Agenda - Council - July 18, 2007

Report – Executive Policy Committee – July 11, 2007

Item No. 6 Amy Street Steam Plant - Site Remediation
File E

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2007, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That the Chief Administrative Officer be authorized to finalize an agreement between the City of Winnipeg, CentreVenture Development Corporation and Sky Waterfront Development Ltd. for environmental remediation to the "Amy Street" site as defined in the report from the Acting Director of Planning, Property and Development dated June 22, 2007, together with such other supplementary and ancillary agreements deemed necessary to protect the interests of the City and address the intent of Council.

2. That the source of the funding for the remediation as described in the report from the Acting Director of Planning, Property and Development dated June 22, 2007, be the Land Operation Reserve.

3. That an amount equal to the maximum tax grant payable to Sky Waterfront for Phase 1 of their development pursuant to the incremental portion of Real Property Taxes as defined by the Neighbourhood Multiple Family / Mixed-Use Building Grant Program By-law No. 122/07 be returned to the Land Operating Reserve.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Executive Policy Committee – July 11, 2007

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2007, the Executive Policy Committee recommendation concurred in the administrative recommendation and submitted the matter to Council.

RE: Amy Street Steam Plant - Site Remediation

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Jim Paterson, FCSLA – A/Director of Planning, Property and Development Department

REPORT DATE: June 22, 2007
RECOMMENDATION:

1. That Council authorize the Chief Administrative Officer to finalize an agreement between the City of Winnipeg, CentreVenture Development Corporation ("CentreVenture") and Sky Waterfront Development Ltd. ("Sky Waterfront") for environmental remediation to the "Amy Street" site herein defined, together with such other supplementary and ancillary agreements deemed necessary to protect the interests of the City and address the intent of Council;

2. That the source of the funding for the remediation as herein described be the Land Operation Reserve (LOR);

3. That an amount equal to the maximum tax grant payable to Sky Waterfront for Phase 1 of their development pursuant to the incremental portion of Real Property Taxes as defined by the Neighbourhood Multiple Family / Mixed-Use Building Grant Program By-Law No. 122/07 be returned to the LOR;

4. That the Proper Officers of the City be authorized to do all things necessary to affect the intent of the foregoing.

Report Summary

Key Issues:

- The "Amy Street" site is comprised of 21 Amy Street, the former Amy Street Steam Plant, Parcel "L" located to the East of 109 James Avenue, the former James Avenue Pumping Station as well as the Manitoba Hydro lands along Pacific Avenue, formerly Winnipeg Hydro and Coal yard; (see attached site plan)
- The site is environmentally impacted as a result of hydrocarbons produced, as a by-product of burning coal;
- The site is listed as environmentally impacted under the Contaminated Sites Remediation and Consequential Amendments Act (CSRA);
- In order for the Sky Waterfront $40M, 130 unit mixed use project to proceed, the Amy Street site must be remediated;

- UMA, the City's consultant, approached a licensed contractor to prepare a cost estimate for remediating the Amy Street site. Based on the volumes of impacted soil and free product at the site, it is estimated that the total clean-up may be in the order of approximately $3,000,000;
- CentreVenture, Planning, Property and Development Department and Sky Waterfront negotiated an agreement as follows:
    - CentreVenture will contribute $275,000 towards site remediation from the anticipated sale price of the land to Sky Waterfront;
    - Sky Waterfront will contribute by assigning its grant under the Neighbourhood Multiple Family / Mixed-Use Building Grant Program, which is estimated at approximately $1,635,000 based upon estimated municipal realty taxes annually; and
    - The City of Winnipeg will upfront the total cost of the remediation, less the CentreVenture contribution.
- This report recommends that the source of funding for the remediation be the Land Operating Reserve (LOR). This <u>may</u> result in the depletion of the Reserve's cash balance as early as 2008. The assigned grant will represent the incremental portion of Real Property Taxes generated by the Sky Waterfront project;
- Remediation of the site and putting it to a productive residential mixed use will provide the following benefits:
    a) Levers a $40M Private Investment;
    b) Potential cost savings associated with underground parking facility, thereby reducing the amount of clean backfill material required;
    c) Development is in keeping with the vision for Waterfront Drive;
    d) Downtown revitalization; and
    e) Brownfield site restored to a productive tax paying use.
- The Province of Manitoba is in receipt of a Remedial Action Plan (RAP), prepared by the City's consultant, UMA Engineering;
- Complete remediation of the site will result in the lands being suitable for residential development.

