items may result in undermining the gallery brand, reduction of the gallery's ability to raise operating funds, and failure to meet the expectations of funding partners.

STRATEGIC GOAL

This project supports the City of Saskatoon's Quality of Life Strategic Goal, relating to the implementation of the Municipal Culture Plan. It supports the Four-Year Priority to enhance the quality of life in Saskatoon by directing expenditures toward amenities in neighbourhoods to enhance and protect property values and encourage private investment.

BACKGROUND

On March 18, 2013, City Council, when dealing with Clause G2, Administrative Report No. 5-2013, Remail Art Gallery of Saskatchewan and River Landing Parkade Award of Tender, approved the tender submitted by EllisDon Construction for \$76,815,000 (excluding GST). In order to reach this tender amount with EllisDon, a cost-cutting process was undertaken and some of the cost savings were achieved by deferring items from EllisDon's contract amount.

REPORT

The Gallery fundraising has successfully raised an additional \$695,640, in addition to their previous funding commitment.

Fundraising for the Remail Gallery will continue to be carried out through the course of construction and into the building's operation. The success of the Gallery's campaign grows, with additional funding commitments totalling \$695,640 since the last public report in March 2013. The Gallery is confident that support for the project will continue.

Cost-Cutting Included Deferral of some Gallery Components

The contract with EllisDon covers the construction of the Remail Art Gallery building, River Landing Parkade and the Remail Arts Centre (Persephone Theatre) expansion. When the cost-cutting exercise was carried out with EllisDon during the pre-contract stage, some high profile items were offered for deferral, because they offered significant cost savings to the project. This approach was taken in order to provide the Gallery additional time for fundraising in order to bring the deferred items back into the project at a later date for a fixed price.

Timing Deadlines

Timing deadlines to bring the deferred items back into the contract scope with the fixed prices are part of the EllisDon construction contract. The timing of each item varies, depending on the critical path construction schedule set out by the contractor. The first contract deadline to bring back some of the deferred items is November 5, 2013 and that is the reason for bringing forward the report at this time.

This report recommends including the deferred items in the scope of the contract, to a value of \$1,506,160 plus \$91,000 (Owner's construction contingency), totalling \$1,597,160.

This would allow the project team and the contractor to focus on the work at hand now, gaining momentum with the assurance that the required deferred items are within the contract scope without the need to bring other items back for approval in early 2014.

This report proposes using the available \$695,640 from the campaign to fund the deferred items, with the Gallery's full commitment to fund the remaining \$901,520.

In order to secure the deferred items for their fixed prices within the construction time limitations, this report recommends that the City provide interim financing to the gallery to cover the outstanding amount of \$901,520 as a short-term advance, until the funds can be fully secured by the Gallery.

A decision to not include deferred items may negatively impact the Gallery.

It is better value-for-money to bring back the deferred items with their fixed prices into the EllisDon contract now, than to build them later. Both the Administration and the Gallery believe that inclusion of the deferred items in the EllisDon contract is critical to the success of the project and the long-term operation of the Remai Art Gallery. A completed building missing major spaces, would fail to meet the expectations of the private- and public-sector funders.

OPTIONS TO THE RECOMMENDATION

One option would be for the project to proceed only with adding in deferred items with a value equal to the available Gallery fundraising amount of \$695,640. This would ensure that the first deferred item deadline of November 5, 2013 with the contractor is met and that no advance is needed from the City at this time. This option is not recommended because many of the items on the list have a required due date for the beginning of 2014. At this time, it is not anticipated that the Gallery will be able to fundraise for the remaining portion of the deferred items prior to the next construction deadline. Construction of these items past the contractor's deadline would be extremely costly. Failure to build the remaining deferred items could potentially undermine the brand of the Gallery, fail to meet the funding partner's expectations for the completed spaces, and lessen the ability of the gallery to meet its full operating income generation potential.

A second option is to not include any of the deferred items in the scope of the EllisDon contract. This option is not recommended as omission of the key items from the deferred list has potential to undermine the brand of the Gallery, fail to meet the funding partner's expectations for the completed spaces, and lessen the ability of the Gallery to meet its full operating income generation potential.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

Value of Deferred Items	\$1,506,160
Owner's Construction Contingency	91,000
Remai Fundraising Q1-3 2013	(695,640)
<u>Remai Fundraising Q4 - 2013 and onwards</u>	<u>\$ 901,520</u>

Total Remail Art Gallery Cost Summary

Remail Gallery	\$74,237,000
Deferred Items + Contingency	1,597,160
Gallery Total	\$75,834,160

Remail Art Gallery Funding

Remail Art Gallery Fundraising	\$(21,193,640)
Remail Gallery Fundraising Q4 - 2013 and onwards	(901,520)
Borrowing (supported by assessment growth)	(23,487,000)
Borrowing (Kitchen Equipment Productivity Loan)	(488,000)
Building Communities Fund (Provincial)	(4,093,000)
Building Canada Fund (Provincial)	(12,651,000)
Building Canada Fund (Federal)	(13,020,000)
Gallery Total	\$(75,834,160)

Financing the deferred items would first utilize the \$695,640 available from the Remail Gallery Capital Campaign. The remaining amount of \$901,520 would be an advance from the City to the Remail Gallery, funded from the Reserve for Capital Expenditures. The Gallery is in agreement to fully repay this amount through fundraising. It is recommended that the City Solicitor be instructed to prepare the appropriate agreement for signature.

Each year, the Property Realized Reserve is reviewed for funds in excess of \$24 million that can be transferred to capital projects. The December 31, 2012 balance resulted in \$3 million available for future capital budgets. \$1.5 million has been directed to the Roadways Infrastructure Reserve and has been incorporated into the 2014 Budget. The remaining \$1.5 million was held in reserve for the 2015 capital budget. The latter funds are available to be used to provide a funding source for the advance.

PUBLIC AND/OR STAKEHOLDER INVOLVEMENT

Stakeholder involvement has been reported in detail in past reports. The project has conducted open houses at schematic and design development phases of the project.

COMMUNICATION PLAN

All public project reports and updates are being posted to the City's website.

DUE DATE FOR FOLLOW-UP AND/OR PROJECT COMPLETION

The Administration will continue to report project progress monthly. The next report to Executive Committee will be presented on November 12, 2013.

The construction contract defines the substantial completion date as November 23, 2015.

ENVIRONMENTAL IMPLICATIONS

There are no environmental and/or greenhouse gas implications identified at this time.

PRIVACY IMPACT

There are no privacy implications identified at this time.

SAFETY/CRIME PREVENTION THROUGH ENVIRONMENTAL DESIGN (CPTED)

The project has received approval from the Crime Prevention through Environmental Design Committee.

PUBLIC NOTICE

Public Notice, pursuant to Section 3 of Public Notice Policy No. C01-021, is not required.

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Dated: Oct. 30/13

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Dated: Oct. 30/13