Agenda – Executive Policy Committee – September 12, 2018

REPORTS

Item No. 11 Approval of Single Source Negotiations for Professional Engineering Services regarding the Installation of Municipal Services in Portions of the St. Boniface Industrial Park Phase 2 Development

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That a single source negotiation with Stantec Consulting Ltd. for the provision of professional engineering services, including detailed design and contract administration, for the installation of municipal services across all remaining stages (being Stages 2, 3, 4 and 5) of the St. Boniface Industrial Park Phase 2 Development, be approved in an estimated amount not to exceed $1,700,000.00 (GST and MRST extra as applicable).

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

ADMINISTRATIVE REPORT

Title: APPROVAL OF SINGLE SOURCE NEGOTIATIONS FOR PROFESSIONAL ENGINEERING SERVICES REGARDING THE INSTALLATION OF MUNICIPAL SERVICES IN PORTIONS OF THE ST. BONIFACE INDUSTRIAL PARK PHASE 2 DEVELOPMENT

Critical Path: Executive Policy Committee

AUTHORIZATION

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

EXECUTIVE SUMMARY

The Public Service proceeded with servicing the St. Boniface Industrial Park Phase 2 Development ("Phase 2") as a result of a land sale to Parmalat Canada Inc. in 2015. The Public Service has sold, or conditionally sold, approximately 36 acres of land within Phase 2. The remaining balance of land within Phase 2 is 160.5 +/- acres, as shown on Schedule A, and is currently un-serviced.

Municipal and utility servicing options and costs have been developed for lands within Phase 2 - Stages 2 through 5 as shown on attached Schedule B. Servicing includes the provision of watermains, wastewater and land drainage sewers, expansion of a stormwater retention pond, construction of roadways, and installation of hydro, street lighting, and natural gas lines ("municipal services" or "municipal servicing").

The Public Service has been approached by an industrial user that is seeking 40.8+/- acres of serviced industrial land within Stage 5 of Phase 2. The Public Service is also aware that the industrial market has a high demand for serviced land and current opportunities for development are limited.

The Chief Administrative Officer ("CAO") has the delegated authority to approve sales of and extension of services to, industrial land within Phase 2 if the cost to extend services does not exceed the purchase price.

Consequently, in order to prepare to provide services to Phase 2, the Public Service is seeking approval of single source negotiations for the provision of the engineering services (detailed design and contract administration) related to the installation of municipal services throughout Phase 2 ("engineering services"). Professional obligations preclude engineers from relying on the conceptual and preliminary design work of other engineers for liability reasons. Delays in the ability to seek construction bids for work to be undertaken in 2019 could result in project delays with the potential for increased construction costs; and the loss of land sales revenue as a result of not being able to have services completed within the July 2019 timeframe required by the prospective purchaser. Seeking competitive proposals for Engineering Services at this point

would cause significant inconvenience and duplication of costs. The award of contract for such engineering services, and installation and cost of municipal services, will be dealt with at a later date by separate Award Report(s) to the appropriate authorities within the Public Service.

The recommendations of this report are compliant with the Materials Management Policy and applicable Trade Agreements.

RECOMMENDATIONS

1. That a single source negotiation with Stantec Consulting Ltd. for the provision of professional engineering services, including detailed design and contract administration, for the installation of municipal services across all remaining stages (being Stages 2, 3, 4 and 5) of the St. Boniface Industrial Park Phase 2 Development, be approved in an estimated amount not to exceed $1,700,000.00 (GST and MRST extra as applicable).

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

REASON FOR THE REPORT

As the total amount to be paid by the City for each Stage of the proposed Consultant Service single source contracts is estimated to exceed $35,000, and each of the consultant services are not related to a capital project included in the capital budget, authorization for each single source negotiation is required from the Executive Policy Committee pursuant to Administrative Standard FM-002.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no regulatory, environmental, human resources, financial or other implications of this report.

Upon award by the appropriate authorities within the Public Service of relevant contracts, costs for this work will be charged to the Land Operating Reserve (209-163040-638089).

Detailed design of the engineering services required to service the Stage 5 - Phase 2 lands will allow the City to have a “tender ready” site for the installation of municipal services.

