Agenda - Council - November 16, 2011

Report - Standing Policy Committee on Infrastructure Renewal and Public Works – November 1, 2011

Item No. 2 First Charge Expenditures on the 2012 Capital Budget - Tuxedo Yards Development Project (Charleswood – Tuxedo Ward)

STANDING COMMITTEE RECOMMENDATION:

On November 9, 2011, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submits the following to Council:

1. That the 2011 Tuxedo Yards Development Capital Project budget (capital account # 1807000511) be amended from $3,116,667 to a total of $3,216,667 with the additional $100,000 to be funded by a contribution from Lehigh Cement Ltd.

2. That authorization be granted for expenditures of up to $500,000 in 2011 before the 2012 Capital Budget is adopted as a first charge on the 2012 Tuxedo Yards Development Capital Budget, in accordance with Subsection 288(2) of The City of Winnipeg Charter, to allow the construction and/or modification of railway-crossing protection at the spur line serving 1911 Kenaston Boulevard and at the CNR Mainline.

3. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - November 1, 2011

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 9, 2011, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On November 1, 2011, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Issue: **Authorization for expenditures on the 2012 capital budget as a first charge related to the Tuxedo Yards Development project.**

Critical Path: **Standing Policy Committee on Infrastructure Renewal & Public Works, Executive Policy Committee and Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	B. Thorgrimson B. W. Sacher, P.Eng.	Mike Ruta Chief Financial Officer	Deepak Joshi Chief Operating Officer

RECOMMENDATIONS

1. That the 2011 Tuxedo Yards Development Capital Project budget (capital account # 1807000511) be amended from $3,116,667 to a total of $3,216,667 with the additional $100,000 to be funded by a contribution from Lehigh Cement Ltd.

2. That authorization be granted for expenditures of up to $500,000 in 2011 before the 2012 Capital Budget is adopted as a first charge on the 2012 Tuxedo Yards Development Capital Budget, in accordance with Subsection 288(2) of the City of Winnipeg Charter, to allow the construction and/or modification of railway-crossing protection at the spur line serving 1911 Kenaston Blvd and at the CNR Mainline.

3. That the proper officers of the City do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

- Council approval is required for a first charge for an expenditure of capital funds prior to the adoption of the 2012 capital budget.

- In order to meet project timelines, award of contract for the construction and/or modification of railway-crossing protection at the spur line serving 1911 Kenaston Blvd and at the CNR Mainline must be made prior to Council adoption of the 2012 Annual Capital Budget and 2013 to 2017 Five-Year Capital Forecast.

IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations, if approved, will allow a first charge on the 2012 Capital Budget to enable the timely construction and/or modification of railway-crossing protection at the spur line serving 1911 Kenaston Blvd and at the CNR Mainline.

HISTORY

On March 25, 2009, Council approved the recommendations contained within the report entitled *"Tuxedo Yards Redevelopment: southwest and northwest quadrants of Sterling Lyon Parkway and Kenaston Boulevard".* Recommendation 2 A i and ii) stated:

> *"That the City of Winnipeg enter into an Strategic Economic Agreement with the Developer for the development of 1.5 million square feet of mixed-use commercial development at the southwest and northwest quadrants of Sterling Lyon Parkway and Kenaston Boulevard to include the following conditions:*
>
> *A. The Developer shall pay for all costs, (currently estimated at $26.5 million) and as*

described in the report of the Director of Planning, Property and Development dated March 2, 2009, including:

i. all off-site infrastructure and servicing costs associated with the existing traffic conditions and to further facilitate the long term traffic improvements for the development;

ii. costs if any acquisitions of land expropriations and railway protection required to effect the foregoing."

Schedule "C" – Administrative Coordinating Group Report File No. AG 37/08, dated February 13, 2009 re: Subdivision and Rezoning of land SW & NW quadrants of Sterling Lyon and Kenaston – DASZ 37/08, Appendix 4 attached to the report, contains the requirements of the Servicing Agreement between the Developer and the City. Item # 11 of the agreement is as follows:

"The City of Winnipeg shall negotiate with CNR and arrange to complete the modifying of any railway-crossing protection at the spur line serving 1191 Kenaston, as may be required by Transport Canada and/or Canadian National Railways. The Developer shall be responsible for the costs to a maximum of Three-hundred Thousand ($300,000) Dollars. The City shall upon payment of such costs, deduct the amount from the estimated $14,000,000 of developer recoverable amounts.

Item # 29 of the agreement is as follows:

"The City shall negotiate with CNR and arrange to complete the construction and/or modifying of any railway-crossing protection at the CNR Mainline - all as determined by, and to the satisfaction of, the Director of Public Works. The Developer shall be responsible for the costs to a maximum of Two-hundred Thousand ($200,000) Dollars. The City shall upon payment of such costs, deduct the amount from the estimated $14,000,000 of Developer-recoverable amounts.

Original estimates had the railway-crossing protection works being undertaken by CNR during the spring of 2012. Accordingly, the 2011 Tuxedo Yards Development Capital Project budget and 2012 to 2016 Capital Forecast included $500,000 in 2012 for this work. It is now anticipated that the IKEA store will open in the autumn of 2012 rather than in 2013 and CNR has accelerated the completion of the planned railway-crossing protection work accordingly.

An additional $100,000 in railway modification works is required to accommodate a request by Lehigh Cement ("Lehigh") for a specific alignment of the rail line to their Kenaston Blvd plant. Lehigh has agreed in writing to provide a contribution to the City of Winnipeg to fund the requested works.

The contract for construction and/or modifying of all railway-crossing protection works, including the specific request made by Lehigh, is to be awarded to the CNR. CNR has advised that $600,000 is sufficient to complete these works as contemplated.

Administrative Standard FM-002 (pursuant to the Materials Management Policy) stipulates that an award of contract is contingent upon there being *"sufficient funds for the Consideration to be paid by the City in a budget therefore approved by Council."*

FINANCIAL IMPACT

Financial Impact Statement

Date: September 22, 2011

Project Name:

First Year of Program 2011

Authorization for expenditures on the 2012 capital budget as a first charge related to the Tuxedo Yards Development Project

	2011	2012	2013	2014	2015
Capital					
Capital Expenditures Required	$ 600,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	500,000	-	-	-
Additional Capital Budget Required	$ 600,000	$ (500,000)	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Economic Development Investment Reserve	-	500,000	-	-	-
Other - Contribution from Lehigh Cement	100,000	-	-	-	-
Total Funding	$ 100,000	$ 500,000	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 100,000				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	15,745	-	-	-	-
Net Cost/(Benefit)	$ (15,745)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(15,745)	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Capital expenditures represent the $584,255 estimated contract amount for the railway-crossing construction and/or modification works + short-term financing and corporate admin fees of $15,745. The latter amount is offset by recoveries in the current budget of the Corporate Finance Department. The $500,000 budgeted in 2012 represents the budget, which is funded from the Economic Development Investment Reserve, against which the first charge is to be made. Overall, a capital budget increase of $100,000 is required and this will be fully funded by a contribution from Lehigh Cement.

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

CONSULTATION

In preparing this report there was consultation with: n/a

SUBMITTED BY

Department:	Public Works Planning, Property and Development
Division:	Office of the Director
Prepared by:	Mike McGinn
Date:	October 11,2011

File No. O:\Reports Directive\Financial Services\First Call on 2012 Tuxedo Yards Development Capital_Sep 22 2011.doc