

Town of Whitby

Staff Report

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Report Title: Whitby Sports Complex – Construction Tender Results (T-1-2023) and Project Budget Approval

Report to: Council

Date of meeting: July 26, 2023

Report Number: FS 24-23

Department(s) Responsible:

Community Services Department
Financial Services Department

Submitted by:

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Community Services
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**Acknowledged by R. Saunders, Acting
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1. Recommendation:

1. That the Town proceed with an award to the low bid as received from Leducor Construction Limited for the construction of the Whitby Sports Complex (WSC) Community Centre Building and WSC Park Development (Provisional) as specified, in the amount of \$125,655,001.00 (including Provisional and recommended Separate Prices plus applicable taxes) funded from capital projects as outlined in Table 3 and 4 of Report FS 24-23;
2. That the revised cost estimate for the construction of the WSC Community Centre Building and WSC Park Development in the amount

of \$154,853,886 (inclusive of the construction tender award), as outlined in Table 3 of Report FS 24-23, be approved;

3. That the approved capital budgets be updated to reflect the Revised Cost Estimate, totaling \$154,853,886, as outlined in Table 4 and 5 of Report FS 24-23 (inclusive of the creation of a new 2023 capital project for WSC Park Development in the amount of \$11,818,870);
 4. That the budget shortfall in the amount of \$43,397,500 for the Whitby Sports Complex (WSC) Community Centre Building and WSC Park Development Capital Project, as outlined in Table 4 of Report FS 24-23, be funded from Parks and Recreation Development Charge Reserve Fund;
 5. That the Town defer all planned 2024 (and future) new Parks and Recreation growth-related design/construction capital projects by one year in order to fund the \$43,397,500 budget shortfall from development charge reserves and mitigate debt financing;
 6. That Council award the fee adjustment for architectural design services to Perkins + Will Architecture in the amount of \$2,700,000.00 (inclusive of taxes) based on the new project value; and
 7. That the Mayor and Clerk be authorized to execute the contract documents.
2. **Highlights:**
- The construction Tender provides for the supply of all construction labour, materials, equipment and supervision necessary to complete the construction of the Whitby Sports Complex as specified.
 - A Request for Prequalification for General Contractors (RFPQ) was completed in the winter of 2023. A total of nine (9) Prequalification Submissions were submitted and three (3) General Contractors were prequalified to submit a Tender Submission for the subsequent Tender.
 - Two (2) Tender Submissions were received for Construction Tender (T-1-2023). Staff reviewed Tender Submissions received for the above mentioned tender and both are compliant. Staff recommend the acceptance of the lowest compliant bid for the combined WSC Community Centre Building and WSC Park Development construction as received from Ledcor Construction Limited.
 - The General Contractor is anticipated to mobilize on site in August 2023 with a targeted completion date in November 2025.

3. Background:

The final design for the Whitby Sports Complex included the following program areas:

Indoor amenities

- Twin-pad arena with 85' by 190' ice pads
- Aquatics centre with a 10 lane, 25 metre pool, separate leisure pool and 2nd floor viewing areas which would be the largest pool in the Region
- Double gymnasium that can be divided and would include a suspended three lane indoor walking track
- Flexible community spaces
- Food Concession
- Administration Space
- Back-Up Emergency Generator

Outdoor amenities

- Full sized outdoor artificial turf sports field
- Outdoor pump track and skateboard park
- Three basketball courts
- Three tennis courts
- Fourteen outdoor pickleball courts
- A playground
- Fieldhouse with washrooms and storage space to support the park
- Passive park spaces
- Plaza space capable of hosting community events
- Dedicated space adjacent the WSC building to accommodate a future building expansion

Sustainable Design

The project will achieve the requirements of the Council approved Whitby Green Standard (WGS) which requires new Town Facilities to achieve Tier 3 of the Standard. The project is targeting both the Leadership in Energy and Environmental Design (LEED) Gold and Canada Green Building Council's (CAGBC's) Zero Carbon Building (ZCB) Certification. The WSC is currently the only ZCB and LEED Gold project registered with the CAGBC that includes a twin pad arena, gymnasium and aquatics facility.