Implications of the Recommendation(s):

General Implications

( ) None

( ) For the organization overall and/or for other departments

(x) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

The site remediation will allow the development of a proposed $40M, 130 unit mixed use residential project.

Policy Implications

(x) No

( ) Yes

Comment(s):

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

( ) No

(x) Yes

Comment(s):

The site is currently on the Provincial list of impacted sites. Full remediation will result in the property being suitable for residential habitation.

Human Resources Implications

(x) No

( ) Yes

Comment(s):

Financial Implications

( ) Within approved current and/or capital budget

(_) Current and/or capital budget adjustment required

Comment(s):

Depending upon the timing of the receipt of CentreVenture's contribution to the cost of remediation and both the timing and amount of tax grants redirected to the Reserve, the LOR's cash balance may be depleted as early as 2008. This would put the Reserve in a "borrowing position" with the related interest costs further hampering the Planning, Property and Development Department's capacity to meet its objectives for which the LOR was created.

This report recommends that the incremental portion of municipal realty taxes generated by the Sky Waterfront project be returned to the Land Operating Reserve until the maximum "tax grant" amount to which Sky Waterfront would be entitled has been reached (estimated at $1.635M). It is estimated that the tax grant will accrue to the LOR from 2009 to 2014.

Report

REASON FOR THE REPORT:

Council approval is required to proceed with remediation of the Amy Street site as set out herein.

HISTORY:

The Amy Street Steam Plant was utilized by Winnipeg Hydro as a thermal generating station for downtown Winnipeg between 1924 and 1990. The original steam plant used coal as the principal source of fuel. The site has been impacted by hydro-carbons (the by-product of burning coal). Additionally, diesel fuel, gasoline and solvents that were used and stored on the property in underground storage tanks have leaked into the sub-soil.

Petroleum hydrocarbons were originally detected during several drilling investigations completed between 1993 and 1998. In 1998, a bentonite curtain wall was installed under Pacific Avenue in order to protect the existing Aqueduct.

The City and CentreVenture entered into the CentreVenture Asset Agreement on November 17, 1999. On May 24, 2000, Council declared the Amy Street Steam Plant site, along with 109 James Avenue, as surplus to the City's requirements. Council also approved a transfer of the development responsibility for both sites to CentreVenture, in keeping with the Asset Agreement.

CentreVenture marketed this property, along with several other parcels located along Waterfront Drive, through an RFP process in spring 2004.

DISCUSSION:

On July 15, 2004 CentreVenture executed a conditional sales agreement for $550,000 ($10.18 per sq. ft.). The closing date on the sale of the subject property is 30 days following the removal of the Purchaser's Condition, which provides for site remediation.

UMA Engineering has advised that based on the documented historical operating practices and previous site investigations, petroleum hydrocarbons (PHCs) and polycyclic aromatic hydrocarbons (PAHs) were considered to be the primary contaminants of concern with respect to human health or ecological risk at or around the former Amy Street steam plant site.

UMA approached a licensed contractor to prepare a cost estimate for remediating the site based on the above volumes of impacted soil, groundwater and proposed residential development with an underground parking structure at the site. The following tasks and costs were associated with the site remediation:

Mobilization and Demobilization	$7,000
Secure Site, Permitting and Utility Management	$13,000
Excavate, Transport and Disposal of Impacted Soil	$1,400,000
Shoring, Sidewalk and Traffic Management	$100,000
Overburden Stripping and Placement	$45,000
Temporary Water Treatment Plant	$150,000
Truck Decontamination Pad	$55,000
Supply and Place Backfill	$750,000
Total Contractor Costs	$2,520,000
Consultant fees @12%	$302,400
Laboratory testing costs	$20,000
Sub Total	$2,842,400
Contingencies @3%	$85,000
Total Project Estimated Cost	$2,927,600
Say	$3,000,000

The cost to excavate, transport, and dispose of the impacted soil is based on a price of approximately $35 per metric tonne. The cost to supply and place the backfill material is based on a price of approximately $19 per metric tonne. If the proposed Sky Waterfront development proceeds as planned, significant savings (approximately $500K) may be realized by reducing backfill material not being required, based on the immediate construction of the underground parking garage.

