Minute No. 164
Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – January 8, 2018

Item No. 13 Extension of Services to One Additional Property in St. Boniface Industrial Park Phase 2

COUNCIL DECISION:

Council concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development Committee and adopted the following:

1. That authorization be provided to extend services to Parcel B as identified on Misc. Plan 14942/8, attached hereto as Schedule A, and the servicing costs to be charged to the Land Operating Reserve.

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

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – January 8, 2018

DECISION MAKING HISTORY:

Moved by Councillor Orlikow,

That the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 17, 2018, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On January 8, 2018, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Extension of Services to One Additional Property in St. Boniface Industrial Park Phase 2

Critical Path: Standing Policy Committee on Property and Development, Heritage and Downtown Development – Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Pittet	J. Kiernan	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

Since the land sale to Parmalat that required installation of services and pavements in the St. Boniface Industrial Park Phase 2, a purchaser came forward to purchase 2 additional adjoining parcels. The sales transaction concluded for the first parcel, Parcel A, in 2016, and services and pavement installation were undertaken concurrently with services and pavements installed for Parmalat.

The City's contractor that installed services for Parmalat and the first additional parcel will still be working on-site in 2018 which presented an opportunity to continue with services to the second additional parcel, Parcel B, although the sales transaction for the second parcel is not expected to conclude until 2019.

As proceeding with services to the second parcel would be in advance of the finalization of the land sale, this report requests consideration to allow the servicing work to proceed to take advantage of anticipated cost savings.

RECOMMENDATIONS

1. That authorization be provided to extend services to Parcel B as identified on Misc. Plan 14942/8, attached hereto as Schedule A, and the servicing costs to be charged to the Land Operating Reserve.

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

REASON FOR THE REPORT

To obtain authorization to service lands in St. Boniface Industrial Park Phase 2 prior to finalization of the land sale.

IMPLICATIONS OF THE RECOMMENDATIONS

- There are no regulatory or human resources implications associated with this report.
- Funds for this work are available in the Land Operating Reserve (209-163040-638089).
- There is a risk that the sale will not conclude as the Purchaser still needs to satisfy due diligence conditions.
- The City will have a serviced parcel of industrial land without a concluded sale.

HISTORY/DISCUSSION

On July 15, 2015, Council adopted Item 1 of the Report of the Standing Policy Committee on Property and Development dated July 14, 2015, which included the following:

"2. That in order to facilitate the sale of the City-owned property shown hatched on Misc. Plan No. 14362/6, attached (the "Site"), to Parmalat Canada Inc., Council approve the installation of the necessary services as described herein….." and

"4. That the Chief Administrative Officer be delegated the authority:

G. To negotiate, and approve the sale of any other City land adjacent to the new services, if such sale does not require extension of the services, or if extension of the services is required, that the cost of the extended services does not exceed the purchase price of the land."

On April 14th, 2016, the Chief Administrative Officer approved a contract award for Bid Opportunity No. 1134-2015 as follows:

1. That a contract for Bid Opportunity No. 1134-2015 be awarded to Cambrian Excavators Ltd., the lowest responsive bidder meeting the specifications in the amount of $3,194,384.50, GST extra as applicable.

On September 28th, 2016, the Acting Chief Financial Officer approved a contract over-expenditure of approximately $965,000.00, GST extra as applicable, for the contract awarded to Cambrian Excavators Ltd. on April 14th, 2016.

The need to proceed with servicing into the St. Boniface Industrial Park Phase 2 was initiated by the land sale on Mazenod Road to Parmalat Canada Inc. for their new milk processing plant.

The funding for that project was included in the July 15th, 2015 Council adopted report. The project was adopted to be funded through the Land Operating Reserve (account distribution 209-163040-638089). The Land Operating Reserve will be reimbursed from the proceeds of the sale, with revenues over costs increasing the equity balance of the Land Operating Reserve.

The contract awarded to Cambrian Excavators Ltd. (Cambrian) was to install underground services and pavements as necessary to service the land sold to Parmalat.

The July 15th, 2016 report also delegated the authority to the Chief Administrative Officer to negotiate, and approve the sale of any other City land; and if extension of the services is required, that the cost of the extended services does not exceed the purchase price of the land.

An additional purchaser did come forward to acquire both an 8.52 acre parcel ("Parcel A") plus a 4.29 acre parcel ("Parcel B") south of Parmalat that required the extension of services and pavements beyond the limits originally established. The conditions for sale of Parcel A were satisfied by the purchaser on September 27th, 2016, while the closing date for Parcel B will not occur until October, 2019 at the latest. The Purchaser will still need to satisfy its due diligence conditions for Parcel B consisting of their Environmental Site Assessment and Financing Conditions. The purchaser required that the Offer to Purchase for both Parcels be processed simultaneously, although the closing date for Parcel B is at the later date.

The final purchase price for Parcel B will be based on the greater sum of: 1) prevailing market rates as approved by Council, or its delegated authority, at time of closing but not less than $175,000.00 per acre; or 2) the actual cost of servicing plus $1.00. A subdivision application has been processed to create these two lots. The sales transaction for Parcel A has concluded.

