

Region of Waterloo

Corporate Services

Treasury Services (Procurement)

To: Regional Council

Meeting Date: August 30, 2023

Report Title: T2023 –127 82 Wilson Ave, Kitchener - 6 Storey Residential Development (under PQ2022-10)

1. Recommendation:

That the Regional Municipality of Waterloo take the following action with respect to T2023 - 127 82 Wilson Ave, Kitchener - 6 Storey Residential Development (under PQ2022-10) as set out in report COR-TRY-23-026 dated August 30, 2023:

- a. Accept the tender of Melloul-Blamey Construction Inc. in the amount of \$28,227,200.00 plus all applicable taxes;
- b. Amend the Capital Budget for the 82 Wilson Ave project as set out in Appendix A; and
- c. Approve debenture authority for the 82 Wilson Ave project in the amount of \$23,615,000 for a term not to exceed 20 years.

2. Purpose / Issue:

Purchasing by-law 22-034 Section 2 item 2c requires Council approval for tenders in excess of \$10,000,000.

3. Strategic Plan:

Award of this contract meets the 2019-2023 Corporate Strategic Plan objective to make affordable housing more available to individuals and families under Focus Area 4: Healthy, Safe and Inclusive Communities, and Focus Area 3: Environment and Climate Action. The report addresses Strategic Objectives 4.2, to make affordable housing more available to individuals and families, and Objective 4.3 to promote and enhance equity policies, planning, services and decision making in order to positively impact wellbeing. The report also addresses Strategic Objective 3.1 to reduce greenhouse gas emissions, and Objective 3.5 to promote the efficient use of urban land.

4. Report Highlights:

- a) Tenders were called for T2023-127 82 Wilson Ave, Kitchener - 6 Storey Residential Development (under PQ 2022-10) and were advertised on the Ontario Public Buyers Association website and the Region's website.

- b) The following tenders were received:

Melloul-Blamey Construction Inc.	Waterloo, ON	\$28,227,200.00
Collaborative Structures Limited	Cambridge, ON	\$28,337,941.00
Maystar General Contractors Inc.	Woodbridge, ON	\$30,878,992.00
Pegah Construction Ltd.	Toronto, ON	\$31,226,105.00
Norlon Builders	London, ON	\$36,755,448.07

The final date of acceptance for this tender is November 14, 2023.

- c) The work of this project includes the construction of a new 6 storey residential building to provide 48 affordable Adult/Senior housing units (1 bedroom units) under the Waterloo Region Housing (WRH) portfolio, as well as a space for community programming to provide further benefits to the local community.
- d) As set out in the recommendations from the Ad hoc Community Benefits Procurement Committee in March 2022 (COR-TRY-22-28/CSD-EIS-22-01), the bid prices include a \$100,000 cash allowance as an incentive for the successful bidder to effectively collaborate in the Community Benefits Procurement Pilot program which will use the Region's buying power to recruit, engage and retain a diverse labour force including under-represented groups. These groups include women, Indigenous people, persons with disabilities, newcomers/new immigrants, 2SLGBTQ+ people, veterans, racialized people, people in receipt of assistance pursuant to the Ontario Works Act, 1997 and other groups who have been historically underrepresented and/or face systematic barriers.
- e) This project provides an opportunity to help achieve the Region's community GHG reduction target of 50% below 2010 levels, while also increasing resilience for vulnerable community members (per Public Health's Climate Change and Health Vulnerability Assessment).
- f) The low bid requires a minor adjustment to the project budget, and staff recommend adjustments to the project financing plan. Detailed Financial Implications tables are included in Appendix A.

5. Background:

This is the second project to proceed under the Council-approved Waterloo Region Housing (WRH) Master Plan. The work of this project includes construction of a new 6 storey residential building to provide 48 affordable Adult/Senior housing units (1 bedroom units) under the Waterloo Region Housing (WRH) portfolio, as well as a space for community programming to provide further benefits to the local community.

WRH Master Plan projects are focused on reducing energy consumption, utilizing a lower carbon footprint, and aiming for Net Zero Carbon design as part of the Transform WR Action Strategy. The building will achieve LEED Silver Certification, and is designed to be net-zero carbon. The building incorporates an open-loop geothermal system to reduce mechanical heating and cooling loads, electrically operated mechanical equipment to eliminate fossil fuel consumption, a rooftop solar panel array to offset electricity costs, and an energy efficient building envelope to reduce heat loss/gain throughout the year. All of these components lead to a building that will be efficient, comfortable, and is not reliant on fossil fuels.

The existing parking lot will be expanded to meet the parking needs of the existing and future tenants of the site, and a parking ratio reduction was granted by the City of Kitchener in By-laws 2022-112 and 2022-117 to reduce vehicular traffic, encourage public transportation usage, and optimize space on the site. The GRT Fourth/Wilson bus stop is located in front of 210 Fourth Avenue, another building located on the same property. The site is located in close proximity to the CF Fairview Park Mall, and is approximately a 20 minute walk to the Fairway ION Station and a 15 minute walk to the Block Line ION Station.

Since the Waterloo Region Housing Master Plan was approved in 2019, the cost of land, construction, and housing have escalated, resulting in an estimated 20-30% increase in project costs. This includes project delays from global supply chain disruptions. The cost of developing new affordable housing is anticipated to continue to increase as supply and labour constraints persist and sustainable building methodologies are incorporated. These increased capital pressures place greater emphasis on prioritizing net zero ready buildings, which will offer operational offsets and enhanced climate change action.

The Region's cost consultant has indicated that constructing a net-zero carbon building represents an approximately 10% cost premium over conventional construction; however, investing in energy performance at the time of construction results in a better-designed building and represents unquestionable savings over retrofitting a building for comparable carbon reduction in the future. Recent comparisons have been made with similar developments in Waterloo Region, and it has been noted that based on construction cost estimates, the WRHMP projects underway are in-line on a cost per square metre basis.

6. Area Municipality Communication and Public/Stakeholder Engagement:

Meetings were held with the tenants of 84 Wilson Ave. and 210 Fourth Ave. on May 23, 2022 and May 26, 2022. A neighbourhood meeting was held on August 8, 2022. Updates on the redevelopment of 82 Wilson are posted on the EngageWR webpage.

7. Financial Implications:

The low bid requires a minor adjustment to the project budget, and staff recommend adjustments to the project financing plan. Detailed Financial Implications tables are included in Appendix A.

Market prices for materials and labour have been fluctuating significantly since 2020 due to supply chain disruptions, inflation, and worker shortages. The project budget has been adjusted to account for these challenges; however, market conditions in the construction industry have been difficult to predict. Statistics Canada data indicates that Residential Apartment escalation is far outpacing many other sectors within the construction industry, with a year-on-year increase from 151.5 to 168.2 basis points between Q1 2022 and Q1 2023.

8. Conclusion / Next Steps:

Subject to Council approval, the work of this contract will begin September 25, 2023 with completion expected by November 30, 2025.

9. Attachments:

Appendix A: Detailed Financial Implications

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