

**REPORTS**

**Item No. 8                      Servicing for St. Boniface Industrial Park Phase 2 – Financial Status  
Report No. 4 for the Period Ending July 31st, 2016**

**STANDING COMMITTEE DECISION:**

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service, and received as information the financial status of the servicing for the St. Boniface Industrial Park Phase 2 and in particular for Parmalat Canada Inc. (Parmalat).

**Minutes - Standing Policy Committee on Finance - October 13, 2016**

DECISION MAKING HISTORY:

Moved by Councillor Lukes,

That the recommendation of the Winnipeg Public Service be concurred .

Carried

# ADMINISTRATIVE REPORT

**Title: Servicing for St. Boniface Industrial Park Phase 2 – Financial Status Report No. 4 for the Period Ending July 31st, 2016**

**Critical Path: Standing Policy Committee on Finance**

## AUTHORIZATION

Author	Department Head	CFO	CAO
J. Zabudney M. McGinn	J. Kiernan	P. Olafson A/CFO	M. Jack A/CAO

## EXECUTIVE SUMMARY

This report identifies the financial status and significant events for the period May 1st, 2016 to July 31<sup>st</sup>, 2016.

Servicing costs for this project are being funded by the Land Operating Reserve (209-163040-638089).

Engineering design work for municipal services and roadways required to service Parmalat's site was completed in January 2016. Contract administration services during construction commenced at the end of April, 2016. Costs for engineering services for the original project assignment continue to be within budget.

Agreements for the land purchase with Parmalat have been finalized and were fully executed on February 2nd, 2016. The Funding and Servicing Agreement stipulated that Parmalat provide a financial contribution to the Project in the amount of \$1,500,000.00 which was received on March 1, 2016. The agreement also provides that Parmalat shall pay to the City the amount of \$520,000.00, representing Parmalat's share of wastewater lift station oversizing costs within thirty (30) days of the City providing notice to Parmalat that the Lift Station has reached substantial performance.

Two bid opportunities were advertised with the first closing on January 29th, 2016 and the second on February 5th, 2016. The bids submitted by the lowest responsive bidder for both bid opportunities were less than the pre-tender estimates and within budget.

An agreement with the Province of Manitoba respecting their contribution was concluded on April 7<sup>th</sup>, 2016. Contract awards for the two bid opportunities for service installation were made following the execution of the Provincial agreement. As the contract awards were delayed, the construction schedule was aggressive, however good progress has been made and the servicing work, except for the lift station construction, is nearing completion. Although necessary to extend certain contract completion dates, this has not created any difficulty related to Parmalat's servicing requirements.

Project costs are well within the approved budget of \$8.6 million.

An agreement with Centra Gas for the installation of a gas line into the St. Boniface Industrial Park Phase 2, and as required by Parmalat, was completed on May 10<sup>th</sup>, 2016. Payment to Centra Gas in the amount of \$303,440.00 for the City's share of the natural gas line installation was made on May 17<sup>th</sup>, 2016. Centra Gas completed the gas line installation up to the Parmalat site on July 28<sup>th</sup>, 2016.

An agreement with Manitoba Hydro for installation of street lighting along Mazenod Road in front of the Parmalat lot has been executed.

The purchase of an additional lot south of the Parmalat site has been delayed causing a delay for services installation required for that lot to later this fall, or in a worst case, to spring, 2017. Pavement construction to that lot will need to be delayed to 2017.

## **RECOMMENDATIONS**

That the financial status of the servicing for the St. Boniface Industrial Park Phase 2 and in particular for Parmalat Canada Inc. (Parmalat) be received as information.

## **REASON FOR THE REPORT**

On July 15<sup>th</sup>, 2015 Council adopted a report regarding the land sale to Parmalat that specified "That the Winnipeg Public Service submit quarterly status reports with respect to this matter to the Standing Policy Committee on Finance".

## **IMPLICATIONS OF THE RECOMMENDATIONS**

None – report is to be received as information.

## **HISTORY / DISCUSSION**

Parmalat Canada Inc. is developing a new processing facility and required a suitable new location in Winnipeg to replace the current aging facility in St. Boniface. A site on an undeveloped City owned parcel on Mazenod Road was selected south of the existing St. Boniface Industrial Park.

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 with a net cost of \$5.61 million to be funded as follows:
  - A. cash contribution by Parmalat Canada Inc. in the amount of \$1,500,000.00, to be paid to the City concurrently with the payment of the purchase price for the Site;