The sustainability design features include but are not limited to the following:

- Geo-exchange System providing heating and cooling to the building
- Photovoltaic array on the roof

- 40 electric vehicle charging stations
- High performance mechanical equipment and building envelope systems
- Net metering to monitor the buildings energy usage
- 30% tree canopy coverage within 13 years
- Low flow plumbing fixtures
- Drought resistant plants and pollinator gardens

Independent Geo-Exchange System

In 2022, the Town of Whitby partnered with Elexicon Group to design a District Energy System (DES) that would be owned and operated by Elexicon Group and would service the Whitby Sports Complex and surrounding developments with a low carbon solution for heating and cooling.

Unfortunately, the project had not confirmed required grant funding and did not receive any commitments from the Brooklin Landowners Group (BLG) for the DES. As a result, in March 2023 the Town ended its partnership with Elexicon Group on the District Energy System project and designed a dedicated geo-exchange system for the Whitby Sports Complex to provide heating and cooling for the facility. The geo-exchange system will be funded, owned and operated by the Town of Whitby. The geo-exchange system will result in the Whitby Sports Complex being a zero-carbon facility, which will assist the Town in meeting its Zero Carbon Whitby targets. The geo-exchange system scope of work was included in the construction Tender.

The design and construction cost of the geo-exchange system is **\$2,084,326** and was not included in the previously approved project budget.

Fieldhouse Washrooms

The District Energy System (DES) building was originally intended to provide public washrooms for the WSC Park Space. Following the cancellation of the DES project, the Town completed a detailed design for a Fieldhouse Washroom and included this scope of work in the construction Tender. The design supports two single accessible washrooms.

The design and construction cost of the Fieldhouse is **\$566,109.00** and was not included in the previously approved project budget.

New Site Services

The Whitby Sports Complex is located on lands that are not currently serviced with utilities. As part of the WSC development the Town is required to fund a proportionate share of the new utility services with the adjacent Developers that are being extended to the various properties in the area. These services include the following:

1. Water (sanitary, watermain, stormwater)
2. Hydro

3. Natural Gas for emergency generator
4. Communications
5. Offsite stormwater management pond

In a developed area with existing utilities the connection fees are significantly less than an undeveloped site. The estimated cost for these new services is in the range of \$6,500,000 to \$7,500,000. These estimated costs are included in the WSC budget.

Perkins + Will Additional Fees

In November 2020, Council authorized Staff under report [CS 45-20](#) to retain Perkins + Will (P+W) Architecture as the Prime Consultant (Architect) for the overall design of the new multi-use community recreation facility in the amount of \$2,746,675 (plus applicable taxes).

As part of this RFP process, the Prime Consultant was requested to submit a Fee Adjustment Percentage in their proposal as identified in [CS 45-20](#). The Fee Adjustment Percentage was included in the Evaluation Criteria Rating Chart and would allow the Prime Consultant to be compensated on the difference between the estimated construction budget of \$40,000,000 and the actual approved tendered value. Perkins + Will included a fee adjustment of 6% of the construction cost difference which is in line with industry standards.

The P+W fee was increased by \$625,000 plus HST to support the additional building program space as identified in CMS 05-22. Following this adjustment, the additional fee compensation for P+W was revised to the difference between \$50,000,000 and the actual approved tender value. The Park design fees were approved separately from the main P+W fee and no additional fees are required.

The low compliant construction Tender Amount for the WSC Community Centre Building (excluding the Park) was \$114,728,439 (includes Cash Allowance and recommended Separate Price). Understanding the budget pressures on the project P+W presented a negotiated fee amount of \$2,700,000 plus HST. This reduced fee has resulted in an overall savings to the project of \$1,182,145.74.

