Minutes – Executive Policy Committee – February 18, 2025

REPORTS

Item No. 4 Application to the Federal Canada Housing Infrastructure Fund (CHIF) for the City of Winnipeg NEWPCC Upgrades: Biosolids Facilities and the Southwest Interceptor Projects

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the Public Service be directed to submit funding applications for the Southwest Interceptor to the Direct Delivery stream of the Canada Housing Infrastructure Fund, and the NEWPCC Upgrades: Biosolids Facilities to the Provincial and territorial agreement stream of the Canada Housing Infrastructure Fund.

2. That, for the purposes of Recommendation 1, authority be delegated to the Chief Financial Officer to approve applications for the NEWPCC Upgrades: Biosolids Facilities to the Provincial and territorial stream and the Southwest Interceptor projects to the Direct Delivery stream of the Canada Housing Infrastructure Fund.

3. That, subject to the approval of the Southwest Interceptor application under the Direct stream by the Canada Housing Infrastructure Fund, the City enter into, execute, and deliver a Contribution Agreement with the Canada Housing Infrastructure Fund, or its legal designate, and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing (the "Ancillary Agreements").

4. That, subject to the approval of the NEWPCC Upgrades: Biosolids Facilities application under the Provincial and territorial agreement stream by the Province of Manitoba, the City enter into, execute, and deliver a Contribution Agreement with the Province of Manitoba, or its legal designate, and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing (the "Ancillary Agreements").

5. That authority be delegated to the Chief Administrative Officer to negotiate and approve the Contribution Agreement between the City and the Canada Housing Infrastructure Fund, or its legal designate, in accordance with this report and such other terms and conditions determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

6. That authority be delegated to the Chief Administrative Officer to negotiate and approve the Contribution Agreement between the City and the Province of Manitoba, or its legal designate, in accordance with this report and such other terms and conditions determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing.

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

DECISION MAKING HISTORY:

Moved by Councillor Eadie,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

ADMINISTRATIVE REPORT

Title: Application to the Federal Canada Housing Infrastructure Fund (CHIF) for the City of Winnipeg NEWPCC Upgrades: Biosolids Facilities and the Southwest Interceptor Projects

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
D. Tooth	G. Patton	T. Graham	M. Pittet, acting for S. Armbruster

EXECUTIVE SUMMARY

The Canada Housing Infrastructure Fund (CHIF) is a funding program offered by the Government of Canada. The purpose is to accelerate new construction, rehabilitation and expansion of housing-enabling drinking water, wastewater, stormwater, and solid waste infrastructure, directly supporting the creation of new housing supply and improved densification.

The program will fund up to 40 percent of eligible expenditures and may be stacked with other funding programs provided that total funding does not exceed 100 percent of total eligible project costs. There are two streams available: Direct Delivery Stream ($1 billion) and the Provincial and territorial agreement stream ($5 billion).

Projects must meet a number of eligibility criteria at application including:

- The project will increase system capacity or efficiency to enable increased housing supply or to address a housing need.
- Municipalities may apply based on a commitment to implement zoning changes to allow four units as-of-right (4AOR) and may receive conditional approval however funding will not be received until fully implemented. The Public Service has requested confirmation from Canada that the terms of 4AOR under the Housing Accelerator Fund (HAF) program agreement will satisfy the requirement for the CHIF program. The Public Service will make its application to the CHIF program based on the existing Council approved measures regarding four units as-of-right that are contained in the HAF agreement.
- Municipalities with a population of 300,000 or more are subject to a three-year Development Charge freeze at the rates that were in place on or before April 2, 2024. Currently, the City has no development charges that would be subject to this requirement however should a future Council choose to implement one they would be in contravention to these funding agreements and could put the funding in jeopardy of being clawed back.

The City continues to work with the Province of Manitoba and the Government of Canada to successfully deliver the NEWPCC Upgrade: Biosolids Facilities (Biosolids Facilities) project. The City has been encouraged by both levels of government to make an application to the Provincial and territorial agreement stream for the increased $482.288 million in capital costs (a funding source has yet to be determined) for the Biosolids Facilities project. The Province of Manitoba has reinforced its commitment to this project in the 2024 Throne Speech and the Government of Canada announced $150 million in support of the North End Sewage Treatment Plant in its 2024 Fall Economic Update Statement through the CHIF program. The alternative funding plan for the increased $482.288 million project cost for the Biosolids Facilities project is through sewer rates.