The maximum grant available to Sky Waterfront Condominium's under the Downtown Multiple-Family/Mixed-Use Building Grant Program for Phase 1 of the development would be approximately $1.635M based on 109 dwelling units. Sky Waterfront have agreed to partner with CentreVenture and the City of Winnipeg and forego their tax credit and assign the grant back to the City as the developer's contribution to the site remediation plan. It should be known that Phase 2, consisting of 28 to 35 additional dwelling units, will be eligible for additional grants under the Multiple Family Mixed Use By-law and is not intended to be assigned to the City.

While the LOR will initially absorb the total cost of remediation, the anticipated payback of the $1.635M from Sky Waterfront's eligible tax grant assigned to the City is approximately 6.3 years. Given other demands on the Reserve, the potential exists that the Reserve's cash balance could be depleted as early as 2008, which would place the LOR in a "borrowing position" with the resulting interest charges payable to the General Revenue Fund.

Along with significant cost savings to the City, the Sky Waterfront project is consistent with Downtown First Policy as well as being consistent with the vision for Waterfront Drive. The proposed use of the LOR as the source of funding for the City's contribution

toward the remediation costs is consistent with the purpose for which Council established the Reserve *(i.e. disbursements from this Reserve are limited to…expenses directly related to the…improvement of disposable City properties).*

Financial Analysis:

As of January 2007, the City's Property Assessment Department estimated the municipal annual property taxes for the Sky Waterfront project as follows:

DEVELOPMENT PHASING, SKY WATERFRONT	ESTIMATED MUNICIPAL REALTY TAX	ESTIMATED BUSINESS TAX	ESTIMATED TOTAL
Phase 1	$260,000	$4,600	$264,600
Phase 2	$72,000	$4,600	$76,600
Phase 3	$24,000	$16,000	$40,000
Total	$356,000	$25,200	$381,200

Financial Impact Statement

Date: June 12, 2007

Project Name:

Amy Street Steam Plant, Site Remediation

First Year of Program **2007**

	2007	2008	2009	2010	2011 to 2014
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 2,100,000	$ 900,000	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	275,000	300,000	300,000	1,035,000
Net Cost/(Benefit)	$ 2,100,000	$ 625,000	$ (300,000)	$ (300,000)	$ (1,035,000)
Less: Existing Budget Amounts	2,100,000	625,000	(300,000)	(300,000)	(1,035,000)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs represent remediation expenses of $3 million in total that would be charged to the Land Operating Reserve (LOR) and are assumed to be incurred in 2007/08 on a 70%-30% basis. Incremental revenue in 2008 consists of CentreVenture Development Corp.'s contribution towards the cost of remediation. Revenues from 2009 to 2014 represent the "tax grants"totalling $1,635,000 to which Sky Waterfront Development would be entitled under the "Neighbourhood Multiple Family / Mixed-Use Building Grant Program", which would be redirected to the LOR. The resulting net impact on the LOR would be $1,090,000.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Legal Services, Corporate Finance

External Consultation With:
CentreVenture Development Corporation

THIS REPORT SUBMITTED BY:

Department: Planning, Property and Development Department
Division: Office of the Director
Prepared by: Barry Thorgrimson, A/Manager of Economic Development
PPD File No.