Estimated Annual Operating Impact for the WSC

Based on comparable buildings offering similar services, programming and park spaces, staff estimate that the WSC will have annual operating expenditures of approximately \$3.5 million with user fee/programming revenues estimated at \$2.3 million per year. Accordingly, the anticipated net property tax impact of the WSC is expected to be \$1.2 million per year. A total of 13 Full Time and 80 Part Time staff are included in the operating expenditure projections. The staff are required to offer programs associated with the spaces and to maintain/operate the building and park.

The WSC operations will be funded mainly from user fees (e.g. program, rental revenues) and property tax revenues. Staff will continue to refine the operating costs for this new facility and provide Council recommendations to phase-in the

costs over a number of years to minimize the property tax impact in the year that the WSC opens/starts operations.

Funding Opportunities

Staff are exploring revenue opportunities for the project that will include the following:

- The Green and Inclusive Community Buildings (GICB) Program launched its second scheduled intake in early 2023. This is a Federal program with the objective of improving the availability and condition of community buildings in Canadian communities while aligning to the goals of Canada’s strengthened climate plan.

The Program advances the Government’s climate priorities by improving energy efficiency, reducing GHG emissions, and enhancing the climate resilience of community buildings. The Town’s application was submitted in February 2023 and requested the maximum eligible amount of \$25,000,000.

- The Town has also applied for grant funding of \$200,000 (excluding HST) from Natural Resources Canada for the Zero-Emission Vehicle Infrastructure Program for the installation of electric vehicle charging stations.

The Town will continue to pursue the grant funding opportunities and other funding programs for this project.

Project Timelines:

Deliverable	Estimated Timeframe
Construction Tender Period	May 18 to July 13, 2023
Council Approval on Construction Tender and Project Budget	July 26, 2023
Contractor Award and Mobilization	August/September 2023
Construction Period	August/September 2023 to November 2025
Facility Opening	December 2025

4. Discussion:

A Tender for the scope of work outlined above was issued, under Tender # T-1-2023 to the three (3) Prequalified General Contractors (prequalified under RFPQ-

61-2022). Bids for this Tender were received until 2:00:00 P.M. on Thursday, July 13, 2023. The Tender was advertised on Bids and Tenders.

Table 1 provides a summary of the bids received, based on the provision of all construction labour, materials, equipment and supervision necessary to complete the construction of the Whitby Sports Complex Project.

Table 1

Bidder	Tender Amount (excluding HST)
Ledcor Construction Limited	\$125,383,001.00
Aquicon Construction Co. Ltd.	\$129,685,000.00

Based on the review of the Tender Submissions, it is recommended that this contract be awarded to Ledcor Construction Limited. The contract is open for a period of sixty (60) days from the Tender Closing Date and Time of Thursday, July 13, 2023 at 2:00:00 P.M.

The Tender was issued with a Provisional Line for the Lump Sum (excluding HST) to provide for all labour, materials, equipment & supervision necessary to complete the construction of the park inclusive of all elements included in the Tender documents. Staff are recommending that the project be awarded with the Provisional Line. Town Staff requested separate pricing on various items within the construction Tender. Following a review of the results, it is recommended the following items, identified as Separate Prices in the Tender, be included in the Contract Price:

1. Four (4) power door operators in the Arena Dressing Rooms to align with the Town of Whitby accessibility initiatives. Total cost is \$26,000.
2. MUGA board system around the multi-purpose court to provide optimal flexibility for programming within the space. Total cost is \$164,000.
3. Upgraded basketball/multi-skills court painted acrylic surface to extend the life cycle of the courts. Total cost is \$82,000.