- B. contribution by the Province of Manitoba in the amount of \$2,000,000.00 plus interest at the RBC prime rate, to be front-ended by the City and reimbursed by the Province of Manitoba over an estimated 18 year period through the Province's annual Community Revitalization Levy with respect to the Site; and
  - C. \$2,110,000.00 contribution from the City, to 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. 14362/6; and (ii) municipal property taxes and business taxes with respect to the Site;
  - D. the Land Operating Reserve will receive an inter-company transfer of \$4,110,000.00 from the General Capital Fund to facilitate the foregoing.
4. That the Chief Administrative Officer be delegated the authority:
- A. to negotiate and approve the sale of the Site in favour of Parmalat Canada Inc. (or its Nominee), for the purchase price of \$2,625,000.00, in accordance with the City's standard terms and conditions of Offer to Purchase and upon such additional terms and conditions that the Director of the Planning, Property and Development Department and the Director of Legal Services and City Solicitor consider necessary to protect the interests of the City.
  - B. to proceed with the installation of the necessary services as described herein in order to facilitate the sale of the Site to Parmalat Canada Inc., subject to fully executed funding agreements between:
    - i. the City and Parmalat Canada Inc., setting out the terms and conditions of Parmalat Canada Inc.'s contribution to wastewater oversizing costs in the amount of \$520,000.00 and site servicing costs in the amount of \$1,500,000.00; and
    - ii. the City and the Province of Manitoba, setting out the terms and conditions of the Province's agreement to reimburse the City for site servicing costs in the amount of \$2,000,000.00 plus interest at the RBC prime rate.
  - C. to negotiate and approve the terms and conditions of the agreements referenced in clause b. hereof, in accordance with the terms and conditions set forth herein and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.
  - D. to negotiate on a single source basis, approve the terms and conditions and award an engineering consultant contract to Stantec Engineering Ltd., for the conceptual, preliminary and detailed design and Contract Administration of the roadways, water mains, wastewater collection, and land drainage servicing requirements in the proposed development (St. Boniface Industrial Park Phase 2 Development) in an amount not to exceed \$850,000.00.
  - E. to negotiate on a single source basis, and approve the terms and conditions of contract and award a contract to Manitoba Hydro in an amount not to exceed

\$150,000, plus P.S.T and G.S.T. as applicable for the installation of electricity and natural gas utility servicing requirements to facilitate the sale of the subject site.

- F. to negotiate, on a single source basis, and approve the terms and conditions and award a contract to Man-shield Construction Inc. (Man-shield) if required for the partial excavation of the storm water retention basin in an amount not to exceed \$240,000, plus P.S.T. and G.S.T. as applicable.
- 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 August 7<sup>th</sup>, 2015, an award of contract to Stantec Consulting Ltd. was made for the conceptual, preliminary and detailed design, and contract administration of the roadways, water mains, wastewater collection, and land drainage servicing requirements in the St. Boniface Industrial Park Phase 2 Development.

On September 30<sup>th</sup>, 2015, Council adopted Item No. 9 of the Report of the Executive Policy Committee dated September 23, 2015 that Item No. 1 of the Report of the Standing Policy Committee on Property and Development dated July 14, 2015, as adopted by Council on July 15, 2015 be amended as follows:

- “1. That Recommendation 2.A. be amended to delete the words “concurrently with the payment of the purchase price for the Site” and replace them with “on or prior to March 1, 2016”, so that Recommendation 2.A. reads as follows:
  - ‘A. cash contribution by Parmalat Canada Inc. in the amount of \$1,500,000.00, to be paid to the City on or prior to March 1, 2016.’”

On October 8<sup>th</sup>, 2015, an award of contract was made to Man-shield Construction Inc. for Partial Excavation of the Stormwater Retention Basin in the St. Boniface Industrial Park Phase 2 Development – Bid Opportunity No. 800-2015B in the amount of \$166,600.00, GST extra as applicable.

On November 5<sup>th</sup>, 2015, the Province confirmed their approval in principle to provide funding to this project further to 4. B. ii above.

On January 27<sup>th</sup>, 2016 Council adopted Item 15. of the Standing Policy Committee on Property and Development, Heritage and Downtown Development which included the following:

- “1. That Item No. 1 of the Report of the Standing Policy Committee on Property and Development dated July 14, 2015, as adopted by Council on July 15, 2015 and amended by Council on September 30, 2015, be amended as follows:
  - A. Recommendation 2.C. be amended by deleting the amount of “\$2,110,000.00” in the first line and replacing it with the amount of “\$2,510,000.00”.
  - B. Recommendation 2.D. be amended by deleting the amount of “\$4,110,000.00” in the first line and replacing it with the amount of “\$4,510,000.00”.

- C. Recommendation 4.B. be amended to add subparagraph iv. as follows:
- iv. notwithstanding the foregoing, the Chief Administrative Officer shall be authorized to proceed with the negotiation, on a single source basis, and award and approval of contract with Manitoba Hydro as contemplated by Recommendation 4.E. hereof in advance of fully-executed funding agreements between the City and Parmalat and the Province of Manitoba respectively.”; and
- D. Recommendation 4.E. be amended by deleting the amount of “\$150,000” in the third line and replacing it with the amount of “\$550,000”.
2. That the use of any or all of the additional funds in the amount of \$200,000, that are included herein as an allowance for a future contract payment to Manitoba Hydro, be subject to the approval of the Standing Policy Committee on Property and Development, Heritage and Downtown Development.”

On February 2nd, 2016, the agreements with Parmalat Canada Inc., consisting of an Offer To Purchase and a Funding & Servicing Agreement were fully executed.

