



Client Advisory Bulletin

COVID-19 Preparedness

Updated: July 7, 2020

We have prepared this bulletin to share Colliers Project Leaders' current perspective on the risks that COVID-19 poses to Canadian construction projects. This bulletin is a useful starting point for the analysis of specific actions needed to address the unique aspects of each project. As the COVID-19 situation evolves, we will continue to update this bulletin with new, relevant information.

STATUS

The risk to construction projects in Canada is stabilizing. All provinces and territories are seeing declines in the number of new cases, with some reporting no new cases for prolonged periods. This has enabled all jurisdictions to open parts of their economies. Several provinces, such as British Columbia, Saskatchewan and Manitoba, are at more advanced stages in their plans to relax mitigation measures.

The public health risk is currently high. There is potential for this risk to increase, with public health officials concerned about a possible second wave of the virus owing to relaxed physical distancing rules and the rapid spread of the virus in other parts of the world.

Small construction projects with a short duration could be significantly affected. Larger construction projects that are planned to last a year or more should expect a lower overall impact. The construction industry is showing signs of stabilizing, and we expect that trend to continue as we learn more about the virus and its transmission.

OPPORTUNITIES & CONTINUING RISKS

Construction work that was previously considered non-essential has re-started in all provinces and territories. The industry now has the opportunity to demonstrate that construction work can proceed safely with the proper health and safety procedures in place to mitigate spread of the virus. While health and safety protocols are being implemented across the country, there are continuing risks. Below are the most important real property project risks – and opportunities – related to the pandemic.

1) Provincial governments may re-impose construction activity restrictions

If there is a second wave of COVID-19 cases, provincial leaders have signaled their intention to reinstate lock-down restrictions. This could impact construction activity a second time, likely starting with non-essential projects as first experienced in March 2020. If the construction industry can demonstrate that there is a low risk of transmission among workers, provinces may impose less stringent restrictions.

Construction site supervisors are responsible for implementing proper health and safety protocols on construction sites (see [Construction Site Hygiene Tips](#)). Owners should take an active supporting role to ensure that this is the case. To learn more about assisting with these protocols, read [Supporting Health and Safety on Construction Sites](#).

2) Potential delay claims

During the period when construction sites were shut down, Contractors began issuing notices of delay claim. This is expected to continue as the impact to projects is still being felt in most jurisdictions. If Contractors are working under Canadian Construction Documents Committee (CCDC) contracts, they may trigger provisions in the contract that require the Owner to accept a schedule extension and pay reasonable costs incurred by the Contractor. Other construction contracts, such as those typically used in Quebec, may have a *Force Majeure* clause that could apply to a Contractor's claim. Owners should get legal advice to determine their liability for costs in the case of a provincial shutdown or an Owner-directed suspension of work, and what types of costs would be considered reasonable in the current situation.

Owners should also be proactive in managing potential claims by documenting the timing of provincial, Owner and Contractor directions, as well as documenting any changes in site operations. Owners should clearly communicate the expectation that all parties will seek to minimize losses, including seeking government grants to offset costs.

3) Municipal permit and inspection services – potential delays

In response to the pandemic, many municipalities limited or halted building permit plans examinations, inspections and other construction project services. Most municipalities have now resumed full service, however there is a backlog of applications that needs to be addressed. This is expected to result in longer than average response times for permit issuance and inspection. Project teams should actively monitor turnaround times for permit and inspection services and build the necessary lead times into their projects to avoid delay.

On a positive note, there were two promising municipal responses arising from our experience over the past months, including:

- a. **Electronic submission** of permit applications has allowed some municipalities to continue planned examination services for rezoning/site plan applications and building permits by shifting to a paperless/virtual solution. This is an excellent solution that has value even when we are not in a pandemic situation. With more successful examples, there will be greater pressure for all municipalities to move to electronic permit submissions.
- b. **Virtual inspections** were attempted by some municipalities. A protocol was developed for the architect or engineer of record to perform the actual inspection and submit the results to the building inspector electronically for review. There was some push-back from the engineering community and the option was not well-used.

We see significant advantages to both approaches, and we encourage further dialog between Owners, municipalities and engineering professional bodies to develop these solutions. The use of the [HoloBuilder reality-capturing tool](#) to help facilitate virtual inspections should also continue to be assessed.

4) Project Team members may be affected by COVID-19

As COVID-19 restrictions continue to ease, there is some risk of a second wave of infections. If that occurs, Project Team members may become infected with COVID-19. This includes contractors, sub-contractors, consultants, and project managers, all of whom typically carry out their work on construction sites, client offices, and other locations away from their home.

Such an outbreak could leave the Project Team short of resources and lead to reduced productivity. To minimize labour disruption and the spread of disease, Owners should ensure that all firms participating in their projects (architects, sub-consultants, general contractors and trades) have internal protocols in place to address cleaning and prevention, education, communication, containment and continuous improvement as the situation evolves.

