Agenda – Council – January 31, 2019

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – January 7, 2019

Item No. 4 Delegation of Authority – St. Boniface Industrial Park

STANDING COMMITTEE RECOMMENDATION:

On January 22, 2019, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the following to Council:

1. That Recommendation 4(G) in the report titled "Sale of a portion of City-owned Property located south of St. Boniface Industrial Park to Parmalat Canada Inc.", approved by Council on July 15, 2015, be rescinded.

2. That authority be delegated to the Chief Administrative Officer to award, enter into, execute and deliver a competitively tendered construction contract exceeding $5,000,000.00 including contract over-expenditures for the servicing of the St. Boniface Industrial Park Phase II to a maximum amount of $7,000,000.00, including GST, and such other agreements as determined necessary by the City Solicitor to implement the intent of the foregoing ("Ancillary Agreements").

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the contracts set out in Recommendation 2 in accordance with this Report and such other terms and conditions deemed necessary by the City Solicitor/ Director of Legal Services to protect the interests of the City.

4. That authority be delegated to the Chief Administrative Officer to approve contract over-expenditures for the contracts set out in Recommendation 2.

5. That a maximum $7,000,000.00 be funded from the Land Operating Reserve and reimbursed with:

    (i) the net sale proceeds of the balance, or any portion of the balance of the City-owned property identified on Misc. Plan No. 14362/13; and
    (ii) municipal property taxes and business taxes thereon.

6. That the Land Operating Reserve receives, if necessary, an inter-company transfer of up to $7,000,000.00 from the General Capital Fund to facilitate the foregoing.

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – January 7, 2019

STANDING COMMITTEE RECOMMENDATION (continued):

7. That in the event the City's liquidity position requires additional funding, that short-term financing in the maximum amount of $7,000,000.00 be approved either from external sources or through internal funds or reserves as determined by the Chief Financial Officer and that the following be approved to authorize the external sources:

    A. That an additional borrowing authority in 2019 be approved in the amount of $7 million.

    B. That the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-law to Council.

8. That Section 3.1(A)(iv) of the policy titled "Property – Sale of City-owned Industrial Land", approved by Council on December 9, 2015, be waived for the land identified as "Subject City Property" on Misc. Plan No. 14942/20 (attached hereto as Schedule C) and that the sale price for the said Subject City Property be $185,000 per acre.

9. That the Proper Officers of the City 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 7, 2019

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 22, 2019, 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 7, 2019, 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: Delegation of Authority – St. Boniface Industrial Park

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

On July 15, 2015, Council adopted the report titled "Sale of a portion of City-owned Property located south of the Park to Parmalat Canada Inc." (the "Parmalat Report"). The Parmalat Report authorized the sale and servicing of land in the Park to Parmalat Canada Inc., and included recommendation 4(G) which authorized the Chief Administrative Officer ("CAO") 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."*

Market demand for land within St Boniface Industrial Park is currently high but the authority that was delegated to the CAO does not allow the Public Service to respond to changing market conditions; it is therefore recommended that the CAO's delegated authority in this respect be rescinded. Going forward, the Public Service will rely on existing Council policy that delegates to the Director of Planning, Property and Development the authority to approve industrial park land sales. The cost of servicing land within the St. Boniface Industrial Park is an authorized expense that can be charged to the Land Operating Reserve.

It is expected that the next stage of servicing costs for St Boniface Industrial Park will exceed $5,000,000.00. The Public Service recommends the CAO be delegated the authority to approve the competitively tendered construction contract (including over-expenditures) to a maximum amount of $7,000,000.00, including GST. This authority will allow the Public Service to ensure that the lands are ready for the proponent who has requested site access by July 1st, 2019. To satisfy this deadline, the construction work needs to be tendered and work awarded to the successful low bidder by the end of March, 2019. Site preparation and retention pond excavation work would begin immediately thereafter. Delay of award will compromise meeting the purchaser's required site access date.