On April 7th, 2016, the agreement between the Province of Manitoba and the City of Winnipeg was fully executed.

On April 11<sup>th</sup>, 2016 a contract was awarded to Rocky Road Recycling Limited for Bid Opportunity No. 983-2015, for the construction of the wastewater lift station in St. Boniface Industrial Phase 2.

On April 14<sup>th</sup>, 2016 a contract was awarded to Cambrian Excavators Ltd. for Bid Opportunity No. 1134-2015 for the St. Boniface Industrial Park Phase 2 – Stage 1 Servicing that included all underground piping, stormwater retention basin, and pavements.

On April 27th, 2016, Council concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and approved Development Application for DAO 10/2015: Proposed Opening of Mazonod, Ray Marius and Public Roads 1 and 2, south of the Greater Winnipeg Water District Plan 2474 WLTO.

## **1. MAJOR CAPITAL PROJECT ADVISORY COMMITTEE**

Administrative policy for projects with capital cost exceeding \$20 million requires the formation of a Major Capital Project Advisory Committee. Although the value of this project is now estimated at \$8.6 million and funded from the Land Operating Reserve, not the capital budget, an Advisory Committee had been considered. An Advisory Committee was determined to be unwarranted due to the lower dollar value. In addition, there is ad-hoc, but regular, involvement of senior management at the Planning, Property and Development Department, being the Director, and the Manager of Real Estate; and also from the Chief Administrative Officer, the Chief Financial Officer, and the City Solicitor/Legal Services. As the servicing project will be substantially complete by November, 2016, an Advisory Committee will not be considered further.

## **2. DESCRIPTION OF PROJECT**

The City sold to Parmalat approximately 6 hectares (15 acres) of surplus land in the area west of Mazenod Road and south of the existing Greater Winnipeg Water District rail line. The land purchased is within the area now known as St. Boniface Industrial Park Phase 2 and needed to be fully serviced in accordance with City standards and Parmalat's specifications. The City, in this instance, took on the role of the land developer and arranged for installation of services required for the land.

The services installed consist of watermains, wastewater sewers, land drainage sewers and surface drainage ditches, a partial stormwater retention basin, a wastewater lift station, and roadway pavements. The City also arranged for the installation of electrical and natural gas services with Manitoba Hydro/Centra Gas and communications cables with Manitoba Telephone and Shaw Cable Systems.

Services installed to accommodate the Parmalat site are capable of being integrated and extended into the servicing of the balance of the lands within St. Boniface Industrial Park Phase 2. A conceptual layout for roadways within Phase 2 has been partially developed and received Council approval (DAO 10/2015). Certain of the works being a watermain required for supply reliability and fire protection follow that approved roadway layout.

Since the initial arrangement to sell a lot to Parmalat, a second purchaser has come forward to purchase both an 8.52 acre parcel in 2016 plus an additional 4.29 acres at a future date south of Parmalat. This sale will require extension of services and pavements past the point originally contemplated for Parmalat. The roadway layout approved by DAO 10/2015 also accommodates services installation required for the sale of the second 8 acre lot and a third 4 acre lot.

### **3. RISKS AND RISK MITIGATION STRATEGIES**

The agreement with the Province that identified repayment of \$2.0 million being front ended by the City was concluded on April 7<sup>th</sup>, 2017, and allowed the award of two construction contracts.

Although the schedule was aggressive and the contract awards were delayed, the servicing has generally been completed within established revised timelines. This has been achieved notwithstanding wet weather conditions experienced this spring and summer. Through cooperation and coordination of the services installation by the City's consultants and contractors; by Centra Gas, and with Parmalat's contractors, work has progressed well without undue interference in each other's activities or traffic flow.

Bid Opportunity No. 983-2015 for the lift station indicated that an award of contract was projected to occur by March 4<sup>th</sup>, 2016 (or about 5 weeks after the bid period closed). Actual award did not occur until April 11<sup>th</sup> (or delayed by 38 days). The substantial completion date for the lift station contract was therefore extended by 38 days to October 24<sup>th</sup>, 2016. This substantial completion date is later than the October 12<sup>th</sup>, 2016 date prescribed by Parmalat's schedule. However in anticipation of possible delays with lift station construction, facilities that would permit temporary by-pass pumping had been included in servicing work and are ready for use. This approach has been discussed with Parmalat and will be sufficient for their needs on an interim basis, and before their plant starts full production in January, 2017. In addition major components of the lift station were delivered and installed



on July 27<sup>th</sup> and 28<sup>th</sup>, 2016. These were long delivery components that had been delayed due to delay in contract award. However their timely arrival on site will facilitate the contractor achieving the adjusted schedule.

Bid Opportunity No. 1134-2015 for underground services, roadways and retention basin, indicated that the contract award was anticipated by April 1<sup>st</sup>, 2016. Actual award date was April 14<sup>th</sup>, 2016 (or 14 days late). Certain critical stage dates included in the contract were therefore extended by 14 days. Critical stage date deadlines included in the contract documents were actually earlier than required by Parmalat, and although the delay was about 2 weeks, the estimated completion dates still conformed to Parmalat's schedule needs. Watermains, wastewater sewer, and land drainage systems were completed by the end of July as required by the agreement with Parmalat.