The Public Service is recommending the Biosolids Facilities project, as a top priority, for funding consideration under the Provincial and territorial stream once it opens for applications. The Public Service is also recommending the Southwest Interceptor, as a second priority, be submitted for funding consideration under the Direct Delivery stream. Both projects meet the program criteria, and are approved / part of the multi-year budget. If successful in receiving funding, proposed sewer rate increases could be reduced.

RECOMMENDATIONS

1. That Council direct the Public Service to submit funding applications for the Southwest Interceptor to the Direct Delivery stream of the Canada Housing Infrastructure Fund, and the NEWPCC Upgrades: Biosolids Facilities to the Provincial and territorial agreement stream of the Canada Housing Infrastructure Fund.

2. That, for the purposes of Recommendation 1, authority be delegated to the Chief Financial Officer to approve applications for the NEWPCC Upgrades: Biosolids Facilities to the Provincial and territorial stream and the Southwest Interceptor projects to the Direct Delivery stream of the Canada Housing Infrastructure Fund.

3. That, subject to the approval of the Southwest Interceptor application under the Direct stream by the Canada Housing Infrastructure Fund, the City enter into, execute, and deliver a Contribution Agreement with the Canada Housing Infrastructure Fund, or its legal designate, and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the “Ancillary Agreements”).

4. That, subject to the approval of the NEWPCC Upgrades: Biosolids Facilities application under the Provincial and territorial agreement stream by the Province of Manitoba, the City enter into, execute, and deliver a Contribution Agreement with the Province of Manitoba, or its legal designate, and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the “Ancillary Agreements”).

5. That authority be delegated to the Chief Administrative Officer to negotiate and approve the Contribution Agreement between the City and the Canada Housing Infrastructure Fund, or its legal designate, in accordance with this report and such other terms and conditions determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing.

6. That authority be delegated to the Chief Administrative Officer to negotiate and approve the Contribution Agreement between the City and the Province of Manitoba, or its legal designate, in accordance with this report and such other terms and conditions determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing.

7. 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 in order to apply for funding under grants or contribution programs, and to enter into contribution agreements with other levels of government.

IMPLICATIONS OF THE RECOMMENDATIONS

Upon approval of this report, the Public Service will proceed with applications for funding consideration under the Direct delivery and the Provincial and territorial streams of the Canada Housing Infrastructure Fund and, if applications are approved, will negotiate contribution agreements with the Canada Housing Infrastructure Fund and with the Province of Manitoba in order to access that funding.

Committing to the three-year development charge freeze extends beyond the current Council's term. The City currently has no development charges that would be subject to this requirement. However, should a future Council choose to implement one, they would be in contravention to these funding agreements and could put the funding in jeopardy of being clawed back.

HISTORY/DISCUSSION

The Canada Housing Infrastructure Fund (CHIF) is a funding program offered by the Government of Canada. The purpose is to accelerate new construction, rehabilitation, and expansion of housing-enabling drinking water, wastewater, stormwater, and solid waste infrastructure, directly supporting the creation of new housing supply and improved densification.

CHIF is delivered through two funding streams:

1. Direct delivery stream: $1 billion over eight years to be delivered by Housing, Infrastructure and Communities Canada (HICC). Funding is available directly to municipalities and other eligible recipients.
2. Provincial and territorial agreement stream: $5 billion over 10 years to be delivered by the provinces and territories. Amounts available are allocated based on population.

The Direct delivery stream opened for applications on November 8, 2024, and closes March 31, 2025.

The Provincial and territorial agreement stream has not yet opened. Under that stream, Provinces had until January 31, 2025, to secure an agreement to deliver the program. The allocation to Manitoba is $209.8 million over the next ten years and requires the Province to

contribute 33 percent of total eligible costs. The Public Service is waiting for more information on that stream.

Eligible projects are tied to enabling increased housing supply and must support increased capacity of municipal infrastructure related to drinking water, waste water, storm water, or solid waste management.