RECOMMENDATIONS

1. That Recommendation 4(G) in the report titled “Sale of a portion of City-owned Property located south of St. Boniface Industrial Park to Parmalat Canada Inc.”, approved by Council on July 15, 2015, be rescinded.

2. That authority be delegated to the Chief Administrative Officer to award, enter into, execute and deliver a competitively tendered construction contract exceeding $5,000,000.00 including contract over-expenditures for the servicing of the St. Boniface Industrial Park Phase II to a maximum amount of $7,000,000.00, including GST, and such other agreements as determined necessary by the City Solicitor to implement the intent of the foregoing (“Ancillary Agreements”).

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the contracts set out in Recommendation 2 in accordance with this Report and such other terms and conditions deemed necessary by the City Solicitor/ Director of Legal Services to protect the interests of the City.

4. That authority be delegated to the Chief Administrative Officer to approve contract over-expenditures for the contracts set out in Recommendation 2.

5. That a maximum $7,000,000.00 be funded from the Land Operating Reserve and reimbursed with: (i) the net sale proceeds of the balance, or any portion of the balance of the City-owned property identified on Misc. Plan No. 14362/13; and (ii) municipal property taxes and business taxes thereon.

6. That the Land Operating Reserve receives, if necessary, an inter-company transfer of up to $7,000,000.00 from the General Capital Fund to facilitate the foregoing.

7. That in the event the City’s liquidity position requires additional funding, that short-term financing in the maximum amount of $7,000,000.00 be approved either from external sources or through internal funds or reserves as determined by the Chief Financial Officer and that the following be approved to authorize the external sources:
    a. That an additional borrowing authority in 2019 be approved in the amount of $7 million.
    b. That the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-law to Council.

8. That Section 3.1(A)(iv) of the policy titled “Property – Sale of City-owned Industrial Land”, approved by Council on December 9, 2015, be waived for the land identified as “Subject City Property” on Misc. Plan No. 14942/20 (attached hereto as Schedule C) and that the sale price for the said Subject City Property be $185,000 per acre.

9. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to:

- rescind a recommendation contained within a report previously approved by Council;
- delegate authority to the Chief Administrative Officer to conduct matters as described herein;
- waive a provision of a policy that was approved by Council.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no regulatory, environmental, human resources or other implications associated with this report.

If Council concurs in the recommendations in this report, the Public Service will rely upon the Council approved "Property – Sale of City-owned Industrial Land Policy" to sell Industrial Park land and servicing costs will be funded out of the Land Operating Reserve ("LOR").

There are no direct financial implications to this report, but expenses will be charged to the LOR and eventually be offset by sales revenue.

Pursuant to Section B8.2 of the City of Winnipeg Materials Management Policy, the Chief Administrative Officer is delegated the authority to award a contract where the value of the contract does not exceed $5,000,000.00 and there are sufficient funds in a budget approved by Council.

Pursuant to The City of Winnipeg Charter, Council has the authority to delegate some of its administrative powers, duties or functions to an employee.

Approval of these Recommendations will allow the Public Service to react to market demand and make serviced land available in a timely fashion.

HISTORY/DISCUSSION

The City owns an industrial park in southeast Winnipeg known as the St. Boniface Industrial Park (the "Park") which is divided into Phase I and Phase II (identified in Schedule A). Phase I is sold out and the 230 gross acres of Phase II is under development. Phase II will be divided into five stages as outlined in Schedule B.

On July 15, 2015, Council adopted the report titled "Sale of a portion of City-owned Property located south of the Park to Parmalat Canada Inc." (the "Parmalat Report"). The Parmalat Report authorized the sale and servicing of land in the Park to Parmalat Canada Inc., and included recommendation 4(G) which authorized the Chief Administrative Officer ("CAO") 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."*

At the time of the Parmalat Report, the market conditions did not justify a full build-out of services therefore servicing was limited to the area immediately surrounding Parmalat Canada

Inc. Since 2015, the Park's absorption level is well above historical norms (40% higher) and the Public Service currently has four parties interested in purchasing 90 acres; this is in addition to the approximate 33 acres that has already been sold. While sales may not be concluded with all prospective purchasers, significant demand for industrial land exists due to the limited amount of employment lands in the City of Winnipeg.