There will still be some construction activity taking place until November along Mazenod Road and at the Parmalat site. This construction involves the City's contractors to complete pavement work, Parmalat's contractors, and Manitoba Hydro for street lighting, and MTS. There is a need for regular coordination and communication to ensure that respective organizations' schedules and activities are not adversely impacted, and that site safety is maintained. This activity has been occurring and will continue to completion. The construction coordination risk has diminished as all underground piping is completed. Roadway work has progressed and coordinated with other contractors to ensure minimal traffic disruption.

As indicated in Status Report No. 2, the capital cost risks for this project have reduced. Bids that have been submitted for firstly, the lift station; and secondly, the services and roadway to the Parmalat property, are lower than budget estimates. Although there remains a risk to contract costs from extra or unforeseen work that could arise during construction, extra work to date has been minor and well within budget funds available.

The gas line installation by Centra Gas (a subsidiary of Manitoba Hydro) required for the Parmalat site development has been completed and therefore the schedule and construction risks have been removed.

There had been complications with gas line installation design approvals within the Camel Sys St. right-of-way as the right-of-way contains many other underground services and is extremely congested. A workable alignment was finally determined, however it required locating the gas line under the Camel Sys pavement rather than within the boulevard. There is a risk for increased project costs due to additional pavement restoration that will be required. Costs between Centra Gas and the City for the gas line installation will be reconciled in 2018 per the agreement between both parties. An additional \$200,000 was included in the budget for gas line installation to account for future payments to Centra Gas if necessary.

There will be a delay in installing servicing and pavements to accommodate the additional lot purchase south of the Parmalat site. There is risk for increased cost for this work with delay in construction to later 2016 and/or spring 2017. Costs for this work are being solicited from the City's contractor, Cambrian Excavators, as a Change in Work under B.O. No. 1134-2015 in hopes that most or all of the underground piping will be done in 2016. This will be more cost effective than waiting until 2017 for the underground piping installation work. Pavement work will most likely be unable to be completed before winter and therefore

will need to be done in spring, 2017. Over-expenditure approval for the Change in Work to B.O. No. 1134-2015 will be required.

#### **4. PROJECT STATUS/ CHANGES FROM LAST REPORT**

- a. **Agreements with Parmalat:** No change since last report. The two agreements between the City and Parmalat in connection with the sale and servicing of the land were finalized on February 2nd, 2016. Payment for the land purchase has been received from Parmalat and title for the land has been transferred. In addition, the supplementary payment of \$1,500,000 was received on March 1st, 2016. By agreement, the \$520,000 to be paid as Parmalat's share of the wastewater lift station oversizing will be paid upon notification that the lift station is substantially complete. Substantial completion is anticipated in October 2016.
- b. **Design and Contract Administration:** The City's consultant for the servicing work is Stantec Consulting Ltd. (Stantec). The engineering work for Stantec's assignment includes conceptual and preliminary engineering for the entire 200+ acre site now known as the St. Boniface Industrial Park Phase 2; and the detailed design and contract administration for the installation of all underground municipal services, including wastewater lift station and stormwater retention basin, and pavements within the Mazenod Road right-of-way to service the proposed Parmalat development on the west side of Mazenod Road. Contract administration services during construction commenced with award of two contracts on April 11<sup>th</sup>, and 14<sup>th</sup>, 2016. Costs to date for engineering services are within authorized funds.

As described in 4.h. below, an additional lot purchaser has come forward that will require service and pavement extension beyond the point that was required for Parmalat. Additional engineering for design and contract administration of that service and pavement extension is required. An over-expenditure for Stantec's assignment to undertake this additional work was approved by the Chief Financial Officer. Stantec was authorized to proceed with design of service and pavement extensions required to accommodate the additional lot sale. This work has been completed and approvals required to allow construction have been obtained. Work is on-hold pending finalization of sales transaction.

- c. **Building Permits:** No change since last report. On February 3<sup>rd</sup>, 2016, the final building permit was issued to Man-Shield Construction, agent for Parmalat, for construction of the Parmalat milk processing plant and land title was transferred to Parmalat.
- d. **Partial Retention Basin Excavation:** The contract with Man-Shield for this item is complete. An award in the amount of \$166,600 to Man-Shield was made. The final amount paid to Man-Shield under this contract was \$92,496. Man-Shield excavated less material than originally estimated largely due to weather conditions in fall, 2015. Additional fill material from retention basin and ditch excavation was provided onto the Parmalat lot in 2016 by the City's contractor.
- e. **Services Agreement with Manitoba Hydro (Centra Gas):** On January 27th, 2016, Council authorized additional budget of \$400,000 to cover cost increase and to seek increased delegated authority for the CAO to enter into an agreement with Manitoba Hydro/Centra Gas for installation of a natural gas supply line.

