



SUBJECT	Museum of Anthropology (MOA) Great Hall Renewal Project (Routine Capital)
SUBMITTED TO	Property Committee
MEETING DATE	June 8, 2021
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Peter Smailes, Vice-President Finance & Operations
SUPPORTED BY	John Metras, Associate Vice-President Facilities Jennifer Sanguinetti, Managing Director, Infrastructure Development

PRIOR SUBMISSIONS

The subject matter of this submission has been considered previously by the Property Committee on the following occasions:

1. [April 26, 2021](#) (OPEN SESSION) Capital Projects Update
2. [September 22, 2020](#) (OPEN SESSION) – Board 1, 2, 3 approval, with a final funding release of \$30,355,700. Action/Follow-up: Award construction contracts and approve delegation of signing authority.
3. [April 7, 2020](#) (OPEN SESSION) Capital Projects Update

The following Executive Summary assumes familiarity with the prior submissions and provides a status update from the date of the most recent submission.

EXECUTIVE SUMMARY

Material changes to the capital budget and schedule since Board 1, 2, 3 approval:

The MOA Great Hall Renewal project was tendered in November 2020. Tender results were 31% over budget and the project team was unable to negotiate an acceptable bid price with the Construction Manager (CM). The contract with the CM has subsequently been terminated and the project is being re-tendered in an effort to reduce the projected budget increase. A revised schedule will be developed with the successful proponent. Should final tender pricing result in a budget increase of more than 15% over the original Board-approved budget of \$30,355,700, the revised budget will be submitted for Board approval in accordance with Policy FM 11 (Capital Projects, Capital Purchases & Internal Loans).

Detailed Information

The MOA Great Hall Renewal team has maintained a rigorous risk register and enacted extraordinary mitigation measures to address the challenge of upgrading this Canadian architectural icon. The project team developed several strategies to ensure that reconstruction would be faithful to the original and meet the requirements of UBC and external stakeholders, and engaged a construction manager very early in the process to work with the design team and advise on budget and constructability. The project awarded design-assist contracts with glazing and pre-cast concrete trades to aid in the design of these performance and aesthetic-specific design packages which together make up a large percentage of the construction budget. This prudent step by the project management team was intended to ensure constructability, reduce the need for extensive and costly mock-ups, and develop design documents that could be bid by contractors with greater certainty that there were no risky scope gaps. In addition, the team explored and included value engineering options that they anticipated would reduce costs without compromising the project requirements.

The September 2020 Board 1, 2, 3 submission reported a project budget based on parallel and aligned pre-tender budget forecasts by the construction manager and an independent quantity surveyor. Following Board approval, an “early works” contract was awarded to begin the work required to prepare the building and site for Great Hall demolition. This phased contract award was necessary to limit the downtime for the Great Hall and the impact on MOA operations. The project team proceeded to tender the construction package with confidence that the design was thorough and detailed, and that everything possible had been done to ensure positive tender results.

Tenders closed on December 4, 2020 31% over the Board-approved budget of \$30.36 million. The project team analyzed the results and consulted with independent industry representatives to understand the factors for this unexpected increase, and identified the following primary contributing factors:

1) COVID-related market volatility

Typically, when a project tenders over budget, it is the result of, at most, a handful of trades returning higher than anticipated bids. In this case, all but one of the trade divisions were over-budget. According to discussions with various construction managers, COVID has created a general nervousness in the market and uncertainty regarding the supply-chain of materials such as metals which may result in increased risk premiums in bid pricing. The MOA tender was out for bid just when tightened COVID restrictions were announced which may have compounded contractor concern. A December 2020 post-tender cost check by the independent quantity surveyor indicated almost a 30% construction cost increase over the September 2020 pre-tender budget. This increase was partially driven by market factors but it is important to note that the cost consultant’s estimate was still approximately \$3 million lower than the CM’s. In addition, the CM increased their general conditions cost terms in the tendered estimate and again in the post-tender negotiation which decreased the available savings identified by the team through that post-tender period.