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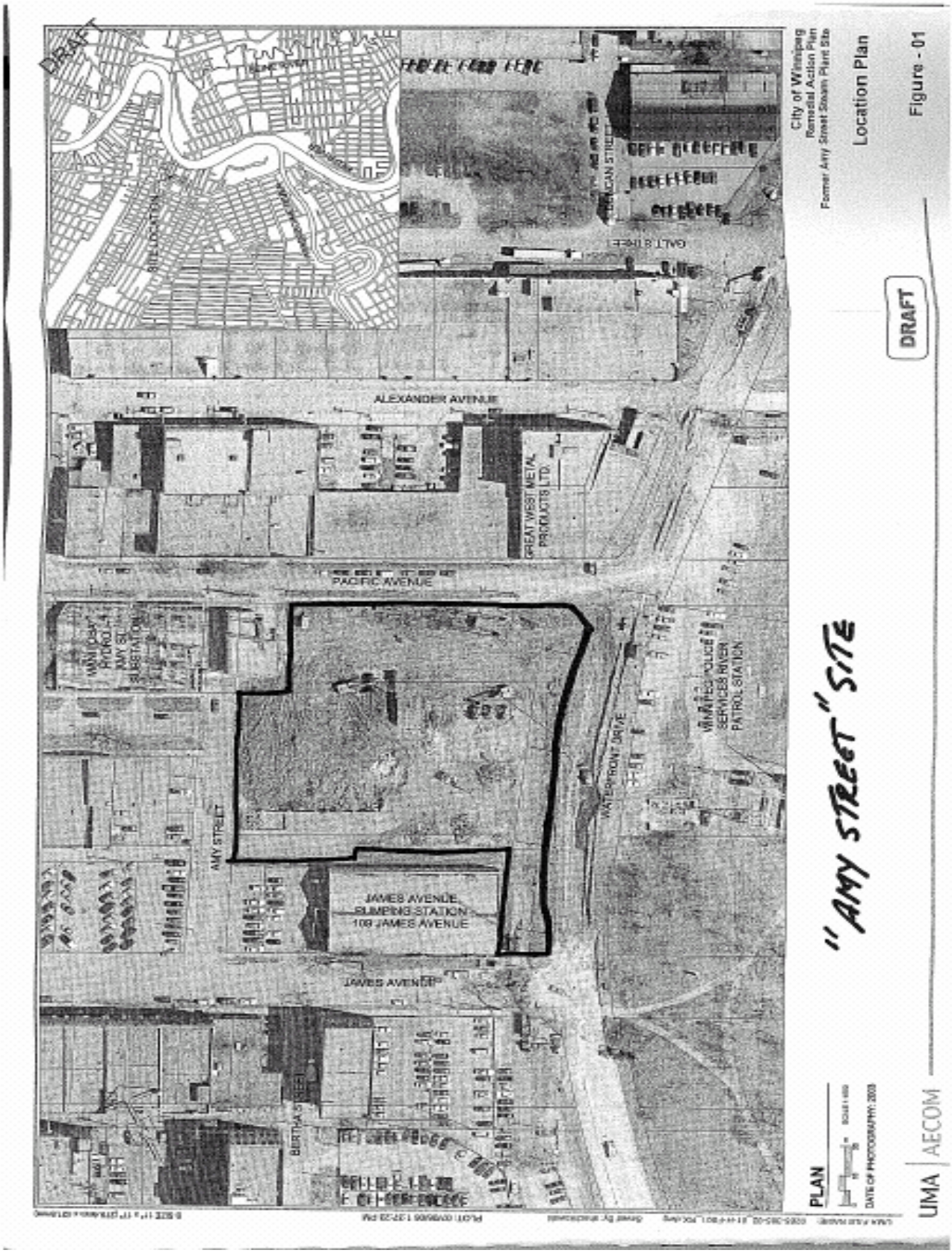

DRAFT
SITE LOCATION
ALEXANDER AVENUE
GREAT WEST METAL PRODUCTS LTD.
PACIFIC AVENUE
WINNIPEG POLICE SERVICES RIVER PATROL STATION
WATERFRONT DRIVE
AMY STREET
JAMES AVENUE PUMPING STATION 109 JAMES AVENUE
JAMES AVENUE
BERTHA STREET
"AMY STREET" SITE
City of Winnipeg
Remedial Action Plan
Former Amy Street Steam Plant Site
Location Plan
Figure - 01
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PLAN
UMA | AECOM