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Item No 2
Halifax Regional Council
December 12, 2023

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:

Cathie O'Toole, Chief Administrative Officer

DATE: November 14, 2023

SUBJECT: **Cogswell District Project Update Report #4**

INFORMATION REPORT

ORIGIN

September 14, 2021, Regional Council motion (Item 11.1.6):

MOVED by Councillor Mason, seconded by Councillor Smith

THAT Halifax Regional Council:

1. Suspend the rules of procedure under Schedule 2, the Audit and Finance Standing Committee Terms of Reference, of Administrative Order One, the Procedures of the Council Administrative Order, requiring the Standing Committee to review and make recommendations on proposals coming to the Council outside of the annual budget or tender process;
2. Award Tender No. 21- 003, Request for Tender - Cogswell District Project to the lowest bidder meeting specifications, Dexter Construction Ltd. for a Total Tender Price of \$95,663,633.52 (net HST included) with funding from Capital Account No. CT000007- Cogswell Interchange Redevelopment as outlined in the Financial Implications section of the staff report dated September 6, 2021;
3. Approve an increase to RFP 16-047 (PO# 2070765948) to WSP for design services required to cover additional work to support the extended tender bid period in the amount of \$26,665.93 (net HST included) from Capital Account CT000007- Cogswell Interchange Redevelopment as outlined in the Financial Implications Section of the staff report dated September 6, 2021;
4. Approve an increase to Project CT000007 – Cogswell Interchange Redevelopment in the amount of \$27,531,946 with funding to be provided by debt financing, as outlined in the Financial Implications Section of the staff report dated September 6, 2021;

5. Give First Reading to proposed By-law S-316, amending By-law S-300, Respecting Streets as set out in Attachment A of the staff report dated September 6, 2021, to mandate the undergrounding of utility infrastructure in the Cogswell District; and
6. Direct the Chief Administrative Officer to report back to Regional Council with project status updates on a semi-annual basis.

MOTION PUT AND PASSED

LEGISLATIVE AUTHORITY

Purposes of Municipality

7A The purposes of the Municipality are to

- (a) provide good government;
- (b) provide services, facilities and other things that, in the opinion of the Council, are necessary or desirable for all or part of the Municipality; and
- (c) develop and maintain safe and viable communities.

Council and Chief Administrative Officer relationship

34(1) The Chief Administrative Officer is the head of the administrative branch of the government of the Municipality and is responsible to the Council for the proper administration of the affairs of the Municipality in accordance with the by-laws of the Municipality and the policies adopted by the Council.

Responsibilities of Chief Administrative Officer

35(1) The Chief Administrative Officer shall ... (e) carry out such additional duties and exercise such additional responsibilities as the Council may, from time to time, direct.

SUMMARY

On September 14, 2021, Regional Council awarded Tender 21-003 to Dexter Construction Ltd. for construction of the Cogswell District Project and requested bi-annual updates on the progress of the four-year project. The purpose of this report is to provide the fourth project update since tender award. Due to the timing of the third update report ([Cogswell District Project Update Report #3 - Sept 12/23 Regional Council | Halifax.ca](#)), this report is primarily a financial update. Construction activities identified in the third report are now either complete or on schedule to be complete by year end. Further, details regarding the amended Detour Road #5 plan, revised project schedule, and the temporary Transit terminal relocation have been finalized and are being implemented.

The next project update report is scheduled to be delivered in April 2024. Construction activities in the next four months will focus on completion of the lower portion of Bells Lane, partial completion of Granville Square Park, demolition of the Cogswell Street ramp, completion of the south side of new Cogswell Street, and completion of servicing in the roundabout and new Barrington Street from Detour Road 1 to the roundabout.

DISCUSSION

A. BUDGET STATUS

- Spend to date (Q2 2023/24) from the approved \$122.6M budget is \$47.9M, representing 39% of the budget.
- Spend to date represents expenditures for the design phase, pre-construction activities, and 18 months of construction.
- Project cost and funding details are outlined in the table and bullets below.

Cogswell Interchange Project Q1 and Q2 2023/24 (in thousands of dollars)							
	Up to and including March 31, 2023	Q1 and Q2 2023/24	Total Project Actuals	Budget	Additional Cost Share/Asset Renewal	HRM Budget Net of Recoveries	
Construction Costs							
Dexter Contract	16,961	10,381	27,342	95,664		95,664	
Asset Renewal					600	600	
Third Party Partnerships					653	653	
Support Costs							
Professional Services	5,062	702	5,764	4,776		4,776	
Fees & Permits	621	-	621	621		621	
Land Acquisition	1,615	141	1,756	2,607		2,607	
Internal PMO Charges	3,107	351	3,458	4,622		4,622	
Project Contingency	5,458	3,520	8,978	14,350		14,350	
Additional Funding							
Cost Shared Funding					(19,715)	(19,715)	
Asset Renewal Recovery					(600)	(600)	
Third Party Partnerships					(653)	(653)	
Total Cost Construction (Net of Recovery/Cost Share)	32,824	15,095	47,919	122,640*	(19,715)	102,925	

*The 2023-24 Capital Budget book contains an error for the Cogswell capital project, reflecting a budget of \$121.4M, rather than \$122.6M. This will be restated in the 2024/25 Capital Budget.

** There have been additional cost sharing opportunities finalized during this reporting period, which have increased cost shared funding from \$19.6M to \$19.7M.