The estimated cost of engineering services is based upon a percentage of construction pricing and may be less than projected.

HISTORY/DISCUSSION

Background

The City of Winnipeg contains an industrial area within the eastern portion of the City known as the St. Boniface Industrial Park. The Park has been divided into two phases - Phase 1 is located north of the Greater Winnipeg Water District rail line and is sold out; Phase 2 is located south of the rail line and had 230 gross acres of land which was un-serviced.

On July 15, 2015, Council adopted Item 1 of the Report of the Standing Policy Committee on Property and Development dated July 14, 2015, titled "Sale of a portion of City-owned Property located south of St. Boniface Industrial Park to Parmalat Canada Inc.", 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."

As a result of the sale to Parmalat Canada Inc. ("Parmalat"), a portion of the Phase 2 lands are now serviced. To date, the Public Service has sold or conditionally sold a total of approximately 36 acres of serviced land in accordance with the authority that has been delegated to the CAO. The current absorption of the Phase 2 lands is well above the Park's historical absorption rate due to the limited supply of available serviced industrial land within the City.

The Park has a remainder of 160.5 gross acres +/- which is un-serviced (identified on Schedule A - Misc. Plan No. 14362/11), divided among four remaining stages of development (identified on Schedule B – Staging Concept). With the last serviced site conditionally sold in Stage 1, the City does not have any available serviced industrial land for sale in St. Boniface Industrial Park.

Recognizing the high demand for serviced industrial land, the City has two options for future development. Extend servicing to the west of Parmalat (Stage 5) or extend servicing east of Parmalat (Stages 2, 3 & 4). It was initially believed that the land east of Parmalat would be serviced first since the westerly extension requires co-operation with the adjoining land owner for water looping and a second means of access for Black Diamond Boulevard.

Recently, a prospective purchaser has come forward to acquire 40.8+/- acres within Stage 5, and they require access to the site by July, 2019. Therefore, proceeding with Municipal Services to Stage 5 is the immediate need.

The issue of water looping and a second means of access can be mitigated in one of two ways. The City may choose to loop water service within the Park and limit further development on a dead-end road. Alternatively, the Public Service is aware that the adjoining land owner has initiated work on an industrial subdivision and may be in a position to develop their land in 2019.

The Public Service intends to pursue the development of Stage 5. If a transaction is concluded with the Stage 5 purchaser, the sale may be approved in accordance with the CAO's delegated authority (i.e. sale price exceeding cost to service). The servicing of Stage 5 will occur by tender in late 2018/early 2019, but prior to that, professional engineering services must be secured for detailed design and contract administration. In this regard, the Public Service is recommending single source negotiations for engineering services be approved with Stantec

Consulting Ltd. ("Stantec"). Stantec is the engineer-of-record for the Stage 1 land and the Stage 5 (and other Stages) servicing is a natural progression of their work completed to date.

Subject to approval of the recommendations in this report and finalization of the applicable offer to purchase for Stage 5, a separate Award Report will be sent to the Director of the Planning, Property, and Development Department recommending award of the contract for engineering services to Stantec for Stage 5 of Phase 2.

Separate Award Reports will also be prepared for the Director of the Planning, Property, and Development Department recommending award of contracts for engineering services to Stantec for the remaining Stages of Phase 2, conditional on finalization of offer(s) to purchase where the purchase price of the land will be higher than the cost of extending services to such land.

It is noted that the Public Service received interest from another industrial user to acquire all of Stage 2, 3 & 4 in the current un-serviced state. Selling all of the Stage 2, 3 & 4 land may reduce or negate the need for engineering and servicing, in which case the Director of the Planning, Property, and Development Department would not make an award of engineering services to Stantec for such parcel(s), as it would not be necessary.

If a purchaser(s) is not identified for Stages 2, 3 & 4, Council approval will be required to service the land in advance of a sale (i.e. the conditions of the CAO's delegated authority will not be satisfied since the cost to service will exceed the purchase price), and approval of award of engineering services contracts by the Director of Planning, Property, and Development will be contingent on Council's approval of extension of the Services.