5. Financial Considerations:

The WSC and WSC Park Development projects are significant capital investments for the Town. Accordingly, the financial considerations section of this report is more extensive than other reports. Details on the investment, risks, and impact to future budgets are provided under various sub-headings within this section of the report. However, the "Overall Summary of Financial Considerations", below outlines some of the key financial analysis and recommendations:

Overall Summary of Financial Considerations:

To date, the approved budget for the WSC (design and construction) and WSC Park (design only) totals \$111,456,386 and was proposed to be funded \$26,154,252 from Development Charges (DC) reserve funds, \$85,000,000 from

DC-related debt financing, and \$302,134 from the Town’s Growth Reserve, as outlined below:

Table 2:

	Approved Budget	Funding Sources			
		Parks & Recreation DC Reserve	(DC) Debt	Growth Reserve	Total
Whitby Sports Complex					
Proj. 71201045 Design	\$3,646,343	\$3,344,209		\$302,134	\$3,646,343
Proj. 71201033 Construction	\$4,100,000	\$4,100,000			\$4,100,000
(2023 Budget) Construction	\$103,165,612	\$18,165,612	\$85,000,000		\$103,165,612
Total Budget WSC	\$110,911,955	\$25,609,821	\$85,000,000	\$302,134	\$110,911,955
WSC Parkland Development					
Proj. 71221040 Park Design	\$544,431	\$544,431			\$544,431
TBD Park Construction	\$0				
Total Budget WSC Park	\$544,431	\$544,431	\$0	\$0	\$544,431
Total Budget	\$111,456,386	\$26,154,252	\$85,000,000	\$302,134	\$111,456,386

The revised cost estimate to proceed with WSC construction and WSC park development is \$154,853,886 which results in a budget shortfall of \$43,397,500 (= \$111,456,386 budget - \$154,853,886 revised cost estimate).

With current high borrowing costs, it would be fiscally prudent for the Town to minimize debt financing at this time. Accordingly, should Council wish to proceed with construction of both the WSC facility and WSC park/sportsfields, it is recommended that the \$43.4 million budget shortfall be funded from the Parks and Recreation DC reserve fund (note: the \$85 million of debt-financing, outlined in Table 2, above, would still be required but not increased due to the budget shortfall).

Utilizing existing DC Reserves to fund the \$43.4 million shortfall would result in no net new park design/construction projects to be proposed in the 2024 budget. This will allow the current (uncommitted) balance of the Parks and Recreation Reserve and 2023/2024 DC inflows to fund the \$43.4 million budget shortfall.

Parks projects (originally planned for 2024 in the 10-year forecast) that would be impacted by this includes the Whitby Taunton Holding District Park, Cullen Central Park Redevelopment Phase 2, Design for the Victoria Fields Urban Park, and various recreational trails.

Budget, Proposed Award, and Revised Cost Estimate

As shown in Table 3, the approved budget for the proposed works totals \$111,456,386.00 and the revised cost estimate (including the proposed contract award and other costs to complete the project estimated by the Community Services department) is \$154,853,885.49. Accordingly, there is a projected budget shortfall of \$43,397,500 (or \$43,397,499.49 rounded).

Table 3

Project Breakdown		
Total Approved Budget (see details in Table 1)		\$111,456,386.00
Proposed Tender Award Amount \$114,728,439 for WSC Community Centre Building + \$10,926,562 for WSC Park Development (a Provisional Item) (includes Cash Allowance and recommended Separate Prices)	\$125,655,001.00*	
HST	\$16,335,150.06	
Total Contract Amount	\$141,990,151.13	
ITC Rebate	(\$16,142,842.64)	
Net Contract Award Cost	\$125,847,308.49	
Construction Contingency	\$7,550,839.00	
Costs Incurred/Committed to- date (Design Fees, Permits, Legal Costs, etc)	\$3,670,909.33	
Other Project Costs (Utility Installations, Furniture, Fixtures & Equipment (FF&E), Temporary Staff, Consulting Fees, etc)	\$17,784,828.67	
Revised Cost Estimate		\$154,853,885.49
Budget Surplus/(Shortfall)		(\$43,397,499.49)

*Includes Tender Amount (\$125,383,001) + Recommended Separate Prices (\$272,000) noted in the Discussion section of this report.

Note: Contingencies are for any unforeseen site conditions encountered during construction.

