

## Update on 1310 Sparks Street Project

Presented To:	Finance and Administration Committee
Meeting Date:	February 15, 2022
Type:	Managers' Reports
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Recommended by:	General Manager of Community Development

### Report Summary

This report provides a recommendation regarding the estimated cost escalation for 1310 Sparks St Development.

### Resolution

THAT the City of Greater Sudbury approves an increase to the budget for the development of 1310 Sparks Street from \$5.5 million to \$7.3 million, with the additional funding to be drawn from the Social Housing Capital Reserve Fund as outlined in the report entitled “Update on 1310 Sparks Street Project”, from the General Manager of Community Development, presented at the Finance and Administration Committee meeting on February 15, 2022.

### Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to Council’s Strategic Plan priority for Housing and revitalizing or increasing the available housing stock. It also aligns with the Population Health Priority of creating sustainable, affordable housing. It will result in the development of an energy efficient and sustainable building which is identified as a goal in the Community Energy & Emissions Plan (CEEP).

### Financial Implications

In 2020, Council approved funding of up to \$5.5 Million from the Social Housing Capital Reserve Fund for this project. The initial cost estimate for redevelopment has increased from the 2020 budget of \$5.35 million to an anticipated \$6.3 million not including contingencies. The additional construction costs can be funded from the revenue generated through the sale of single-family houses. As of yearend, approximately 18 single family units have been sold resulting in net proceeds of approximately \$6.2 Million transferred to the Social Housing Capital Reserve Fund as part of the Social Housing Revitalization Plan. The revenue realized from the sale scattered units has been significantly higher than anticipated due to current housing market conditions and therefore the funds are available to support the additional construction costs.

## **Background**

Housing Operations submitted an Expression of Interest through the Federal Lands Initiative to purchase the property at 1310 Sparks Street, Sudbury. New Sudbury was identified in the social housing revitalization plan as one of the geographic areas that lacks subsidized housing, and the largest waitlist demand is for one-bedroom units. On January 21, 2020, Council approved the application under this initiative and authorized funding of up to \$5.5 Million from the Social Housing Capital Reserve Fund.

During 2021, Housing Operations began the process of disposing vacant single-family houses as outlined in the Social Housing Revitalization Plan. As a result of the hot housing market in the City of Greater Sudbury, the units have been sold in “as is” condition at average sale prices exceeding the listing price by over \$100,000 each. The sale of approximately 18 units has resulted in net proceeds (after legal fees and real estate commissions) of \$6.2 Million which was transferred to the Social Housing Capital Reserve at year end December 31st, 2021. The additional revenue generated from these sales are anticipated to be sufficient to cover the increased costs for the Sparks Street project.

As previously reported to Council, the estimated cost for the redevelopment project at 1310 Sparks Street was \$5.35 Million. The project budget includes costs for rezoning, community consultation, demolition of the existing structure, hard and soft costs for consulting, design and construction of a 13,669 sq foot, 14-unit passive building in accordance with CMHC program guidelines.

This report is to advise Council of the increased construction costs for the project and to identify a funding source for the increased 1310 Sparks Street redevelopment costs.

## **Cost Analysis**

In December 2021, Council approved the rezoning application for the property at Sparks Street and moved the project from detailed design to design development. As part of the Design Development stage, staff received a Class B Cost estimate for the project of 6.35 million plus \$1.1 million for contingencies. The original cost estimate for the project was completed in 2020 prior to the full effects of the COVID-19 pandemic being realized.

Additional Civil Design considerations were analyzed and incorporated into this stage of the project, along with cost escalations and contingencies contemplating a construction tender in 2022.

The Design Analysis reflects a Class ‘B’ estimate (+/-10%). This type of estimate is prepared with the design development drawings and outline specifications, which include the preliminary design of all major systems and site work, which shall provide for the establishment of realistic cost objectives and be sufficient to obtain effective project approval. This cost estimate is based on measured quantities of all items of work and prepared in elemental analysis format.

The new affordable passive housing project will provide fourteen (14) one (1) bedroom units on an existing centrally located site. The site will be completely re-developed, removing existing foundations, retaining walls, culverts, sidewalks, curbs, asphalt and gravel infill of the previous existing building.

Below is a breakdown of the revised additional costs:

1. Sitework enhancement to suit poor soil conditions and on-site stormwater management	\$368,000
2. Increased material cost for high-performance windows and doors	\$236,000
3. Updated design to enhance energy performance of the building	\$254,000
4. Marketplace inflation and escalation to recognize Q2 2022 tender period	\$82,000
Projected Cost Increase	\$ 940,000
Previous Budget (Contingency not included)	\$5,360,000
	(\$385/sq ft)
Updated Project Budget (Contingency not included)	\$6,300,000
	(\$450/sq ft)

This change will result in an increase of \$940,000 to the overall construction costs. Staff and consultants have reviewed the costs and building system specifications to determine efficiencies. Our initial design was geared to a Passive House Classic design (15kWh/m2.a) which meant higher costs to meet design criteria, therefore with careful consideration we decided to mitigate the risks by gearing the design towards a Passive House Low Energy Design(30kWh/m2.a). This design criteria allows for more selection on materials therefore lower costs should be reflected through competition, availability, and variety.

Completion of this Passive House Low Energy designation with a net zero energy build should result in energy savings of over 75% compared to new code minimum buildings as opposed to 90% via a Passive House Classic Design.

## Cost Comparison

This cost increase is not a local phenomenon being experienced by 1310 Sparks St alone. A review of other Housing redevelopments and similar construction projects appear to demonstrate a similar trend, with escalating redevelopment costs.

Bay Cannon Project is a 55-unit, 52,500 sf new construction for affordable housing on an urban site in Hamilton.

The project recently completed its Class B estimate. The estimate indicated a cost of \$430/sq ft for the development.

YWCA Hamilton project is a 50-unit 45,000 sq ft new construction for affordable housing for women. The project was tendered in late 2018 and started construction in May 2019. The project was completed in October 2021.

The cost increased from the original \$330 per sq ft at the tender stage in May 2019 to \$410 per sq ft at the completion of the construction.

Victoria Harbour project is a 41 one-bedroom unit, new construction build in Simcoe County which opened in January 2021. Project cost increases during construction resulted in a final cost per sq ft cost of \$367.

Ottawa Housing has advised that they are experiencing a 25% increase in their building construction costs.

It is important to note that there continues to be some risk associated with the project as the current pandemic continues however the fees will be closely monitored through the process and analyzed prior to tender.

## **Next Steps**

The design team and project manager will work to refine the detailed design and prepare a tender package. Once completed, a detailed analysis of the final cost estimate will occur. The tender will be issued as soon as possible to be able to achieve a 2022 construction start. Updates will continue to be provided to Council as required.