Projects must meet a number of eligibility criteria at application including:

- The project is for planning, new construction, rehabilitation or expansion of drinking water, wastewater, stormwater or solid waste infrastructure that is primarily for public use or benefit;
- The project will increase system capacity or efficiency to enable increased housing supply or to address a housing need.
- The total eligible cost for the project is at least $1 million. Projects above $100M in total eligible costs will be considered on a case-by-case basis and must consult with the Canada Infrastructure Bank (Direct stream only).
- The project will be substantially completed no later than September 30, 2031.
- Municipalities with populations of 30,000 and above are required to have adopted zoning for four units as-of-right (4AOR), or be in the process of implementing zoning changes to allow 4AOR. Municipalities may apply based on a commitment to implement zoning changes to allow 4AOR and may receive conditional approval. Funding will not be received until fully implemented; The Public Service has requested confirmation from Canada that the terms of 4AOR under the Housing Accelerator Fund (HAF) program agreement will satisfy the requirement for the CHIF program. The Public Service will make its application to the CHIF program based on the existing Council approved measures regarding four units as-of-right that are contained in the HAF agreement.
- Municipalities with a population of 300,000 or more are subject to a three-year Development Charge freeze at the rates that were in place on or before April 2, 2024. Currently the City has no development charges that would be subject to this requirement however should a future Council choose to implement one they would be in contravention to these funding agreements and could put the funding in jeopardy of being clawed back.

The program will fund up to 40 percent of eligible expenditures and may be stacked with other funding programs provided that total funding does not exceed 100 percent of total eligible project costs.

<u>Zoning for four units as-of-right (4AOR)</u>

At time of application, the City needs to commit to adopting zoning to allow 4AOR per lot in all low-density residential areas and may receive conditional approval to proceed; funding will not flow until the zoning changes are fully implemented. The Public Service will make its application to the CHIF program based on the existing Council approved measures regarding four units as-of-right that are contained in the HAF agreement.

After reviewing the program guide, the Public Service is recommending two projects to be submitted for funding approval as they are either approved or forecasted in the multi-year budget.

NEWPCC Upgrades: Biosolids Facilities

The Biosolids Facilities project will address end-of-life equipment, population growth and regulatory requirements regarding the recovery of nutrients and maximizing biosolids reuse. It will focus on new sludge processing facilities at the NEWPCC that treats waste solids from North End Sewage Treatment Plant (NEWPCC), South End Sewage Treatment Plant (SEWPCC), and West End Sewage Treatment Plant (WEWPCC). The current biosolids facility is estimated to run out of capacity in four to six years. This will limit growth and development in Winnipeg.

On September 29, 2023, Council approved a budget increase of $482.288 million for a revised budget of $1.035 billion. Although funding sources have yet to be confirmed, it's anticipated the increase would be funded from the environmental projects reserve, retained earnings, and debt with the understanding the City would continue to collaborate with the Province and Federal governments to cost share. The project meets the program criteria and presents an opportunity to cost share in the increased cost and reduce the required City funding.

The City continues to work with the Province of Manitoba and the Government of Canada to successfully deliver this project. The City has been encouraged by both levels of government to make an application to the Provincial and territorial agreement stream for the increased capital costs for the Biosolids Facilities project. The Province of Manitoba has reinforced its commitment to this project in the 2024 Throne Speech and the Government of Canada announced $150 million in support of the Biosolids Facilities project in its 2024 Fall Economic Update through the CHIF program. The alternative funding plan for the increased $482.288 million project cost for the Biosolids Facilities project is through sewer rates.

Total estimated cost is $1.035 billion. Estimated eligible expenses for cost sharing are as follows:

Revised eligible expenditures	$962,494,680
Federal share (40%)	$384,997,872
Federal ICIP Funding	(200,872,800)
Potential CHIF Funding	$184,125,072
Announced CHIF commitment	(150,000,000)
Gap in Federal Funding (to be covered by City)	$ 34,125,072
Provincial share (33%)	$317,623,244
Provincial ICIP Funding	(167,377,261)
Potential CHIF Funding	$150,245,983

If successful, this additional funding could lower the City portion of the increased project cost from $482.288 million to $182.042 million, and proposed sewer rate increases could be reduced.