On November 27, 2017, the Standing Policy Committee on Property and Development, Heritage and Downtown Development set the sale price of land within the Park at $185,000 per acre. On November 19, 2018, the Standing Policy Committee on Property and Development, Heritage and Downtown Development set the sale price of land within the Park at $250,000 per acre.

Prior to the adoption of Recommendation 4(G) in 2015, sales of land in the Park were approved by the Director of Planning, Property and Development (the "Director") through the authority delegated from the former Standing Policy Committee on Property and Development. The delegated authority enabled the Director to approve sales that were in accordance with the City's standard terms and conditions at the current asking price. The Director's delegated authority was updated on December 9, 2015 through the policy titled "Property – Sale of City-owned Industrial Land". The 2015 update maintained the Director's existing approval authority, but clarified that the asking price for industrial park land would be approved annually by the Standing Policy Committee on Property and Development, Heritage and Downtown Development.

Prior to the adoption of Recommendation 4(G) in 2015, the cost of servicing land in the Park was charged to the LOR. The LOR was adopted by Council in 1973 and was created to reduce the need for debt financing for the acquisition, sale or improvement of disposable City properties.

Presently, Recommendation 4(G) does not allow the Public Service to remain flexible with prospective purchasers. Under normal conditions, prospective purchasers require a due diligence period to conclude a sale and, because of Recommendation 4(G), the Public Service cannot service land in the Park until the sale is unconditional. This can result in an inability to provide land in a timely fashion. It is important to note that the inability to bring serviced land to the market in the anticipation of current/future sales as a result of Recommendation 4(G) has already led to lost sales/revenue.

Rescinding Recommendation 4(G) will enable the Public Service to rely upon existing Council Policy and allow for dynamic land development. Based on the current asking price of land within the Park and current cost estimates, sales revenue will far exceed the cost of servicing.

The Public Service currently has an Offer to Purchase under review from a prospective purchaser for approximately 38 acres on the west side of Mazenod Road. The proposed purchase price of the 38 acre site will exceed the servicing cost for the entire Stage 5 development (refer to Schedule B). If Recommendation 4(G) is rescinded, the Public Service can issue an early construction tender that may result in favourable pricing (and also allow the prospective purchaser to meet their project timelines). Should the 38 acre sale not conclude, the Public Service has two other interested parties for up to 13 acres in total on the west side of Mazenod Road.

It is expected that Stage 5 servicing costs for the Phase II Park land will exceed $5,000,000.00. In order to bring serviced land to the market in a timely fashion, the Public Service recommends the CAO be delegated the authority to approve the competitively tendered construction contract (including over-expenditures) to a maximum amount of $7,000,000.00, including GST. This

authority will allow the Public Service to ensure that the lands are ready (tendering, site preparation and retention basin work) for the proponent who would like to begin development in early summer.

Should any of the above noted sales not conclude, a fourth purchaser is interested in land on the east side of Mazenod Road. The Public Service is currently negotiating a 46 acre sale on the east side of Mazenod Road which is independent of the proposed 38 acre sale on the west side of Mazenod Road.

As noted previously, significant demand exists for the St. Boniface Industrial Park Phase II land. The Stage 5 land yields the greatest return to the City, while Stages 2 & 3 yields a slightly lower return but are still beneficial to the City based on current pricing and servicing (and without consideration of municipal tax revenue).