The agreement with Centra Gas (a subsidiary of Manitoba Hydro) was executed on May 10<sup>th</sup>, 2016 for installation of a gas pipeline extension to accommodate Parmalat and the balance of the St. Boniface Industrial Park Phase 2 lands. The City's share of the approximate \$800,000 project is \$303,440.00 plus GST. Payment was made to Centra Gas on May 17<sup>th</sup>, 2016. Installation of the gas line was complete on July 28<sup>th</sup>, 2016, which conformed to Parmalat's requirements.

The agreement with Centra Gas provides for a potential additional cost contribution from the City when Centra Gas completes cost reconciliation after one full year of Parmalat operation but no later than June 30<sup>th</sup>, 2018. The reconciliation takes actual construction costs compared to pre-construction cost estimates into consideration. A provision of \$200,000.00 for this additional cost contribution was made in the budget derivation for this item resulting in a potential total natural gas servicing cost at \$503,440.00.

The City's obligation to pay future unknown sums/contributions under the agreement is unconditional.

In addition to the gas service, the City, acting as developer, will be required to pay for street lighting along Mazenod Road. This lighting will be installed along the frontage of Parmalat's lot with Mazenod Road. The cost for the street lighting will be \$58,054.00 plus GST. An agreement with Manitoba Hydro has been executed and street lighting is tentatively scheduled for installation in October, 2016.

During the installation of two drainage culverts through Mazenod Road that are integral to the land drainage system for St. Boniface Industrial Park Phase 2, it was discovered that two hydro underground primary lines were in conflict with the elevation of the culverts on the west side of Mazenod Road. Manitoba Hydro needs to relocate and lower the underground primary lines such that an adequate separation is provided between the primary lines and the culverts, and between other underground infrastructure recently installed by the City's contractors in the same vicinity. A contract with Manitoba Hydro for the relocation and deepening of two existing 25kV underground primary lines is required and currently under preparation. Estimated cost to the City for relocation of the two lines is between \$60,000 and \$70,000.

Natural gas line extension and street lighting will also be required along a future east-west road (Black Diamond Blvd.) west of Mazenod Road for the additional lot being purchased as described by Item 4. h. below. Manitoba Hydro and Centra Gas had provided estimated costs for street lighting and gas line installation respectively, however assuming that construction would be undertaken in 2016. Installation of both lighting and gas line will now be deferred to 2017 due to delays in concluding the lot sales transaction. Therefore the pricing for these services will need to be confirmed for 2017 installation.

Additional agreements for installation of both street lighting and gas line services for the additional lot will need to be prepared however they are on-hold pending conclusion of the sales agreement. No agreements will be executed or payments made until the purchase transaction for the additional lot has been confirmed.

- f. **Reimbursement for work under previous Joint Venture:** On January 30, 2013, council adopted the Report of the Standing Committee on Property and Development

dated January 15, 2013, respecting the City entering into negotiations with Terracon Development Ltd. for a possible Joint Venture Agreement concerning the development of City-owned lands as shown on Misc. Plan 14362 (the proposed "Prairie Industrial Park"). Thereafter, Terracon Developments Ltd. undertook certain work in pursuit of the proposed Joint Venture. Negotiations between the City and Terracon Developments Ltd. ultimately stalemated and no Joint Venture Agreement was entered into between the City and Terracon Developments Ltd. On July 15, 2015, Council rescinded its previous decision of January 30, 2013.

Terracon Developments Ltd. has advanced a Statement of Claim for work it undertook in pursuit of the proposed Joint Venture. The value of the work items and the merits of Terracon Development Ltd.'s claim for recovery of same are undergoing review by Legal Services. The City's legal position is subject to litigation privilege such that its disclosure cannot be made, as to do so otherwise would jeopardize the City's legal position.

- g. **Project Contribution Agreement with Manitoba:** An agreement with Manitoba specifying the Provincial contribution to this project was finalized on April 7th, 2016. The City is front-ending the Provincial contribution of \$2.0 million, which will be repaid to the City by way of the Province's annual Community Revitalization Levy generated from the sale of the 15 acre site to Parmalat.
- h. **Additional Lot Sales:** An additional prospective purchaser has come forward to acquire both an 8.52 acre lot plus a 4.29 acre lot south of the lot purchased by Parmalat that will require the extension of services and pavements beyond the limits originally established to facilitate just the Parmalat lot sale. The sale for the 8.52 acre lot is expected to conclude in September 2016, while the closing date for the purchase of the 4.29 acre lot will not occur until 2019. The sale amount for the 8 acre lot is \$1,400,000.00. The final purchase price for the 4.29 acre parcel will be based on the greater sum of: 1) prevailing market rates as approved by Council, or its delegate authority, at time of closing but not less than \$175,000.00 per acre; or 2) the actual cost of servicing plus \$1.00.

Services and pavements are planned for installation to the 8 acre lot only. Services to the 4 acre lot will not be undertaken until closing for that purchase. The required extension is farther south along Mazenod Road and westerly along a roadway right-of-way (to be named Black Diamond Blvd.) that will be across the frontage of the 8 acre lot:

The contract to Cambrian Excavators had allowed the City the right to negotiate and add up to an additional 50% to the Work of the Contract within three (3) months of the award of the Contract, based on the prices submitted. This was done to take advantage of lower bid prices received earlier this year. However, the 3 month time limit expired on July 12th, 2016.