Services and pavements were installed to Parcel A only. The required extensions were farther south along Mazenod Road and westerly along a roadway right-of-way named Black Diamond Blvd. that will be across the frontage of Parcel A. Services to the adjoining Parcel B were not undertaken as conditions for that purchase will not be fully satisfied until 2019.

Favorable pricing to extend services to Parcel A was received from Cambrian Excavators under Bid Opportunity No. 1134-2015; therefore a Change in Work was issued. The contract over-expenditure authorized for the additional work to service Parcel A was $935,000.00.

Underground services and pavement installation to Parcel A is complete, however a construction deficiency with the pavement has been identified that will require rectification by the Contractor. The contractor has been advised of this construction deficiency and has committed to correcting the work to the City's satisfaction and at no additional cost. The repair is scheduled to be undertaken in spring, 2018.

As Cambrian will still need to be on-site in 2018, they were approached on a preliminary basis to determine their willingness and approximate costs to extend services and pavements to Parcel B. In response, Cambrian has provided very favourable pricing that is based on their bid pricing submitted in February, 2016 to Bid Opportunity No. 1134-2015. For the initial bid, Cambrian's pricing was 8% lower than the next lowest bidder and 18% lower than the average of all bidders.

Based on Cambrian's pricing, the costs for servicing to Parcel B have been determined assuming construction in spring of 2018. Servicing costs are estimated at $420,000. Adding allowances for engineering; and for natural gas service and street lighting, the total servicing cost for Parcel B is estimated at $530,000. An allowance for extending natural gas service and street lighting has been made based on costs presented by Manitoba Hydro and Centra Gas for their work on the initial Parcel A servicing.

Revenue from the sale of Parcel B in 2019 is expected to be a minimum of approximately $740,000.

The work to service Parcel B could be put out as a separate bid opportunity, which would be in 2019 or 2020 depending on timing for conclusion of the lot sale. The work for Parcel B would be considered a "smaller" development project and probably generate a higher bid price in the open market. The City's engineering consultant for this project, Stantec, has advised that, based on their land development experience, this work would be considered a smaller project that would result in higher unit costs.

If the servicing were delayed, considering price escalation coupled with the smaller project size, it is estimated that servicing costs could be 25-30% higher. There is therefore a cost advantage to undertake the work with the existing contractor in 2018.

Subject to Council approval, a report requesting authorization for an over-expenditure to the contract for Bid Opportunity No. 1134-2015 will be submitted for consideration by the Chief Financial Officer.

If Council concurs with the recommendation of this report but the sale of Parcel B is not concluded with the purchaser, the City will have to re-market Parcel B. Virtually all of the serviced land within the St. Boniface Industrial Park is sold and the Public Service receives regular inquiries for available industrial land. It is believed that Parcel B possesses good market demand and is a desirable property.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 13, 2017

Project Name:

First Year of Program 2018

Extension of Services to One Additional Property in St. Boniface Industrial Park Phase 2

	2018	2019	2020	2021	2022
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	$ 530,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	740,000	-	-	-
Net Cost/(Benefit)	$ 530,000	$ (740,000)	$ -	$ -	$ -
Less: Existing Budget Amounts	530,000	(740,000)	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs represent the $530,000.00 estimated additional contract cost, which will be charged to Inventory (209-163040-638089) in the Land Operating Reserve (LOR). This cost will be capitalized as a City-owned asset upon completion. Incremental revenue in 2019 represents the anticipated minimum revenue from the sale of Parcel B in 2019.

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

CONSULTATION

Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

OURWINNIPEG AND COMPLETE COMMUNITIES DIRECTION STRATEGY

• The subject lands are located within the General Manufacturing Policy Area under the Complete Communities Direction Strategy. Supporting Direction and Enabling Strategies include:

- "Consider options to encourage development of under-utilized parcels and obsolete sites" (p.94).
- "Maximize the economic development potential of existing and future employment lands" (p.96).

ZONING BY-LAW

•The proposed use conforms with the current zoning of the subject lands which are zoned M3 PDO-2 – Prairie Industrial Park Manufacturing Heavy District. The purpose of this overlay is to provide flexibility for "M3" Manufacturing Heavy Zoning District uses for the area defined as the PDO-2 Prairie Industrial Park.

•M3 lands are intended to accommodate light or heavy industrial development, including heavy manufacturing, storage, major freight terminals, waste and salvage, resource extraction, processing, transportation, major utilities, and other related uses, particularly those that require very large buildings, frequent heavy truck traffic for supplies or shipments, or that may require substantial mitigation to avoid sound, noise, and odour impacts to neighbouring properties.