Cost & Revenue

Servicing for Stage 5 has been conservatively estimated at $7.0 million (2018 $) assuming that development coordination cannot be achieved with the adjoining land owner, necessitating watermain looping within Stage 5. Potential revenue from the sale of 40.8+/- acres would result in proceeds of $7,548,000 based on the current asking price of $185,000 per acre. The cost to service all of Stage 5 is therefore covered by roughly half of the land serviced. If Stage 5 is serviced, the City will have 41.6+/- acres of additional available serviced land on the south side of Black Diamond Boulevard, and the revenue realized from the sale of this land will have no servicing costs.

Engineering Services:

From a project delivery standpoint, it is proposed to undertake engineering detailed design in 2018, and to undertake contract administration and construction in 2019 for Stage 5. Procurement of a contractor to undertake construction would optimally begin in December 2018 or January 2019.

Continuing with Stantec for the provision of Engineering Services for detailed design and contract administration for Stage 5 is proposed. Stantec has provided the conceptual and preliminary engineering for Phase 2, and provided detailed design and contract administration services for Stage 1 of Phase 2. Stantec has the experience and resources required to successfully complete the engineering design and contract administration work required for the municipal services installation for Stage 5. Subject to their submission of a satisfactory fee proposal, the continued assignment to Stantec is recommended. Stantec has tentatively advised that they are prepared to base their fees for Stage 5 on the same percentage of construction cost that was charged for the Stage 1 work. Should the on-going discussions with

prospective purchasers for land not be concluded, the engineering engagement arrangement with the consultant would allow for cancellation of their work.

Professional obligations preclude engineers from relying on the conceptual and preliminary design work of other engineers for liability reasons. If another firm was to be retained to do the work, their obligations would require them to do an independent review of Stantec's previous work as part of their own due diligence as they would become of engineer-of-record for that part of the work, meaning that using the plans and specifications with a different firm would not be possible. Delays in the ability to seek construction bids for work to be undertaken in 2019 could result in project delays with the potential for increased construction costs; and the loss of land sales revenue as a result of not being able to have services completed within the July 2019 timeframe required by the prospective purchaser. Seeking competitive proposals for Engineering Services at this point would cause significant inconvenience and duplication of costs.

Based on the above, a single source award of contract to Stantec for engineering services for all of the Stage 2, 3, 4, and 5 lands in Phase 2 would be compliant with Section B4.1 (f) of the Materials Management Policy, which permits single source negotiations and award of contract in certain situations. It reads:

> "Subject to B8.1 (i), a supply to be made to the City may be negotiated without the solicitation of competitive offers where the Chief Administrative Officer determines that, it is in the best interest of the City, appropriate/necessary, and that:
>
> (f) The compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier."

This single source procurement is subject to the Canadian Free Trade Agreement (2017) ("CFTA"), Article 513 1 (c) of which provides a corresponding exception to the above B4.1(f) of the Materials Management Policy. It reads:

> "Subject to paragraphs 2 and 3, and provided that it does not use this provision for the purpose of avoiding competition among suppliers or in a manner that discriminates against suppliers of any other Party or protects its own suppliers, a procuring entity may use limited tendering in the following circumstances:
>
> ….
>
> (c) for additional deliveries by the original supplier of goods or services that were not included in the initial procurement, if a change of supplier for such additional goods or services:
>
> (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, software, services, or installations procured under the initial procurement; and
>
> (ii) would cause significant inconvenience or substantial duplication of costs for the procuring entity;

This procurement is subject to the Comprehensive Economic and Trade Agreement (2016) ("CETA"), Article 19.12 (b) and (c) of which provide equivalent exceptions to the above B4.1(f) of the Materials Management Policy.

As this is a Consultant contract, the Manager of Materials has waived the requirement for performance security.

FINANCIAL IMPACT

Financial Impact Statement Date: August 13, 2018

Project Name:

APPROVAL OF SINGLE SOURCE NEGOTIATIONS FOR PROFESSIONAL ENGINEERING SERVICES REGARDING THE INSTALLATION OF MUNICIPAL SERVICES IN PORTIONS OF THE ST. BONIFACE INDUSTRIAL PARK PHASE 2 DEVELOPMENT

COMMENTS:

There are no direct financial implications associated with the recommendation to allow single source negotiations with Stantec Consulting Ltd. for the provision of professional engineering services; the financial implications will be included in separate Award Report(s) submitted to the appropriate authorities within the Public Service in an estimated amount not to exceed in total $1,700,000.00 (GST and MRST extra as applicable).