The purchase agreement with the prospective purchaser was not finalized until July 29th, 2016 and provides for a 60-day due diligence period to allow the purchaser to undertake review of site environmental conditions and to confirm financing. The 60-day due diligence period ends on September 27th, 2016.

The City will not proceed to install services to the 8-acre lot until the purchaser completes the transaction. Should the transaction conclude on or before September 27<sup>th</sup>, 2016, and subject to receiving favourable pricing, it may be possible to still install all

underground services before winter. However, the pavement work will need to be delayed until 2017. If the transaction is delayed for any reason, all servicing and pavements will need to be done in 2017. Assuming all construction to occur in 2017, estimated cost of servicing, including associated engineering; and natural gas line and street lighting, is estimated at \$1,224,000.00. Therefore, the cost of servicing does not exceed the purchase price of the land and conforms to recommendation 4.G. as adopted by Council on July 15, 2015. The total servicing cost reported in Status Report No. 3 was \$1,078,925.00; however this previous servicing estimate assumed 2016 construction and using bid prices from the contract for Bid Opportunity No. 1134-2015.

If it is necessary to do services and pavement construction in 2017, the estimated proceeds of the pending sale to be deposited to the Land Operating Reserve would be reduced to approximately \$180,000 from \$321,000 that was reported in Status Report No. 3.

- i. **Application for Roadway Opening:** A Development Application for DAO 10/2015: Proposed Opening of Mazonod, Ray Marius and Public Roads 1 and 2, south of the Greater Winnipeg Water District Plan 2474 WLTO has been approved. The roadway openings are required for service installation for the Parmalat site, the second site referenced as additional lot sale, and for watermain looping for reliability and redundancy.

- j. **Construction Progress:**

**Bid Opp. No. 983-2015** for the construction of the wastewater lift station –

- Approximately 50% complete after April 11<sup>th</sup>, 2016 award date.
- Foundations complete, wet and dry wells received and installed, and excavation backfilled
- Work on building over dry well commenced.
- Substantial completion expected by October 24<sup>th</sup>, 2016.

**Bid Opp. No. 1134-2015** for the St. Boniface Industrial Park Phase 2 – Stage 1 Servicing that included all underground piping, stormwater retention basin, and pavements –

- Contract awarded April 14<sup>th</sup>, 2016
- Site dewatering commenced April 20<sup>th</sup>, 2016
- Watermain, Wastewater Sewers/Forcemain – 100% complete
- Roadways – 85% complete
- Land Drainage Sewers - 98% complete
- Lake Excavation - 100% complete
- Ditching – 95% complete
- Sodding of retention basin and ditch side slopes to be started in early September

## 5. PROJECT SCHEDULE

Activity	Target Date	Status
Class 3 Estimate	Nov. 6, 2015	Complete
Pre-tender (Class 1) Estimate	Jan. 15, 2015	Complete
Report to Council if Class 1 Estimate projects budget shortfall (meeting dates estimated)	Feb. 24, 2016	Not Required
Invitation to Bid ( 2 Bid Opportunities)	Jan. 15, 2016	Complete
Bid Review	Feb. 19, 2016	Complete
Construction Contract Award (if within budget)	Feb. 26, 2016	NA
Report to Council if bids exceed budget (meeting dates estimated)	Mar. 23, 2016	NA
Alternate Construction Contract Award	Apr. 1, 2016	B.O. No. 983-2015 – April 11, 2015  B.O. No. 1134-2015 - April 14, 2015
Construction Start (estimated)	Apr. 15, 2016	April 28th, 2016 (Actual)
Underground Piping Construction Completion (estimated)	July 30, 2016	July 30, 2016 (Actual)
Lift Station Construction Completion (estimated)	Oct. 31, 2016	Oct. 24, 2016
Pavement Completion (estimated)	Oct. 31, 2016	Oct. 31, 2016
Landscaping and Final Grading (estimated)	July, 2017	July, 2017

## 6. MAJOR CONTRACTS

The status of current Requests for Proposal and Bid Opportunities issued and to be issued are as follows:

<b>Request for Proposal or Bid Opportunity</b>	<b>Description</b>	<b>Current Status</b>	<b>Contract Value (GST and MRST extra as applicable)</b>	<b>Total Approved Over-Expenditures</b>
RFP – Single Source	Conceptual, preliminary and detailed design, and contract administration of the roadways, water mains, wastewater collection, and land drainage servicing requirements	Awarded to Stantec	\$850,000.00	\$28,695
Bid Opportunity No. 800-2015B Single Source	Contract for Partial Excavation of the Storm Water Retention Basin in the St. Boniface Industrial Park Phase 2 Development	Awarded to Man-Shield	\$166,600.00	Nil
Contract Single Source-MM Ref. # 324-2016	Natural Gas for Parmalat-Centra Gas (Manitoba Hydro)	Awarded to Centra Gas	\$303,440.00	Nil
Contract Single Source-MM Ref. # 491-2016	Electrical Service - Manitoba Hydro - Street Lighting for Parmalat	Awarded to Manitoba Hydro	\$58,054.00	Nil
Bid Opportunity No. 1134-2015	Construction of watermains, wastewater and land drainage sewers, retention basin and pavements	Awarded to Cambrian Excavators Ltd.	\$3,194,384.50	Nil
	Change in Work for Additional Lot	On hold	Bid price adjustment to be submitted	Nil
Bid Opportunity No. 983-2015	Construction of wastewater lift station	Awarded to Rocky Road Recycling Limited	\$1,731,249.00	Nil
Contract Single Source-MM Ref. # 490-2016	Natural Gas for second lot-Centra Gas (Manitoba Hydro)	To be awarded	Originally Estimated at \$45,000.00 – To be revised	Nil
Contract Single Source-MM Ref. # 491-2016	Electrical Service - Manitoba Hydro - Street Lighting for Additional Lot	To be awarded	Originally Estimated at \$65,000.00 – To be revised	Nil

Contract Single Source- MM Ref. # 755-2016	Electrical Service - Manitoba Hydro - Primary Cable Lines Relocation	To be awarded	\$70,000.00	
	<b>Total</b>		<b>\$6,483,727.50</b>	<b>\$28,695</b>

## 7. FINANCIAL ANALYSIS

### Project funding

The approved budget funds for this project are as follows:

YEAR	Funding Source - Land Operating Reserve	ACTUAL + PROJECTED CASH FLOWS	CUMULATIVE BUDGET REMAINING
2015	\$8,200,000	\$8,600,000 <sup>1</sup>	\$ (400,000)
2016	\$ 400,000	\$ 0	\$ 400,000
To Date	\$8,600,000	\$8,600,000	\$ 0

<sup>1</sup> Includes budget adjustment estimated at \$400,000 required for Manitoba Hydro's natural gas line installation approved by Council on January 27<sup>th</sup>, 2016.



Project Component	Budget	Value/Cost Estimate	Variance Revised Budget to Value/Cost Estimate	Change in Variance from Last Report
Engineering, design and other costs	\$ 850,000	\$ 786,625	\$ (63,375)	\$ -
Construction:				
-Underground Piping, Pavements, and Retention Basin	\$ 4,087,181	\$ 3,218,468	\$ (868,713)	\$ 24,083
- Lift Station	\$ 2,258,079	\$ 1,731,249	\$ (526,830)	\$ -
- Manitoba Hydro services	\$ 550,000	\$ 561,494	\$ 11,494	\$ -
- Man-Shield Partial Retention Basin Excavation	\$ 166,600	\$ 92,496	\$ (74,104)	\$ -
Misc. -Temp. Access road, legal surveys, Internal Project Management, JV Reimbursement, and Contingencies	\$ 688,140	\$ 1,236,977	\$ 548,837	\$ (24,083)
Total	\$ 8,600,000	\$ 7,627,309	\$ (972,691)	\$ 0

Additional Project Component*				
-Engineering for service extension	\$ 92,070	\$ 106,000	\$ 13,930	\$ 13,930
-Service Extension for Additional Lot Sale**	\$ 876,855	\$ 1,114,000	\$ 237,145	\$ 127,145
-Additional Lot Sales Revenue	\$ (1,400,000)	\$ (1,400,000)	\$ -	\$ -
Total	\$ (431,075)	\$ (180,000)	\$ 251,075	\$ 141,075

\*Additional Project Component is as a result of pending second lot sale

\*\* Additional funds required for natural gas line extension and street lighting for second lot being sold, plus increased costs from delay in servicing to late 2016 and/or 2017.

## 8. PROJECT FINANCING

	Contribution (in millions)	Cumulative Project Budget (in millions)
Parmalat Canada Inc.		
- Parmalat Site Preparation	\$ 2.07	
- Wastewater Oversizing	\$ 0.52	
- Industrial Park Site Preparation	\$ 1.50	\$ 4.09
Province of Manitoba*	\$ 2.00	\$ 6.09
City of Winnipeg**	\$ 2.51	\$ 8.60

\* Province of MB contribution will be interim financed by the City of Winnipeg and repaid over an 18 year term plus interest

\*\* City of Winnipeg Contribution Increased Pursuant to Council Approval of January 27, 2016

**Note: The above excludes funding for additional project component that will be funded from sale of the second lot in St. Boniface Industrial Park Phase 2.**

## 9. ANTICIPATED PROGRESS DURING NEXT REPORTING PERIOD

During the next reporting period to October 31<sup>st</sup>, 2016 it is expected that:

- Agreements will be prepared with Manitoba Hydro for street lighting and with Centra Gas for natural gas line extension along east-west road (Black Diamond Blvd.) west of Mazonod adjacent 8 acre lot being sold.
- The purchase agreements for the 8 acre and 4 acre lots in St. Boniface Industrial Park Phase 2 will have been concluded.
- Construction of underground pipelines, partial stormwater retention basin and roadway pavement will be complete.
- Construction of wastewater lift station will be complete.
- Relocation and lowering of two underground primary cable lines will have been completed by Manitoba Hydro

**FINANCIAL IMPACT**

**Financial Impact Statement**

**Date:**

**September 9, 2016**

**Project Name:**

**Servicing for St. Boniface Industrial Park Phase 2 – Financial Status Report No. 4 for the Period Ending July 31st, 2016**

**COMMENTS:**

As this report is submitted for informational purposes only, there is no financial impact associated with this recommendation.