Southwest Interceptor

Currently all sewage from the land in Winnipeg south of Abinojii Mikanah and west of the Red River, plus the communities of Lindenwoods and Whyte Ridge, flows to the SEWPCC. This flow crosses the Red River between the Fort Garry Bridges where the D'Arcy lift station pumps

the sewage so it can flow by gravity under the river. The existing crossing also lacks enough capacity to allow full build out of south-west Winnipeg.

The project provides an additional crossing of the Red River to maintain essential level of service and the additional sewer capacity required to enable growth in south-west Winnipeg. The project also meets the program criteria and presents an opportunity to cost share the project, currently funded by retained earnings.

Total estimated cost is $83.248 million. Estimated eligible expenses for cost sharing are as follows:

Eligible Expenditures -	$77,945,000
Federal Share under CHIF (40%)	31,178,000

If successful under the Direct stream, this will lower the required City funding to $52.07 million and proposed sewer rate increases could be reduced.

FINANCIAL IMPACT

Financial Impact Statement **Date:** February 6, 2025

Project Name:

Application to the Federal Canada Housing Infrastructure Fund (CHIF) for the City of Winnipeg NEWPCC Upgrades: Biosolids Facilities and the Southwest Interceptor Projects

COMMENTS:

There are no financial implications pertaining to the recommendations of this report.

Potential CHIF funding applications for the NEWPCC Upgrade: Biosolids Facility and the Southwest Interceptor projects are outlined in this report.

Angela Wiebe, CPA, CGA
Angela Wiebe, CPA, CGA
A/Manager Finance and Administration
Water and Waste Department

CONSULTATION

This Report has been prepared in consultation with:

- Water and Waste
- Chief Administrative Office
- Corporate Finance
- Planning, Property and Development
- Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

Goal: Environmental Resilience
Objective 5: Protect and value ecosystems as essential components of life.
Policy 2.17: Regional Water Resource Management – Engage in comprehensive watershed planning and partnerships that protect Indigenous rights, waterways, biodiversity, water quality, people and property, by addressing the long-term capacity of water-related systems and resources, including: rivers, riverbanks, potable water, flood protection, and storm and wastewater management.

Goal: Good Health and Well-Being
Objective 2: Support positive health outcomes through the built and natural environments
Policy 4.4: Affordable and supportive housing options – Enable collaborative partnerships that provide a continuum of existing or new affordable housing, making use of municipal supports such as fiscal, regulatory and measurement tools to ensure those most in need have increased access throughout the resident and building life-cycle.

Goal: Social Equity
Objective 1: Uphold human rights so no one is left behind.
Policy 5.2: Affordable and supportive housing options – Conserve and increase development of a continuum of affordable and supportive housing throughout the city as a fundamental human right.

Goal: City Building
Objective 2: Integrate resilient land use, transportation and infrastructure planning, and investments.
Policy 6.2: Complete communities' characteristics – the characteristics of complete communities must be identified and defined in Complete Communities, and will include, at minimum, equitable access to: safety and security, affordable housing for all incomes, local employment opportunities, health-supportive amenities, access to nature, social interaction opportunities, sustainable transportation options, and digital communication technology infrastructure to align with this Plan's goals.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Strategic Opportunity #1 Corporate Leadership:
Key Direction 1.9 Work with Indigenous Communities, the Province, and the Federal Government to Advance Climate Action

Strategic Opportunity #6 Waste Reduction and Diversion
Key Direction 6.4 Support Integrated Resource Recovery Opportunities

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Goal 1: Equity and a Culture of Caring are Demonstrated through Strategy Implementation and Systems Change
Objective D: The City advocates for and pursues partnerships to implement the strategy

Goal 2: The City Actively Plans for and Partners in Affordable Housing
Objective C: Municipal tools, resources and partnerships are developed and used to encourage and facilitate affordable housing development.

SUBMITTED BY

Department: Assets and Project Management
Division: Major Capital Projects Oversight
Prepared by: D. Tooth, Acting Manager, Major Capital Projects Oversight
Date: February 7, 2025
File No: N/A