Section 3.1(A)(iv) of the policy titled "Property – Sale of City-owned Industrial Land" provides that "when a sale is in progress on or about September 30th, the applicable sale price per acre for the transaction shall be the rate that was in effect when negotiations were completed and an Offer to Purchase has been signed by all required parties". The prospective purchaser of the 38 acre site on the west side of Mazenod Road was provided with an Offer to Purchase prior to the increase in the pre-approved sale price of Park land from $185,000 per acre to $250,000 per acre on November 19, 2018. The Public Service recommends that Section 3.1(A)(iv) be waived for the prospective purchaser as negotiations were well underway prior to the increase, and that the sale price for the prospective purchaser be $185,000 per acre, being the amount pre-approved by the Standing Policy Committee on Property and Development, Heritage and Downtown Development on November 27, 2017.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 13, 2018

Project Name:

First Year of Program 2019

Rescind Delegation of Authority – St. Boniface Industrial Park

	2019	2020	2021	2022	2023
Capital					
Capital Expenditures Required	$ 7,000,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	7,000,000	-	-	-	-
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	$ 7,309,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	7,030,000	-	-	-	-
Net Cost/(Benefit)	$ 279,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	279,000	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs consist of an estimated $7,000,000 in servicing/infrastructure to be charged initially to the Land Operating Reserve but transferred to the General Capital Fund upon substantial completion, plus $309,000 in net book value attributable to 38 acres that is currently the subject of due diligence by a prospecive purchaser. Revenue represents gross sale proceeds at the current industrial land sale price of $185,000/acre. Capital expenditures represent the transfer of costs of completed infrastructure from the Land Operating Reserve.

"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)

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

- 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

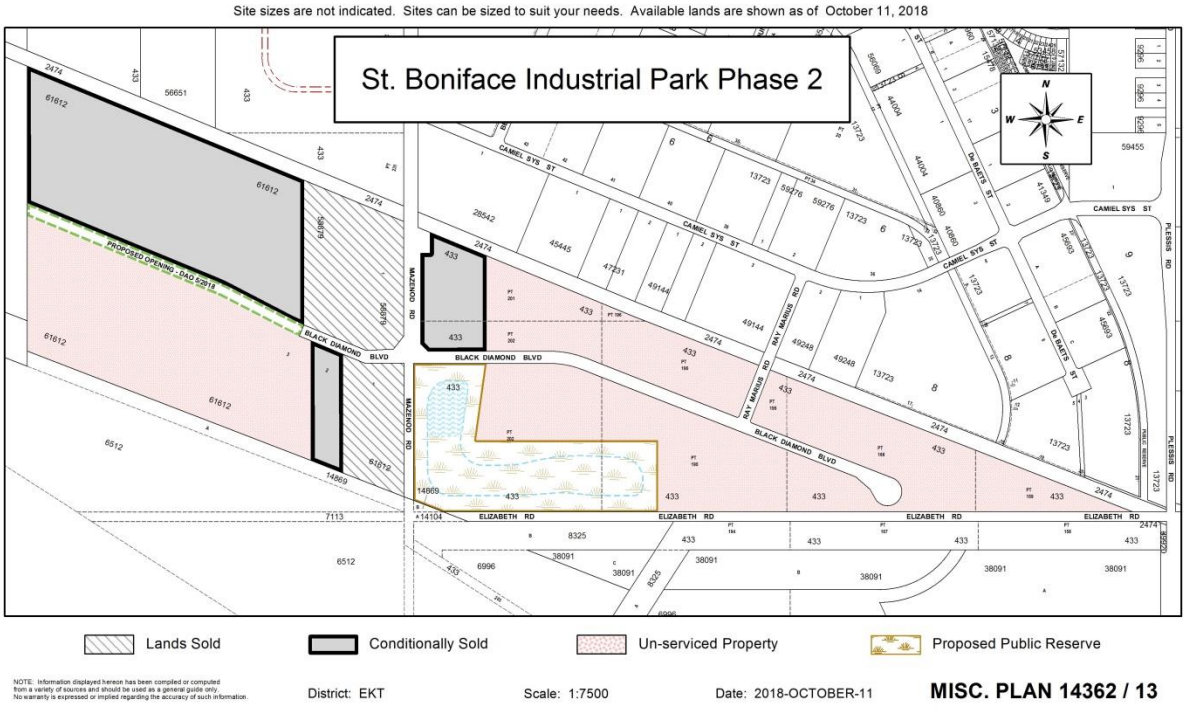
SUBMITTED BY

Department: Planning, Property and Development
Division: Real Estate and Land Development
Prepared by: Charles Osondu, Senior Negotiator
Date: December 14, 2018
File No: 32-6123-43- V4