*"Original Signed By"*

\_\_\_\_\_  
M. McGinn, CPA, CA

Manager of Finance

## CONSULTATION

None required.

## 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  
Prepared by: J. Zabudney/M. Shkolny  
Date: September 9, 2016  
File No.:

### ATTACHMENTS:

Appendix 1 – Servicing for St. Boniface Industrial Park Phase 2 as at July 31<sup>st</sup>, 2016

**Appendix 1 - Servicing for St. Boniface Industrial Park Phase 2**

**as at July 31, 2016**

Project Component (Original Scope)	Budget (Land Operating Reserve Account)			Expenditure Forecast					Surplus (Deficit)	Variance Last Report	Change in Variance
	Original	Adjustment	Revised	Actual Costs		Forecast					
				To July 31 2016	Remainder of 2016	2017	2018	Forecast	From Revised Budget		
Engineering, design and other costs	\$ 850,000	\$ -	\$ 850,000	\$ 613,770	\$ 138,384	\$ 34,471	\$ -	\$ 786,625	\$ 63,375	\$ 63,375	\$ -
Construction:											
-Underground Piping, Pavements, and Retention Basin	\$ 4,087,181	\$ -	\$ 4,087,181	\$ 2,403,239	\$ 655,509	\$ 159,719	\$ -	\$ 3,218,468	\$ 868,713	\$ 892,796	\$ (24,083)
- Lift Station	\$ 2,258,079	\$ -	\$ 2,258,079	\$ 680,489	\$ 964,198	\$ 86,562	\$ -	\$ 1,731,249	\$ 526,830	\$ 526,830	\$ -
Manitoba Hydro services <sup>2</sup>	\$ 150,000	\$ 400,000	\$ 550,000	\$ 303,440	\$ 58,054	\$ -	\$ 200,000	\$ 561,494	\$ (11,494)	\$ (11,494)	\$ -
Man-Shield Partial Retention Basin Excavation	\$ 166,600	\$ -	\$ 166,600	\$ 92,496	\$ -	\$ -	\$ -	\$ 92,496	\$ 74,104	\$ 74,104	\$ -
<sup>1</sup> Misc. -Temp. Access road, legal surveys, Internal Project Management, JV Reimbursement, and Contingencies	\$ 688,140	\$ -	\$ 688,140	\$ 200,328	\$ 1,036,649	\$ -	\$ -	\$ 1,236,977	\$ (548,837)	\$ (572,920)	\$ 24,083
<b>Total</b>	<b>\$ 8,200,000</b>	<b>\$ 400,000</b>	<b>\$ 8,600,000</b>	<b>\$ 4,293,762</b>	<b>\$ 2,852,794</b>	<b>\$ 280,753</b>	<b>\$ 200,000</b>	<b>\$ 7,627,309</b>	<b>\$ 972,691</b>	<b>\$ 972,691</b>	<b>\$ (0)</b>
<b>Project Component (Revised Scope)</b>											
-Engineering for service extension <sup>3</sup>	\$ 92,070	\$ -	\$ 92,070		\$ 106,000	\$ -	\$ -	\$ 106,000	\$ (13,930)	\$ -	\$ (13,930)
-Service Extension for Additional Lot Sale (includes street lights and natural gas) <sup>4</sup>	\$ 876,855		\$ 876,855		\$ 606,000	\$ 508,000	\$ -	\$ 1,114,000	\$ (237,145)	\$ (110,000)	\$ (127,145)
-Additional Lot Sales Revenue	\$ (1,400,000)		\$ (1,400,000)		\$ (1,400,000)		\$ -	\$ (1,400,000)	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ (431,075)</b>	<b>\$ -</b>	<b>\$ (431,075)</b>		<b>\$ (688,000)</b>	<b>\$ 508,000</b>		<b>\$ (180,000)</b>	<b>\$ (251,075)</b>	<b>\$ -</b>	<b>\$ (141,075)</b>

**Explanatory Notes:**

The above estimates are based on Class 1 estimates developed on Dec. 22nd, 2015 and bid pricing received on January 29th, 2016 and February 5th, 2016.

<sup>1</sup> Contingencies included above equal \$510,235

<sup>2</sup> Includes a budget adjustment authorized by Council on January 27th, 2016 for a contract with Manitoba Hydro for natural gas line installation.

<sup>3</sup> Additional engineering costs are for a service extension beyond original scope of work to service 2nd lot purchaser.

<sup>4</sup> Additional funds required for natural gas line extension and street lighting for second lot being sold, plus increased costs from delay in servicing to late 2016 and/or 2017.