Budget and Revised Cost Estimate By Project/Component

Table 4 below outlines the approved budget by project/component (e.g. WSC design, WSC construction, Park design, and Park construct) and revised cost estimate of \$154.8 million. Subject to Council approval of the revised cost estimate, it is recommended that:

- 1) the budgets be adjusted to the revised cost estimates noted in Table 4 (including establishment of a new capital project for the WSC Park development); and
- 2) The Budget shortfall, in the amount of \$43.4 million, be funded from the Parks and Recreation DC Reserve.

Table 4

Capital Project # and Description	Approved Budget	Revised Total Project Cost Estimate	Savings / (Overage)
71201033 - Whitby Sports Complex Construction	\$107,265,612	\$135,488,105	(\$28,222,493)
71201045 - RFP-71-2020 Whitby Sports Complex Design	\$3,646,343	\$6,975,235	(\$3,328,892)
71221040 - Whitby Sports Complex - Park Design	\$544,431	\$571,676	(\$27,245)
TBD – Whitby Sports Complex Park Development	\$0	\$11,818,870	(\$11,818,870)
Total	\$111,456,386	\$154,853,886	(\$43,397,500)

The current budget already includes projected debt-financing of \$85 million. Given current high borrowing costs, it is not recommended that the \$43.4 million shortfall be added to the \$85 million of debt-financing for this project.

Subject to Council approval of the Revised Cost Estimates, noted in Table 4 above, the revised budgets for each project and related funding sources for the \$154.9 million WSC and WSC Park Development project will be as follows:

Table 5

	REVISED Budget	Funding Sources			
		Parks & Recreation DC Reserve	(DC) Debt	Growth Reserve	Total
Whitby Sports Complex					
Proj. 71201045 Design	\$6,975,235	\$6,673,101		\$302,134	\$6,975,235
Proj. 71201033 Construction	\$135,488,105	\$50,488,105	\$85,000,000		\$135,488,105
Total Budget WSC	\$142,463,340	\$57,161,206	\$85,000,000	\$302,134	\$142,463,340
WSC Parkland Development					
Proj. 71221040 Park Design	\$571,676	\$571,676			\$571,676
TBD Park Construction	\$11,818,870	\$11,818,870			\$11,818,870
Total Budget WSC Park	\$12,390,546	\$12,390,546	\$0	\$0	\$12,390,546
Total Budget	\$154,853,886	\$69,551,752	\$85,000,000	\$302,134	\$154,853,886

The budget may be adjusted if the Town is successful in obtaining other sources of funding for the project, such as grant funding.

Parks and Recreation Development Charge Reserve Fund

Excluding 2023 DC revenues (e.g. DC in-flows), the Town’s uncommitted balance in the Parks and Recreation DC reserve fund is approximately \$30 million: this is based on \$69 million 2022 year-end balance less \$39 million of capital projects approved in the 2023 and prior year capital budgets. Using 2022 DC collections as a guide, annual DC inflows into this reserve are approximately \$8.7 million per year. Accordingly, if there are no additional commitments against this reserve in 2023 (aside from what has already been approved to-date) and the 2024 budget, this reserve should have \$47.4 million by 2024 (= \$30 + \$8.7 in 2023 + \$8.7 in 2024), which is sufficient to fund the \$43.4 million budget shortfall for the WSC + WSC Park capital project.

This means that the 2024 budget will not include any new growth-related Parks and Recreation design/construction projects. Essentially, staff will be completing the parks and recreation growth-related capital projects already approved to-date. Projects in the 10-year capital forecast listed as 2024 and future years will all be shifted out/deferred one year.

Parks projects (originally planned for 2024 in the 10-year forecast) that would be impacted by this deferral includes:

- Whitby Taunton Holding District Park;
- Cullen Central Park Redevelopment Phase 2;

- Design for the Victoria Fields Urban Park; and
- Various recreational trails.

Debt Financing

As noted above the proposed budget for the WSC project includes \$85 million of debt financing and it is not recommended that the budget shortfall, of \$43.4 million, be added to the debt financing for this project.