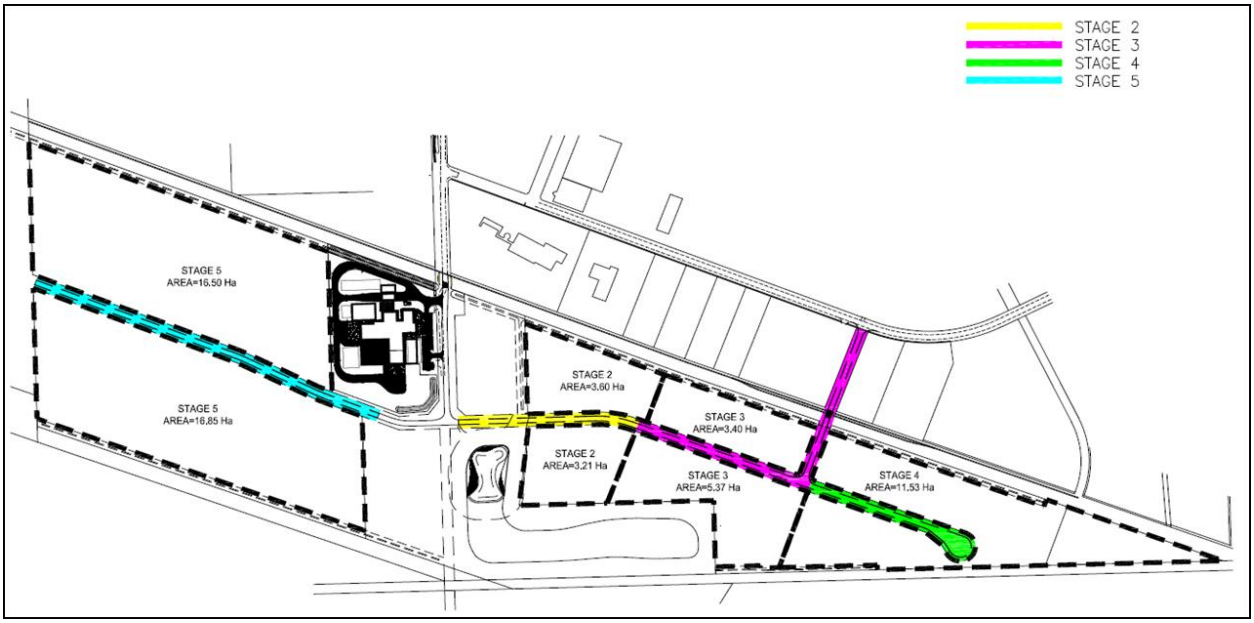
Attachments:

Schedule A – Misc. Plan No. 14362/13
Schedule B – Staging Concept
Schedule C – Misc. Plan No. 14942/20