SUBMITTED BY

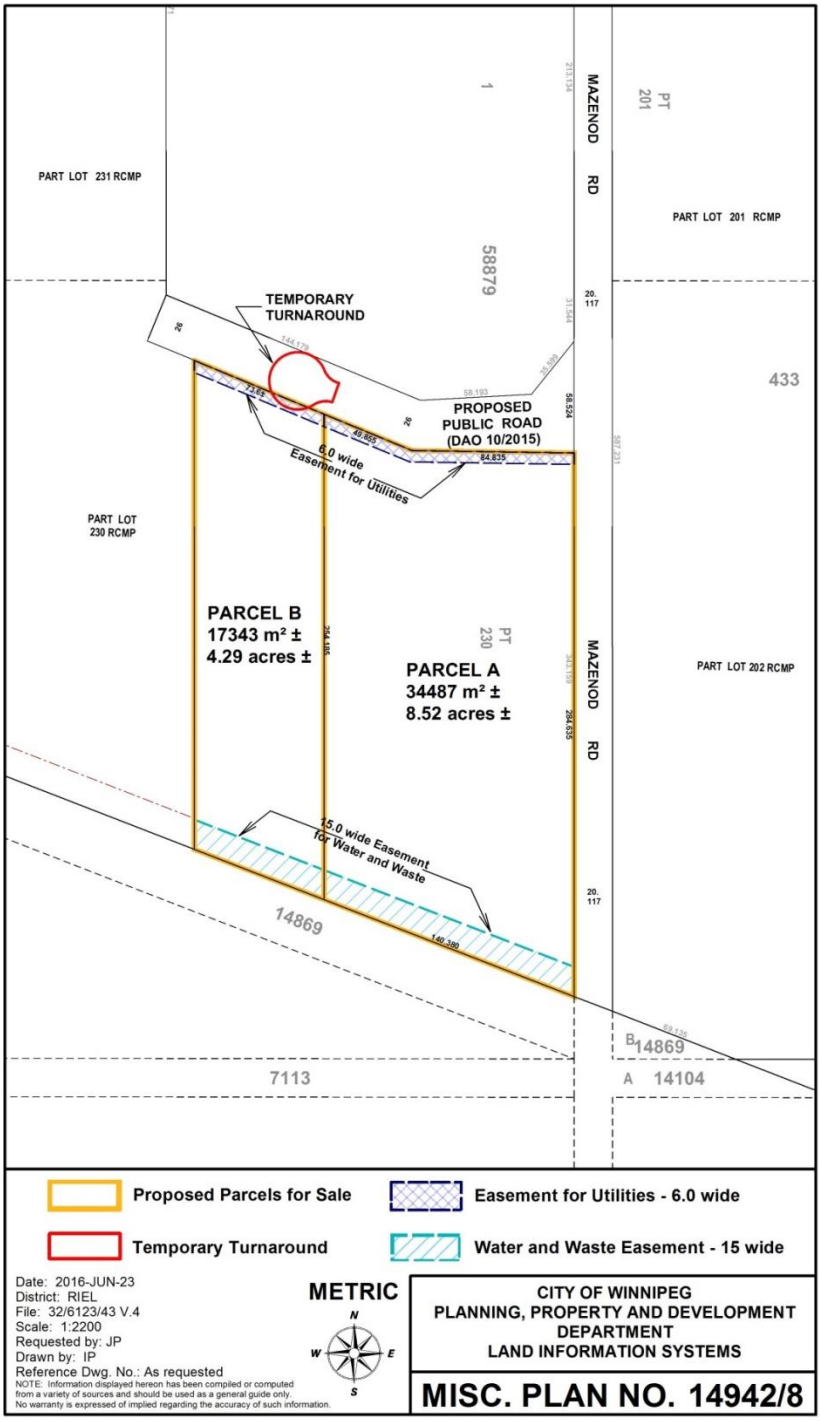
Department: Planning, Property and Development
Division: Real Estate and Land Development
Prepared by: M. A. Shkolny, P. Eng.
Date: December 18, 2017
File No: 32/6123 43 V3

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Attachments:

Schedule A – Misc. Plan 14942/8

Schedule A


PART LOT 231 RCMP
1
58879
MAZENOD RD
PT 201
PART LOT 201 RCMP
TEMPORARY TURNAROUND
PROPOSED PUBLIC ROAD (DAO 10/2015)
6.0 wide Easement for Utilities
433
PART LOT 230 RCMP
PARCEL B
17343 m² ±
4.29 acres ±
PT 230
PARCEL A
34487 m² ±
8.52 acres ±
PART LOT 202 RCMP
15.0 wide Easement for Water and Waste
14869
7113
B 14869
A 14104
Proposed Parcels for Sale
Easement for Utilities - 6.0 wide
Temporary Turnaround
Water and Waste Easement - 15 wide
Date: 2016-JUN-23
District: RIEL
File: 32/6123/43 V.4
Scale: 1:2200
Requested by: JP
Drawn by: IP
Reference Dwg. No.: As requested
NOTE: Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only. No warranty is expressed of implied regarding the accuracy of such information.
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CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPARTMENT
LAND INFORMATION SYSTEMS
MISC. PLAN NO. 14942/8