The Town currently has several debentures (issued through the Region of Durham) related to past capital projects. In total, the Town debt servicing costs (e.g. interest and principal payments) are approximately \$1.2 million annually.

In addition, the Town has several projects, totaling \$114 million (inclusive of the \$85 million WSC) that Council has previously approved to be debt-financed:

\$17,737,925	Mid Arterial Roadway – Ashburn to Garden St Ext (40226020)
\$9,252,695	White Bridge (40206111)
\$85,000,000	Whitby Sports Complex (71201033)
\$1,000,000	Operations Centre Expansion (Phase 2) (30211305)
<u>\$603,750</u>	Whitby Marina Pier #2 (74241101)

\$113,594,370

The Town normally issues the debenture following completion of the project. Debt servicing costs on the \$114 million of debt-funded projects already approved is estimated to be \$10.7 million per year (based on the current prime lending rate of 7.2%, over 20-years).

Combined with the current \$1.2 million of debt servicing costs, the Town's total debt servicing costs based on approved debt-funded capital to-date is expected to increase to \$11.9 million annually.

Annual Repayment Limit

Based on **\$11.9 million of annual debt servicing costs** (calculated in the "Debt Financing" section, above), the Town will be using approximately **8.6% of the Town's net revenue to service debt** (e.g., 8.6% of the revenues collected annually would be needed to pay for interest and principal on debt).

Provincial policy allows municipalities to incur debt servicing costs (e.g. principal and interest payments) equivalent to 25% of their Net Revenues, which includes tax levies, user fees and other income, without prior approval of the Ontario Land Tribunal. The 25% cap is known as the "Annual Repayment Limit". Further, Whitby Council has approved a Town debt policy that sets the debt servicing limit to a maximum of 12% of net revenues (e.g., lower than the Provincial 25% maximum).

Based on the Treasurer's update of the Town's ARL calculations, it is concluded that the Town is projected to be below the ARL with the proposed \$85 million to debt-finance the WSC project (and all other debt-financed projects approved to-date).

The debt servicing costs on the \$85 million, alone, is anticipated to be \$8.0 million per year. If the budget shortfall for the WSC (of \$43 million) were also to be debt-financed:

- The incremental debt servicing costs is approximately \$4.1 million which would bring the total debt servicing costs for the WSC to \$12.1 million (= \$8.0 + 4.1) annually;
- The Town debt servicing costs would increase to 11.5% of net revenues (from 8.6% noted above)

While the Town is still projected to stay within the 25% ARL set by the province if the WSC budget shortfall was also debt-financed, the Town will be nearly at the internal limit of 12% and, more importantly, annual debt servicing costs for WSC alone, at \$12.1 million, may exceed annual DC revenues for the reserve. In other words, debt payments (outflows) from the reserve would exceed DC revenues (inflows) annually (i.e. \$12.1 million outflows exceed \$8.7 million inflows per year).

Other Financial Considerations/Risks

Similar to the February 2023 report seeking Council direction on tendering the WSC project, below are some risks related to the project:

Interest Rate Risk

For lower tier municipalities in Ontario, debt financing for capital projects is issued through the upper-tier municipality. This means that the Town of Whitby must secure long-term debt through the Region of Durham. The Town's practice has been to issue debt after the project has been completed (e.g. around 2026 for the WSC). The issuance of debt will allow for future development to contribute towards the cost of the WSC through the payment of development charges ("DC's").

Borrowing rates are based on the Bank of Canada overnight lending rates and since January 2022, the Bank of Canada has increased rates more than nine (9) times to combat rising inflation.

As noted above, approximately \$114 million of debt-financed projects have already been approved (including \$85 million for the WSC) with debt to be issued following completion of the capital project. For each 1% increase in interest rates, the Town's debt servicing costs will increase by \$0.9 million annually.

For DC-debt, this may cause cash-flow constraints for other projects in the Parks and Recreation growth-related infrastructure program (as outlined in the DC Study) which may result in delays/deferrals in the construction of other growth-related parks and recreation infrastructure.

