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The Regional Municipality of Durham Information Report

From: Commissioner of Works and Commissioner of Finance
Report: #2024-INFO-69
Date: October 25, 2024

Subject:

Regional Headquarters Workplace Modernization Update

Recommendation:

Receive for information

Report:

1. Purpose

- 1.1 The purpose of this report is to provide an update on the progress of the Workplace Modernization Project at the Regional Headquarters.

2. Background

- 2.1 In 2010, the Region engaged NORR Limited to consult with each department at the Regional Headquarters to identify their projected staff growth requirements. This study was intended to quantify the growing space requirements for administrative functions based on the office space standards developed in the early 2000s when the Regional Headquarters was being designed and constructed. The study concluded a space shortfall of 273,000 sq. ft. and proposed options to build an additional building on the site to accommodate the projected growth at an estimated cost of \$152 million in 2025 dollars, plus an estimated \$155 million representing 20-year operating costs.
- 2.2 In 2017 and 2018, the Region completed two small-scale optimization pilots for \$85,000, adopting new office space standards as an alternative approach to address growing space pressures. The pilots followed principles such as utilizing modular furniture systems lower in height to maximize daylight exposure to the open work areas, relocating enclosed offices/meeting rooms/storage space to the building core, and incorporating informal collaborative space for staff. Fewer workstation types proposed in the optimization pilots allowed for a more efficient layout, consuming less floor space and accommodating additional staff. The furniture used for the pilot has been repurposed at other Regional facilities.

- 2.3 In 2019, Regional Council approved the initiative to optimize the current building footprint and ultimately avoid the future expansion of the Regional Headquarters. The scope of work included adopting lessons learned from the pilot project such as reconfiguring workspaces and upgrading furniture to maximize occupancy, improve the wellness of the occupants, and provide natural light to the office environment.
- 2.4 In early 2020, the design consultant, DIALOG, was retained, representatives from each department were interviewed to determine space requirements and develop floor plan layouts and cost estimates. The consultant identified and recommended several activities to maximize the building's footprint, including promoting teleworking (pre-pandemic), digitizing records, using portable technology to support teleworking and policy changes related to societal changes, sustainability, and wellness.
- 2.5 With information gathered through operational interviews and the continuation of a hybrid work model, it was forecasted that the Regional Headquarters would be able to accommodate employees for the next 20+ years and avoid the cost of \$307 million to build and operate a second administrative facility. This projection is based on the current staff count and a 15% growth ratio over ten years based on historical growth data.
- 2.6 Following the COVID-19 pandemic, the Region continues with the hybrid work model where appropriate. This shift towards a shared work model maximizes staff accommodation in the office while allowing for new office space types to better support how staff want to work, such as many different collaboration spaces and improving technology.
- 2.7 The number of workstations was increased by 50-75 additional workstations per floor while reducing the overall square footage of workspaces by 16%, using the new space standard. This has allowed for additional square footage to be allocated to other support spaces, such as meeting rooms (increased by 4%), open collaboration spaces (increased by 7%), and print/storage rooms (increased by 5%).

3. Construction Update

- 3.1 Phase 1 of the workplace modernization was tendered in 2021 (T-1089-2021) and awarded to the lowest compliant bid, Turner Construction. The scope of work included the complete renovation of the 4th and 5th floors to meet the project objectives and address aging infrastructure due for replacement, such as network cabling throughout the building, HVAC controllers, soiled/worn carpet, and LED lighting retrofit. The scope also included the installation of a new passenger elevator as part of accessibility improvements recommended in Price Waterhouse Cooper's (PWC's) 2020 report commissioned by Corporate Services to review public services and the renovation of the washrooms on the floors 1, 4 and 5 to include all-gender washrooms to support the Region's Diversity, Equity and Inclusion initiatives. The approved budget for phase 1 was \$22.47 million.