2) Very low bid coverage

Prior to tender, the construction manager had multiple interested bidders in all categories; however, in some cases, only a single bid was returned. The MOA project is unique, complex, and relatively small. Discussions with industry suggest that given pandemic-related uncertainty, trades such as concrete and formwork, in particular, are reluctant to take on such a unique project when a substantial amount of typical, uncomplicated and less-risky developer construction work is still available and expected to significantly increase post-pandemic.

The project team explored all cost-saving measures and entered into post-tender negotiations with the construction manager. The budget was reduced only slightly and the project team did not recommend contract award based on the efforts of the construction manager and the uncertainty that the bids represented good value for UBC. In consultation with Infrastructure Development and Vice-President, Finance and Operations leadership, University Counsel, and industry representatives, the contract with the construction manager was terminated in March, 2021, with the intent to re-tender the project with a new construction partner.

A Request for Qualifications issued in April 2021 has resulted in a shortlist of bidders for a Competitive Construction Management Request for Proposal (RFP). The goal is for this procurement process to result in the receipt of several competitive Class B estimates with named subtrades which will provide a true measure of the value of the project in the current construction climate. The successful proponent will work with the project team to tender the subtrades by August 2021, with the goal of starting construction in September 2021. The Routine Capital Steering Committee has advised that the program can continue to support funding of the project at an escalated budget, assuming that Routine Capital funding from the Ministry of Advanced Education and Skills Training remains constant through 2023-2024. Should the tendered values be greater than 15% more than the budget presented at the September 2020 Board of Governors meeting, the revised budget will be brought forward for approval in accordance with Policy FM 11 (Capital Projects, Capital Purchases & Internal Loans).

PRESENTATIONS

1. Information Update – MOA Great Hall Renewal

SUPPLEMENTAL MATERIALS (optional reading for Governors)

1. Museum of Anthropology Great Hall Renewal Budget Escalation Graph February 2020 – January 2021



Museum of Anthropology Great Hall Renewal Project Update

June 8, 2021

John Metras, Associate Vice-President Facilities



Introduction and summary



MoA Great Hall Renewal tenders came back
31% above Board approved budget

- Tried negotiation and reduced to 29% over
- Obtained independent market assessment which recommended re-tendering
- Causes: COVID volatility & low bid coverage

Additional details



	1	2	3	4	5
	February-20	June-20	September-20	December-20	January-21
	DD Cost Check	CD Cost Check	Pre-tender	Post-tender	Post-negotiations
Cost Consultant	\$19.04 M	\$18.99 M	\$19.27 M	\$24.96 M	\$25.58 M
Construction Manager	\$20.90 M	\$21.86 M	\$22.09 M	\$29.16 M	\$28.44 M

Discussion and decision points



Project team has now closed the first stage of multi-stage tender

- Short-listed three new CMs
- Complete tender values anticipated Aug 2021
- Will seek approval for revised budget if needed
- Planned construction start Sep 2021

Supplemental Materials 1 – Museum of Anthropology Great Hall Renewal Budget Escalation Graph February 2020 – January 2021

MOA Construction Costs



	1	2	3	4	5
	February-20	June-20	September-20	December-20	January-21
	DD Cost Check	CD Cost Check	Pre-tender	Post-tender	Post-negotiations
Cost Consultant	\$19.04 M	\$18.99 M	\$19.27 M	\$24.96 M	\$25.58 M
Construction Manager	\$20.90 M	\$21.86 M	\$22.09 M	\$29.16 M	\$28.44 M

For clarity, the table below shows how the CM’s construction costs for cases 4 and 5 impact the forecasted overall project budget compared against the approved value from September 2020.

	Approved Budget	December Post-Tender	January Post-Negotiations
Construction Cost	\$ 21,972,923	\$ 28,961,449	\$ 28,444,427
Forecasted Total Project Budget	\$ 30,355,700	\$ 39,760,741	\$ 39,204,189
% Over Budget		31%	29%