Further, if the Bank of Canada continues to raise interest rates and development activity slows, as a result, projected DC revenues (e.g., estimate of \$8.7 million of annual inflows into the Parks and Recreation DC reserve) may not materialize. That is, annual

DC's collected for the Parks and Recreation DC Reserve may fall below the \$8.7 million average but the Town would still be committed to making annual debt servicing costs for the WSC of approximately \$8 million per year. If this happens, the Town may borrow from other DC reserves (as long as it does not bring overall DC reserves into a negative position) to make the debt payments annually. If borrowing from other DC reserves is not possible, the Town may need to up-front the DC debt servicing costs from tax-funding (e.g., the Growth Reserve Fund) until development activity recovers.

Low DC Reserve Balance May Result in More Project Deferrals

Funding the budget shortfall from the Parks and Recreation DC reserve may fully commit all of the funds in the Parks and Recreation DC reserve for the next few years. Further, once debt is issued for the WSC project, nearly all of the future DC revenues projected to be collected annually (i.e., \$8.7 million) will be used to service annual WSC debt payments (currently estimated at \$8 million per year). Accordingly, other Parks and Recreation growth-related projects may need to be deferred for a longer period of time (e.g., until the reserve is built-up through future DC collections) depending on the pace of future growth.

Bill 23 – Potential Shift of Costs to Taxpayers

Recent legislation, Bill 23, the More Homes Built Faster Act, 2022, was introduced by the Province to facilitate an increase in housing supply by 1.5 million homes over the next 10 years. Bill 23 received royal assent on November 28, 2022 and has significant financial implications for the Town and other Ontario municipalities. As it relates to the WSC project, Bill 23 requires that all new Development Charges By-laws implement updated DC rates with a 20% “discount” in year 1 (reducing 5% each year for each of the successive four years after a new DC by-law is passed). With a debt term of 20 years, the debt portion of the WSC will be included in future DC rates (future DC Background Study updates to support the new DC rates). Accordingly, over 20% of the proposed \$85 million of debt-financing for the WSC could shift to the property tax base due to the mandatory phase-in or discount of new DC rates. Using just the (first year) 20% discount on DC rates, mandated by Bill 23, this would mean that potentially \$17 million (= \$85 million x 20%) of the debt-financing portion of the project would not be collected from Developers and may need to be funded from non-DC sources, such as property taxes. Regulations related to Bill 23 are currently not available and there have been requests, from the municipal sector, for the Province to “make municipalities whole” so a shift of WSC capital costs to the tax-base, if any, cannot be accurately determined at this time.

Impact of Annual Operating Costs on Property Taxes

In addition to the potential shift from Development Charges to property taxes related to Bill 23 noted above, Town property taxes will need to increase to account for the on-going operating costs of a net new recreational facility built for a growing population.

Development Charges may not be used for annual operating costs. Accordingly, with a planned facility opening in the Fall of 2025, annual operating costs, including staffing costs, noted earlier in this report must be included in the 2025 (tax-funded) operating

budget. Like today, user fees at the WSC will not fully recover the cost of providing recreational programming and space, so a property tax increase will be required to support the on-going operating costs of the WSC. While it is expected that part of this increase will be offset by assessment growth (or increase in households contributing to the tax base as the Town grows), currently a \$1.2 million increase represents an approximately 1% increase to the Town's budget. To mitigate this, the Town could consider phasing in the projected \$1.2 million over 2024, 2025 (and possibly 2026) – e.g. add an incremental \$0.4 million to the tax base each year vs. a \$1.2 million increase all in one year.

Further, it may take some time for the facility to reach full operational capacity in terms of enrolment in programs, and facility bookings. Accordingly, the facility may require more tax funded support than shown above in the earlier years of operation.