"Original Signed By"
Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

Legal Services Department, as to legal issues
Materials Management

OURWINNIPEG POLICY ALIGNMENT

OURWINNIPEG

- "Ensure Winnipeg's Employment Lands provide for a wide range of market opportunities, accommodating new investment and economic development while contributing an abundance of job opportunities for our citizens." (pg. 31)

OURWINNIPEG - 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" (pg.94).
- "Maximize the economic development potential of existing and future employment lands" (pg.96).

ZONING BY-LAW

- The proposed use conforms to 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.

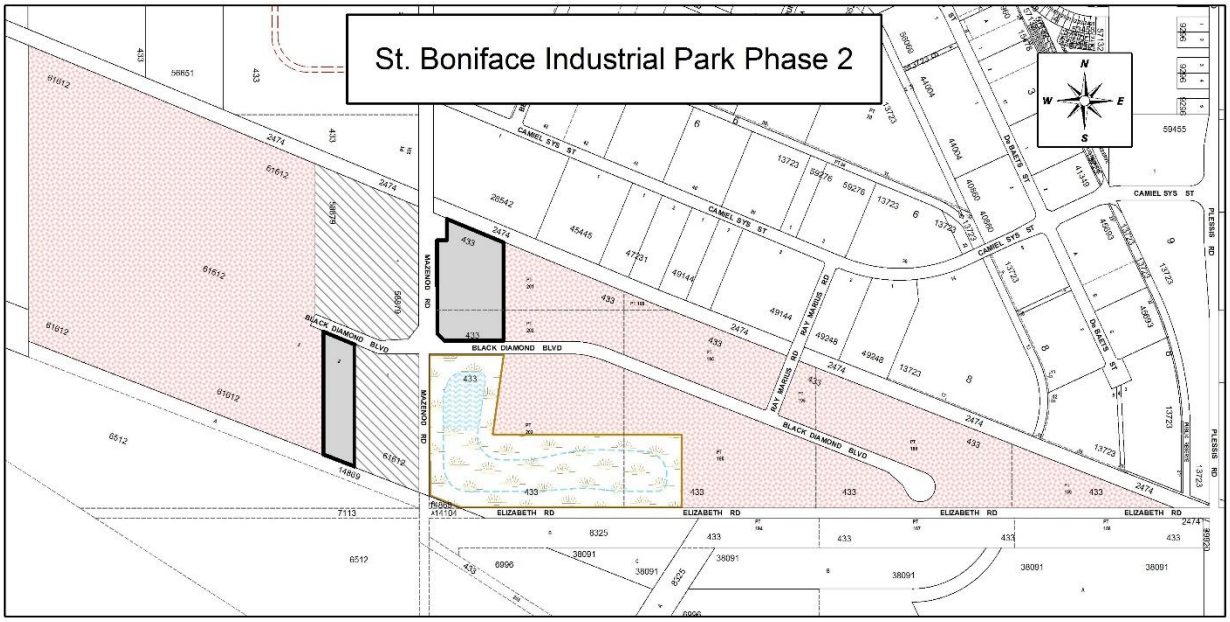
SUBMITTED BY

Department: Planning, Property and Development
Division: Real Estate and Land Development
Prepared by: M.A. Shkolny/G. Chappell
Date: August 13, 2018
File No: 32/6123 43 V3

Attachments:
Schedule A – Misc. Plan No. 14362/11
Schedule B – Staging Concept

Schedule A – Misc. Plan No.14362/11

Site sizes are not indicated. Sites can be sized to suit your needs. Available lands are shown as of June 15, 2018



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 or implied regarding the accuracy of such information.

District: RIEL Scale: 1:7500 Date: 2018-JUNE-15

MISC. PLAN 14362 / 11

Schedule B – Staging Concept