- Ninety change orders for the project, with a total value of \$9.8M (net HST included) have been issued to the end of Q2 2023/24. The change orders relate to the following categories: a) DND land agreement, b) communication/ power infrastructure, c) Halifax Water infrastructure, including asset renewals, d) material disposal, e) design clarifications, f) project documentation, g) third-party partnership opportunities, and h) internal HRM capital projects. The number of change orders issued to date is not inordinate for a project of this scope and complexity.
- Five asset renewal projects valued at \$599,781 (net HST included) have been completed on behalf of Halifax Water. Replacement of these end-of-life assets during the project is effective since overall costs are reduced. Costs for the asset renewal projects will be reimbursed by Halifax Water, therefore not adding to the net cost of the project.
- Extension of the Lower Water Street bikeway to Duke Street has been completed at a cost of \$235,359 (net HST included). 85% of this cost has been recovered from internal HRM capital projects.
- Seven partnership opportunities have been completed with Crombie REIT, Department of National Defence (DND), and Bell Aliant to the end of this reporting period. These projects, valued at \$653,272 (net HST included) take advantage of current construction to advance future projects or prepare for future servicing expansions. These opportunities are 100% funded by the third parties therefore not adding to the net cost of the project.
- 62.6% of the project contingency has been committed to date.

B. RISKS

A risk register was developed for the project during the design phase and is now being maintained for the construction phase. Key risks identified and being managed include:

- Supply chain issues continue to be a risk for the project, particularly underground pipe and service fixtures, streetlight cabling, controllers and fixtures, bus shelters, and general construction materials. Managing this risk is the responsibility of the contractor and has been managed to date by placing early orders for materials and reusing existing equipment, on a temporary basis, where

possible. To date, supply chain issues have not specifically contributed to the purported delays to the schedule referenced above.

- The quality and completeness of existing underground infrastructure information continues to be a challenge. While this issue was identified as a risk, the extent to which errors and omissions in existing underground infrastructure data has exceeded previous expectations. This risk is being managed by the constructor completing advance exploratory work to the maximum extent possible.
- The management of 70,000 cubic meters of surplus contaminated soil within the project is a risk. Soil contamination profiles were unquantifiable prior to construction excavation and therefore not included in the contract. To date, significant amounts of tier 2 and to a lesser extent, tier 3 level contaminated soils have been discovered which have required offsite specialized disposal. The Cogswell team has investigated several locations for possible disposal. Currently an HRM lot in Ragged Lake with Industrial zoning is being investigated as an acceptable area for remaining Tier 2 soil disposal.
- The breaking of trench rock represents a significant unfunded cost to the Cogswell District Project particularly around the realigned new Barrington Street south of Detour Road 1 and new Cogswell Street. The Cogswell team has negotiated an acceptable rate and calculation methodology for rock breaking activities with Dexter. This methodology will carry forward into future years with only cost of living allowance escalations and will provide a level of control and cost certainty for this cost concern. In addition, the project, as part of the excavation work, has encounter pyritic slate deposits. These have been disposed of either with the Port of Halifax or, more generally with the more expensive option of offsite neutralization and disposal with Dexter Construction. The cost to date is around \$500,000 with a similar amount to be expected over the next year of excavation works. These costs have not been incorporated in the original project budget.
- Several of the project's major consultants have billing trends that have or will exceed the original expectations by a significant margin. Of major concern is the project's Contract Administrator who provides critical financial, design, and inspection services for Cogswell. These costs have escalated partly due to the unknown conditions which have increased the level of oversight and involvement for these functions. The Cogswell project management team has been working to contain these escalations by limiting their availability to the construction contractor as well as requiring more detailed hourly breakdowns of their labor assignments. The Cogswell team will continue to monitor and contain these expenses, but the cost escalations are closely linked to the unknown sub grade and utilities discoveries which are expected to continue as the project progresses.
- The Crombie Land Exchange Agreement provides for a license to permit early access and construction on their lands prior to closing of the land transaction. The closing is tied to timing of creation of Lot CI-B, the lot which will be ultimately transferred to Crombie as part of the land exchange. HRM pays Crombie a monthly license fee until the closing date, which was originally intended to occur by December 31, 2023. Based on the current schedule, Lot CI-B will not be created until November 2024, and therefore higher license fees may be incurred. All options are being explored to mitigate this risk, however, if left unmitigated, this risk could result in an additional project cost.
- Sales of land made available through the project are expected to be used to pay down the debt used to fund this project. Of the \$122.6M budget, \$19.7M is expected to be funded through cost sharing agreements, leaving \$103M of the project to be funded through debt. If the sales of land do not materialize, this debt, both the principle and the resulting interest, will have to be repaid through the General Rate and will require an increase in taxes to fund. Following Council's consideration of the initiation report for the Municipal Planning Strategy/ Land Use Bylaw (MPS/LUB) amendment process in Q3 2024/25, and finalizing a mature lot construction completion schedule, staff will develop in Q4 2024 a disposal plan and schedule which will outline the sales process, expected lot availability and projected sale proceeds.
- The risks outlined in this section carry financial implications and will impact the project contingency depending on the degree of mitigation achieved for each. If the project contingency is exhausted, a portion of the \$19.7M cost sharing funding may be required to cover the costs associated with the risks that materialize and keep the project within the approved budget of \$122.6M.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report as this is an information report and does not contain any recommendations. An update on the project budget is provided in the Discussion section.

COMMUNITY ENGAGEMENT

A report to reinitiate the Municipal Planning Strategy/ Land Use Bylaw (MPS/LUB) amendment process for building design and zoning requirements within the project area is being prepared by Planning & Development staff. The report will be presented to Regional Council in Q3 2023/24. The report will outline a proposed public engagement process and seek direction from Regional Council on the scope and breadth of the amendment process. Recommendations regarding the provision of affordable housing within the Cogswell District will be considered as part of the planning process.

ATTACHMENTS

N/A

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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