Carbon Budgeting/Zero Carbon Whitby Implications

The Zero Carbon Whitby Plan targets a 100% reduction in corporate greenhouse gas emissions by 2045. Constructing to the Leadership in Energy and Environmental Design (LEED) Gold and Canada Green Building Council's (CAGBC's) Zero Carbon Building standards will mean that this facility will not add to the Town's greenhouse gas emissions. However, should the Town not be able to meet the standards, additional greenhouse gas emissions from the net new facility are emissions that the Town will have to mitigate post-construction (at an additional cost) or risk not achieving net zero by 2045.

Market Conditions and Cost Reduction Strategies

The construction industry has experienced significant price increase over the past 3 years due to a number of global conditions which include the following:

- Labour shortages
- War in the Ukraine
- Continued supply chain issues
- Global fuel price increases
- Construction materials such as structural steel have experienced cost increases of over 100% in the past two years.

The impact of this instability has resulted in construction projects being tendered at significantly higher amounts.

Addressing the many community needs within the available budget was challenging and required difficult decisions during the design stage. As a result, Staff explored potential program reductions to mitigate cost impacts to the project and incorporated the following cost savings measures to reduce the overall cost of the project:

1. Reduced the lobby footprint without compromising functionality or building aesthetics for an estimated savings of \$600,000 to \$700,000;
2. Partnered with the adjacent developers to export over 70,000m³ of surplus soil materials to the adjacent properties for an estimated savings of \$700,000 to \$1,000,000; and,

3. Revised the main ceiling structure from a glulam wood application to a more cost-effective steel material for an estimated cost avoidance of \$1,500,000 to \$1,850,000.

Additional cost reduction strategies could be explored if the construction tender is cancelled. However, delaying the WSC construction could result in significant cost escalation to the project as experienced over the past 3 years with high inflation and double-digit construction price index increases. Redesign fees would also apply if the tender is cancelled and scope reductions are required.

6. Communication and Public Engagement:

The development of the Sports Facility Strategy (SFS) included a significant Community Engagement Process. The engagement process informed the SFS recommendations and the desired amenities of the proposed WSC. Using the recommendations in the SFS, staff developed initial concepts and held key stakeholder feedback sessions in March 2020.

In March & April 2021, Staff met with the community to complete the community engagement process. The Town received an unprecedented amount of feedback from the community on the future sports complex. Staff recommended to increase the WSC program based on the input received from the community engagement and survey results.

Staff completed additional community engagement in 2022 to further develop and validate the project design. The community engagement included presentations and input from multiple committees and organizations.

Input from all community engagement sessions over the past two years have been incorporated into the final project design.

7. Input from Departments/Sources:

In addition to Community Services, various departments were engaged at strategic times in the design process to provide input. Strategic Initiatives, Engineering, Planning, Legal Services, Public Works, Corporate Communications and Finance were included throughout the development of the project.

Community Services, the Consultant, and Financial Services worked jointly throughout the tendering process and the preparation of this report.

8. Strategic Priorities:

The development of the Whitby Sports Complex is identified as a priority in the 2023-2026 Community Strategic Plan. This initiative is identified in Action 2.3.2 under the second Pillar: Whitby's Natural & Built Environment. It contributes towards achieving the Objective of "Investing in Infrastructure and Assets" and it demonstrates a commitment to plan for and invest in quality infrastructure in an environmentally sustainable manner to support the needs of a growing and changing community.

To align with Council's strategic vision for sustainability and climate change, several initiatives including achieving Tier 3 of the Whitby Green Standard, LEED Gold and CAGBC's Zero Carbon Building certification have been incorporated into the project design. The Town will continue to be a leader in sustainability as the WSC would be Canada's first arena and aquatics building certified as a Zero Carbon Building.

Accessibility was considered throughout the project and consultation took place with the Town's Accessibility Advisory Committee. The project design in its entirety meets or exceeds the requirements of the Ontario with Disabilities Act (AODA). The building design also features a fully accessible ramp included in the main lobby providing barrier free access to the upper-level lobby and program spaces.

9. Attachments:

No Attachments