



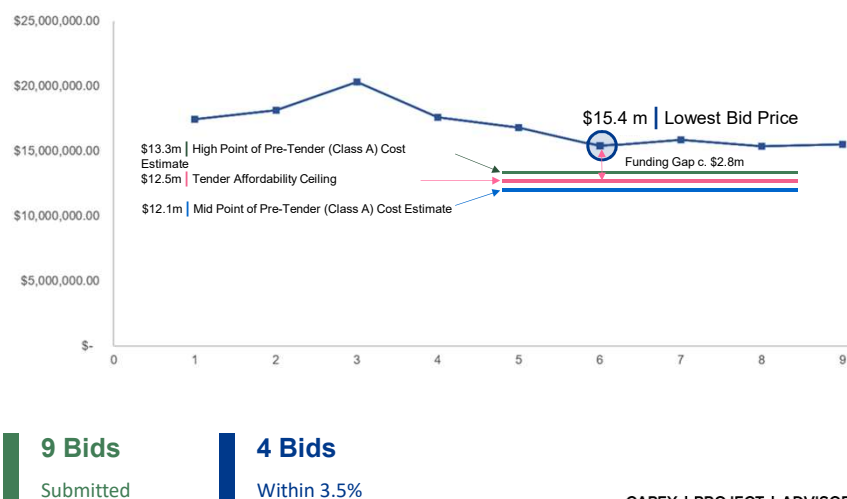
Fire Station #1 Project

Project Cost Update

June 17, 2020

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Tender Prices

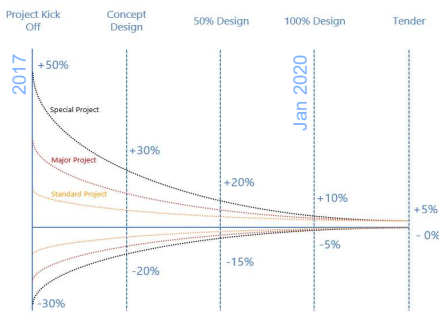


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Construction Cost Estimation



- A baseline cost estimate was developed in 2017 by a professional quantity surveyor – this was the basis of the \$17M Budget
- The construction cost estimate was updated at each of 3 stages of project development.
- Each estimate indicated the project was likely affordable (in a pre-pandemic market).



Extract from City of Nanaimo Project Management Framework, showing degree of confidence that should be communicated alongside the Project Budget at each stage of project development

NB: the City's Project Management Framework requires that, should the forecast cost of a project vary as the project progresses, there are two options: mitigate cost (which has already been done to deal with GFA and escalation cost pressures), or otherwise secure an increase in the Approved Project Budget.

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What's changed since 2017?



1 Escalation
 10% Additional

Construction cost escalation to date has been around 10% > than forecast in 2017

2 GFA (M²)
 1/3 Increase

The actual space program required to provide a functional facility was identified as being larger than assumed in 2017

3 COVID-19
 Cost of Restrictions
 Continuing Included

Budget did not include costs associated with the impacts of the Pandemic

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How have we mitigated cost pressure?



1 **Cost / m²** ↓ over 10%

- Total Project Cost / m² is down over 10%
- Construction Rate unchanged at \$7,100/m²
- Total Project Soft Costs down \$100k

2 **Site Planning** Avoided Significant Unnecessary Costs

Innovative Site Development Strategy implemented to avoid requirement for a temporary fire station during construction

3 **Competition** Secured a competitive market price

Market Engagement Strategy attracted a great deal of interest and price competition, demonstrated by number and distribution of tender prices

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Best Practice Delivery



- Steering Committee
- Stage Gate Process
- Cost Consultant (QS)
- Value Engineering
- Market Engagement
- Site Development Strategy
- Engagement of an Architect Specializing in Fire Station Design
- Validation of Functional Program



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Schedule



COVID-19

Supply chain disruption

Labour availability

Labour productivity

Health & Safety overhead

- The Project is on schedule, despite the Pandemic
- The tender documents require the General Contractor to manage the risk of late delivery even if the restrictions continue to be in place for the duration of the project
- This has undoubtedly put upward pressure on the tender price but brings greater time and cost certainty

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Summary



- The Project is on-time but is over-budget despite the application of project control and governance best practices.
- A firm and competitive Tender is open for acceptance which provides a good degree of certainty that the new facility will be occupied by the summer of 2022 within a re-baselined budget of \$20m.
- To defer and re-tender the Project at a later date means that it will no longer be delivered in 2022, while at the same time deterring future tender participation and providing no guarantee or likelihood of reducing cost.

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