- 3.2 During the construction of Phase 1, several base building deficiencies were identified and recommended to be rectified as part of the workplace modernization construction work to comply with the building code or to improve building operations. These deficiencies included missing fire separation within the main duct shafts, missing fire dampers, lack of all-gender washrooms, missing pipe insulation and main duct sealing, and missing support anchors on perimeter diffusers.
- 3.3 The installation of the missing fire separation within the main duct shafts and the deficient fire dampers was completed at the end of July 2024. Construction of the all-gender washroom will commence on the lower level in late 2024 and be ready for use in fall 2025. The installation of the missing pipe insulation, duct sealing and support anchors on the perimeter diffusers is complete on floors 1, 4 and 5. The deficiencies in the remaining areas will be addressed as construction progresses.
- 3.4 Phase 2 of the project was tendered in 2023 (T-1020-2023) and awarded to the lowest compliant bidder, Govan Brown. The scope of work includes the renovation of floor one and the lower level, addressing aging infrastructure and rectifying known base building deficiencies, the renovation of the washrooms on the lower level to install an all-gender washroom and the renovation work required to relocate front-facing services to floor 1 and the lower level as part of Service Durham. It also includes the installation of turnstiles on floor 1 to limit public access to the main administrative tower as part of security improvements recommended in PWC's 2020 report. Floor 1 will be completed in fall 2024, and the Lower Level will be completed by the end of 2025. The approved budget for this phase is \$22.2 million.
- 3.5 Phase 3 of the workplace modernization project is estimated at \$24 million and includes the renovation of floor 2, floor 3 (excluding DRPS), the Provincial Offences Act (POA) office, floor 1 and the lower level. The final design plan for this phase is 50% complete, however, this phase will not be proceeding at this time except for the completion of floor 3, minor renovations to the POA office to address space concerns, address end of life assets, building deficiencies, and health and safety concerns on floor 3, estimated at \$9.15M. The balance of the Phase 3 work will be revisited in 2027.
- 3.6 With the hybrid work model in place for most employees at Regional Headquarters and ongoing construction, the building is approaching occupancy of 700 people during prime office days.
- 3.7 The building also currently accommodates 94 Service Durham staff, with the Service Durham staff count projected to reach 127 by June 2025. The original scope of the project did not include Service Durham.

4. Project Costs

- 4.1 The projected cost for the Workplace Modernization project, including inflation, modernization, asset management and sustainability initiatives, Service Durham integration, and building deficiencies, is estimated at \$53.82M. To date \$41.12 million has been expended and/or committed to as of October 2024. These costs exclude the building footprint occupied by Durham Region Police Services (DRPS),

the entire 2nd floor and the POA and Legal Services areas on the 1st floor and Lower Level.

Description	Project Costs
Approved Budget	\$44,668,756
Modernization & Optimization	\$20,540,000
Asset Management & Sustainability	\$10,300,000
Service Durham	\$4,860,000
Building deficiencies	\$4,180,000
Contingency	\$4,788,756
Phase 3 estimate:	\$9,150,000
Floor 3	\$8,350,000
POA renovations	\$150,000
Building Deficiencies	\$650,000
Total WMP Budget as of 2025	\$53,818,756

5. Project Financing

- 5.1 The following table details the \$44.67 million in project financing that has been approved to date. As part of the Region's 2025 Business Plans and Budget, additional funding of \$9.15 million will be requested for phase 3 of this project.

Approved Financing

General Tax	\$2,950,358
Capital Project Reserve	22,409,131
Capital Impact Stabilization Reserve Fund	19,290,807
Equipment Reserve	10,000
Save on Energy Rebate	8,460
Total Approved Financing	\$44,668,756
Additional Financing to be requested as part of 2025 Budget	\$9,150,000
Total Projected Financing	\$53,818,756

6. Leased Facilities

- 6.1 There are 43 leased facilities throughout the Region, including 13 for Social Services department and 10 for Durham Region Police Services.
- 6.2 Mayhew Inc. was retained in 2023 to conduct a utilization study of the Social Services and Health leased sites. The optimization study observed the number of staff using the sites and the types of spaces used (workstation, office, meeting room, printer) over a two-week period in June 2023. The study recommended which sites could be better utilized if consolidated with another site and still meet the client demographic. Work is underway to consolidate these sites before the affected leases expire.
- 6.3 As the Regional Headquarters is optimized, the leases will be evaluated as they expire, and services will be relocated to the Regional Headquarters where possible. This will reduce the Region's overall lease footprint and annual leasing costs. However, not all leases can be terminated as some services are located to meet the demographic needs of a community/area.
- 6.4 The facility at 1500 Hopkins is leased to accommodate staff displaced due to the renovations at Regional Headquarters and 101 Consumers Drive. 101 Consumers Drive facility is being renovated to accommodate staff displaced by the expansion of the Whitby Water Supply Plant. The Region has no plans to renew this lease at the end of its term.
- 6.5 Other potential lease savings will be reviewed as leases expire.

7. Relationship to Strategic Plan

7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

- a. Goal 5: Service Excellence Goal
- b. Drive organization success through innovation, a skilled workforce and modernized services.

8. Conclusion

8.1 Proceeding with the modernization of the Regional Headquarters will avoid building an additional administrative facility, saving \$307 M, and the potential for additional annual savings where services can be co-located at other regional facilities and reduce the Region's leasing footprint. The project will also address department space constraints, assets at the end of life, base building deficiencies, and workspace ergonomics.

Respectfully submitted,

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