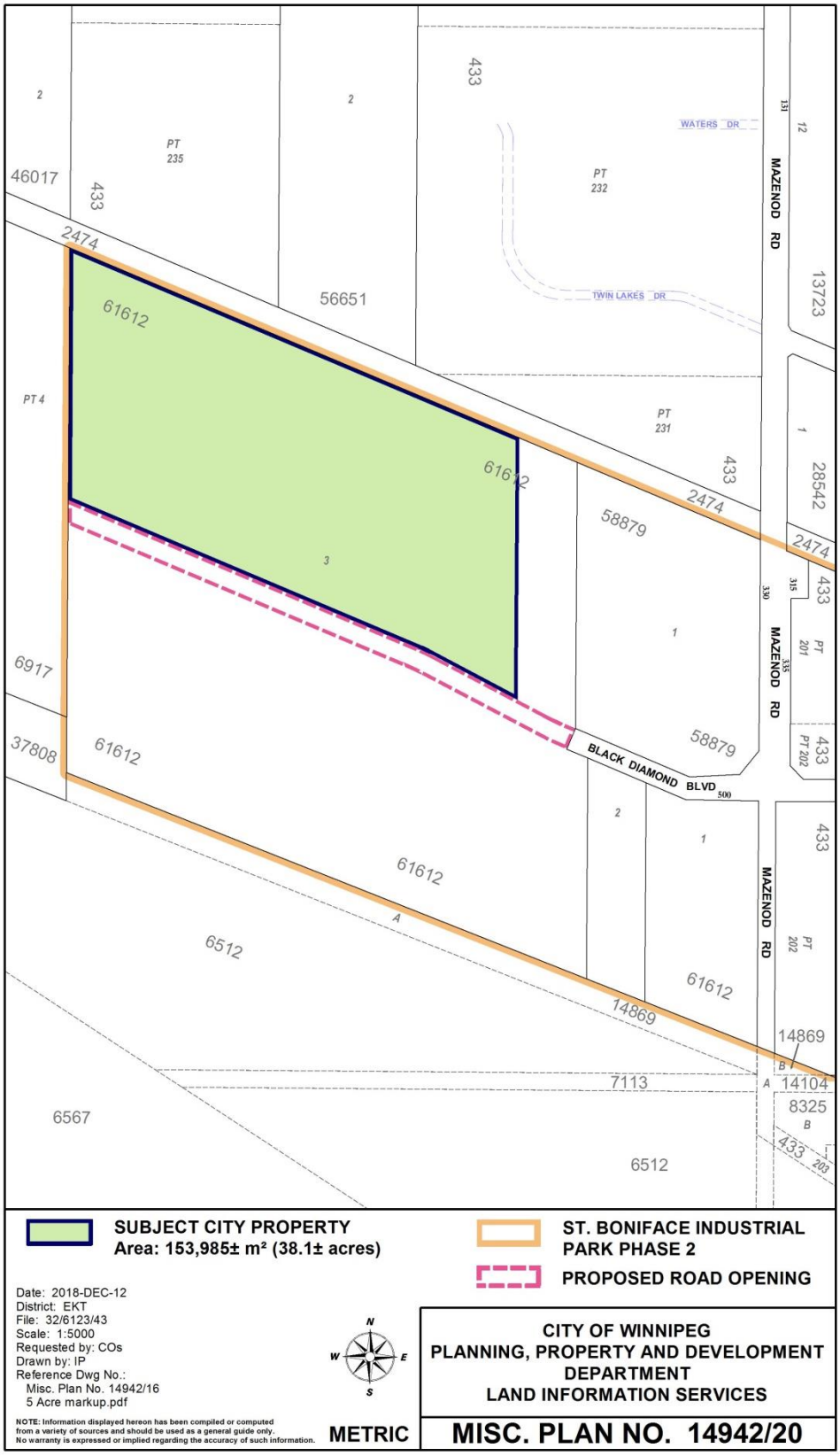
Schedule A



Schedule B – Staging Concept



Schedule C


SUBJECT CITY PROPERTY
Area: 153,985± m² (38.1± acres)
ST. BONIFACE INDUSTRIAL PARK PHASE 2
PROPOSED ROAD OPENING
Date: 2018-DEC-12
District: EKT
File: 32/6123/43
Scale: 1:5000
Requested by: COs
Drawn by: IP
Reference Dwg No.:
Misc. Plan No. 14942/16
5 Acre markup.pdf
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.
METRIC
CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPARTMENT
LAND INFORMATION SERVICES
MISC. PLAN NO. 14942/20
MAZENOD RD
BLACK DIAMOND BLVD
WATERS DR
TWIN LAKES DR
46017
56651
58879
61612
6917
37808
6512
6567
7113
14869
14104
8325
13723
28542