
Remai Modern Art Gallery of Saskatchewan Update

Recommendation

That the Administration report further on the status of the anticipated funding shortfall and projected completion date of the Gallery.

Topic and Purpose

The purpose of this report is to provide the Executive Committee with a construction update on the Remai Modern Art Gallery of Saskatchewan Project (Remai Modern AGS).

Report Highlights

1. The Contractor is projecting that the building construction will be complete in the late third to early fourth quarter of 2016 which will result in the Gallery opening in early 2017.
2. The project schedule continues to be negatively impacted by delays resulting from drawing corrections and clarifications.
3. The project continues to face cost increases and budget pressure, primarily due to the negative cost impact of the drawing corrections and clarifications.

Strategic Goal

This project supports the 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

City Council approved the construction of a new Art Gallery in Saskatoon. Smith Carter Architects and Engineers Inc. (Now Architecture 49) were hired in 2010 to design, tender and administer the construction. A construction contract was awarded in 2013 to Ellis Don Corporation, with a target for completion in September of 2016.

Report

While much progress is being made on the construction of the Gallery, the project continues to face substantial challenges respecting cost increases and schedule changes. This report is intended to quantify the likelihood and magnitude of the cost and schedule risk the project faces.

Financial Risk

There is a risk the cost of the original scope of the project will be more than the current approved project budget of \$83,834,160.

The likelihood of this occurring is very high. During 2015, the project has encountered many design coordination issues that have resulted in a very high number of additional requests for information, and change orders to clarify and correct the Issued for Construction drawings. In a high percentage of the instances, each resulting change condition and request for information to clarify the drawings has resulted in an increased cost to the project. The reason for this is that the revised construction condition created from the change between what the contractor bid on the original drawings versus what the new design condition requires, has resulted in the contractor having to expend additional resources. Current project cost projections, based upon continuing design clarifications and corrections, has estimated that the current contingency held in the project is now insufficient to cover what the project is likely to incur on a go forward basis. The latest project cost projection to complete the approved scope of work is \$87,250,000 to \$88,400,000, resulting in a potential funding shortfall of \$3.5 to \$4.5 million.

As the construction contract progressed over the course of 2015, the project team has been attempting to manage these design continuation and change condition issues by seeking cost reductions in areas that would not materially affect the original project scope. The project team has had some success and to date approximately \$375,000 of cost savings have been achieved in the project budget. Given the stage of construction, it is unlikely that any further significant cost reductions can be achieved, but the Administration will continue to aggressively manage this aspect of the project.

The current project budget includes both the contract with Ellis Don and the associated project design and project management costs. It also included some items that would be required to open a functional art gallery upon completion of the building. This includes items like furniture, signage, building equipment, specialized art lighting and hanging systems, and some funding for transition and moving costs. The latest cost projections indicate that while the current approved project budget appears sufficient to complete the building construction, it is not sufficient to fund these additional project items.

The analysis of this financial risk indicates that additional funding will likely be needed to complete the scope of work approved by City Council.

Schedule Risk

There is a risk the total performance of the construction contract will be later than the previously anticipated Gallery opening date of the September long weekend in 2016.

The likelihood of this risk occurring is very high and likely unavoidable at this point. The Contractor is currently estimating that the building will be completed and fully turned over to the Gallery in the late third quarter to early fourth quarter of 2016. The Contractor is unable to be more definite on a final completion date due to the uncertainty that the ongoing design continuation issues are causing. The Architect continues to review the impact of the outstanding Change Notices they have issued to correct the drawings and the impact to the project cost and schedule. The project team

meets regularly with the Architect and Contractor to discuss schedule impacts to the project.

The Remai Modern AGS's transition and final move into the new Gallery is estimated to take between 4 to 6 months. This process would begin once substantial completion as defined by the Builders' Lien Act is achieved, and continue for a number of months past when the building has been fully completed. The building's air quality and humidity must be stabilized within an acceptable range before the Gallery can become fully functional.

The analysis of the schedule risk concludes that an early 2017 opening of the Gallery to the public is the most realistic project completion date at this point.

Public and/or Stakeholder Involvement

No public and/or stakeholder involvement is required.

Communication Plan

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

Financial Implications

Capital Project # - 1813 Remai AGS has been approved for funding in the amount of \$83,834,160.

The funding is made up of the following components:

- \$22,095,160 – Remai Gallery Fundraising
- \$29,487,000 – City Contribution
- \$ 488,000 – Loan from City for Kitchen Equipment
- \$ 4,093,000 – Provincial Funding – Building Communities
- \$12,651,000 – Provincial Funding – Building Canada
- \$13,020,000 – Federal Funding – Building Canada
- \$ 2,000,000 – Private Donation by the Ellen Remai Foundation for final fit out of the Shell Gallery and Main Floor Security additions.
- \$83,834,160 – Total

In addition to the capital project approved by City Council on March 18, 2013:

- Land costs of \$1,890,000 were excluded from the total project costs as the City would be required to borrow additional funds and pay the River Landing Project who developed and assembled the land.
- That Persephone Theatre fund an additional \$662,577 worth of construction for the Remai Arts Centre portion of the construction contract.

The Administration is exploring opportunities to address the projected shortfall of funding to complete this project. This will include a full review of the minimum expenditure required for furniture, fixtures and equipment that would be needed to open the Gallery in 2017. Additional opportunities for private funding are also being

discussed with the Gallery. In addition, the 2016 Business Plan and Budget has an increased provision of \$1.365 million to accommodate the increased requirements to operate a building five times larger than the Mendel Art Gallery and based on a September 2016 opening. A delayed opening provides an opportunity to direct a substantial portion of this to the capital construction costs and the balance will be allocated to the Remai Modern AGS to prepare for the opening of the new Gallery.

The Administration will continue to report on the status of both the potential funding shortfall and project completion as more clarity surfaces over the next few months.

Environmental Implications

Construction and operation of the new Remai Modern AGS will result in the consumption of non-renewable resources and the generation of GHG emissions.

Other Considerations/Implications

There are no policy, privacy, or CPTED implications.

Due Date for Follow-up and/or Project Completion

The next project update will be brought to the Executive Committee by the end of 2015.

Public Notice

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

Report Approval

Written by: Mike Gutek, Director of Major Projects

Reviewed by: Catherine Gryba, General Manager, Corporate Performance
Department

Reviewed by: Jeff Jorgenson, General Manager, Transportation and Utilities
Department

Approved by: Murray Totland, City Manager

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