The [Canadian Construction Association](#) published [Standardized Protocols for All Canadian Construction Sites](#) on March 26, 2020. This guideline covers most of the aspects listed above. Implementation of these protocols may reduce productivity on job sites to some degree.

5) Availability and price of materials may change

During this COVID-19 period, we have seen projects disrupted by changes in the supply chain for materials. Initially this applied to some products supplied by China, and later products supplied by Italy. With the tragic and rapid spread of COVID-19 in the United States, we have also seen delays in some materials produced there. As material delivery delays continue to occur, we also expect price increases for many materials. Owners should assess their current state of procurement:

- a. **Projects where material supply contracts have been executed** will be governed by the contracts and any supplementary conditions. Generally, if Contractors are delayed by a cause beyond their control, then Owners must allow a reasonable extension of time recommended by the Consultant. Owners should consult with their legal advisors to confirm the risk of cost increases based on the contract terms.
- b. **Projects where material supply contracts have not been tendered** should expect to receive pricing that reflects the perceived risk of price increases. We have seen good results when Owners clearly define the baseline COVID-19 mitigation measures and assume the cost risk if those requirements become stricter. In some cases, the certainty this approach has given to Contractors has led to competitive bidding and produced bids below pre-tender estimates. Other options could be considered, such as deploying appropriate supplementary conditions, delaying award, allowing alternative suppliers, or Owners taking on the risk of future material cost changes (increases and decreases). Owners should consult with their Project Managers to develop their best strategy.
- c. **Projects where tendering is in process** are more complicated. If bids have not been received, Owners should consider issuing an addendum to clarify which party will bear the risk. Owners cannot afford to have some bidders assume one direction and others assume something else.

If bids have been received but not yet awarded, Owners need to be certain about which cost risks are included in the bid. However, post-bid negotiations are fraught with risk. Owners should consult with their Project Manager and legal advisors to determine a fair, honourable and transparent process that allows for assessment of the bids.

6) PPE shortages are not likely to affect projects

In the early stages of the pandemic, some provinces experienced shortages of the N95 respirator masks used to protect medical professionals and others, including construction workers. Many manufacturers have moved to fill the demand and availability is improving. To help address this, the Government of Canada launched a [web hub](#) on June 9, 2020, which brings together available resources for organizations buying and selling Personal Protective Equipment (PPE). A shortage of N95 masks is no longer expected to cause a significant impact on construction projects.

7) Opportunity to improve project designs for resiliency

One of the most significant impacts on capital construction projects could be the way we envision our workplaces. The articles linked below provide a glimpse of the kinds of changes we could potentially see, varying by industry. Owners implementing capital projects may suspend projects in the design phase to try to reduce the uncertainty of future work environments. So how do we proceed? The key is to ensure that any proposed facility has a viable business case based on a number of different scenarios. The scenarios we study should be informed by the wide range of solutions that have been developed over the past few months – the creativity has been amazing! Apart from the challenge of vertical transportation in office towers, designers seem to have resolved ways to use most spaces, albeit at lower densities than before. We can minimize the disruption to most projects by conducting a scoped business case analysis that demonstrates the range of options that can be supported.

- [How the COVID-19 Pandemic Will Change the Built Environment](#)
- [The new normal: 8 ways the coronavirus crisis is changing construction](#)

SUMMARY – Plan Ahead

The following recommendations will help Owners advance their capital projects, while continuing to manage risk moving forward.

1. Work with Contractors to protect all Project Team members and especially construction workers on construction sites. While Contractors are responsible for health and safety protocols on work sites, Owners must ensure integration of the Contractor's policies with their own operational health and safety practices. Owners should request copies of corporate and site-specific policies from all consultants and trades, confirming that they have appropriate internal protocols to contain and prevent their staff from spreading the COVID-19 virus. These policies should also promote the continuity of office work and site work.
2. Be proactive in managing the risks of material price changes, delays in delivery and delay claims, as outlined in Sections 2 and 5 above.
3. Prepare now to secure anticipated Federal stimulus funding for planned capital projects. Read [Four Steps to get Your Capital Projects 'Shovel Ready'](#) for recommendations.
4. Urge your municipality to adopt and/or continue contactless electronic submissions for permits and delegated inspection services.

In addition, Owners should consider if, or when, the following steps may add value to a project:

5. Conduct risk workshops to assess and quantify changes in project risks given the [Public Health Agency of Canada](#) (PHAC) assessment of public health risk and provincial or territorial government orders in place at that time.
6. Develop a response protocol to facilitate rapid response to changes in public health risk or government restrictions with appropriate involvement from the Project Team.
7. Conduct a sensitivity analysis to assess how impacts caused by COVID-19 infection would affect the project justification and the success of the business case.