

Minutes – Standing Policy Committee on Finance – January 16, 2017

REPORTS

**Item No. 5 Servicing for St. Boniface Industrial Park Phase 2 – Financial Status
Report No. 5 for the Period Ending October 31, 2016**

STANDING POLICY 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 – January 16, 2017

DECISION MAKING HISTORY:

Moved by Councillor Gerbasi,

in. 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. 5 for the Period Ending October 31st, 2016

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
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EXECUTIVE SUMMARY

This report identifies the financial status and significant events for the period August 1st, 2016 to October 31st, 2016.

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

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.

Project costs continue to be within the approved budget of \$8.6 million.

Servicing to the Parmalat site has largely been completed, except for the wastewater lift station. Delays in the completion of the lift station were encountered; however commissioning is expected to be complete by early December, 2016. The lift station will be available for use prior to the Parmalat plant going into full production. Additionally some work to finish two drainage culverts and ditching through Mazonod Road will be undertaken in November. That work was delayed awaiting the relocation of two primary hydro cables that were in conflict with the culvert elevations. Relocation of two primary voltage cables was completed on November 8th, 2016, which allowed the culvert work to be completed.

Costs for engineering services for the original project assignment continue to be within budget. Additional engineering work was assigned to undertake design and contract administration during construction for services and pavements required for an additional lot that has been sold.

The conditions for purchase of an additional 8.52 acre lot south of the Parmalat site were satisfied by the purchaser on September 27th, 2016. Underground pipe services to the

additional lot are expected to be installed by mid-December. Pavement construction to that lot will be undertaken as soon as weather permits in 2017. A Change in Work under Bid Opp. No. 1134-2015 was issued to Cambrian Excavators to continue with this servicing work.

On March 1, 2016 Parmalat provided a financial contribution to the Project in the amount of \$1,500,000.00 as stipulated by the Funding and Servicing Agreement. The agreement also provides that Parmalat 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. Substantial performance is expected to occur in December, 2016.

An agreement with the Province of Manitoba respecting their contribution was concluded on April 7th, 2016. Contract awards for the two bid opportunities for services installation were made following the execution of the Provincial agreement.

Centra Gas completed the gas line installation up to the Parmalat site on July 28th, 2016.

Manitoba Hydro has completed installation of street lighting along Mazenod Road bordering the Parmalat lot.

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 15th, 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 7th, 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 30th, 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 8th, 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 5th, 2015, the Province confirmed their approval in principle to provide funding to this project further to 4. B. ii above.

On January 27th, 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 11th, 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 14th, 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 Mazenod, Ray Marius and Public Roads 1 and 2, south of the Greater Winnipeg Water District Plan 2474 WLTO.

On September 27th, 2016, the solicitor representing the additional lot(s) purchaser advised that conditions of purchase had been satisfied.

On October 17th, 2016, a Change in Work was issued to Cambrian Excavators Ltd. under Bid Opportunity No. 1134-2015 for the St. Boniface Industrial Park Phase 2 – Stage 1 for the installation of underground pipes and pavements required to service the additional property acquired by a second purchaser.

1. MAJOR CAPITAL PROJECT ADVISORY COMMITTEE

An Advisory Committee was determined to be unwarranted due to the lower dollar value (\$8.6 million compared to \$20 million stipulated by administrative policy) and also 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 for the original project scope, to service the Parmalat property, will be substantially complete by November, 2016, an Advisory Committee was not 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 requires 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 8.52 acre lot and a third 4.29 acre lot. Subdivision application to create these two lots is in process.

3. RISKS AND RISK MITIGATION STRATEGIES

Watermains, wastewater sewer, and land drainage systems were completed by the end of July as required by the agreement with Parmalat. Pavement construction was completed by the end of October 2016. Through cooperation and coordination of the services installation by the City's consultants and contractors; by Centra Gas and MTS, and with Parmalat's contractors, work progressed well without undue interference in each other's activities or traffic flow. Outstanding contract work includes completion of two drainage culverts to be done in November, and drainage ditch topsoil and sodding, and active transportation path which will be done in 2017 as weather permits.

The substantial completion date for the lift station contract was October 24th, 2016. The substantial completion date needs to be additionally extended to approximately December 1st, 2016, partially due to delay in obtaining electrical and natural gas service to the station that were beyond the contractor's control; but that have delayed station commissioning.

The substantial completion date is later than the October 12th, 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 were ready for use. Temporary by-pass pumping was installed by October 14th, 2016 to accommodate Parmalat's schedule for temporary discharge of wastewater from component flushing and washing activities within their new plant. Temporary pumping systems will be removed as soon as permanent pumps within the lift station have been tested and their reliable operation is verified.

There will still be some construction activity taking place until year end along Mazenod Road and at the Parmalat site. This construction involves the City's contractors to complete drainage culvert work and the lift station, Parmalat's contractors, and MTS. There is regular coordination and communication to ensure that schedules and activities are not adversely impacted, and that site safety is maintained, however as construction activity has diminished, the impact risk is low.

Although there remains a risk to contract costs from extra or unforeseen work that could arise during construction, extra work to date continues to be minor and well within budget funds available. The risk is also low as the bulk of the work has been completed.

There will be a delay in installing servicing and pavements to accommodate the additional 8.5 acre lot purchased south of the Parmalat site. Costs for this work have been obtained from the City's contractor, Cambrian Excavators, as a Change in Work under B.O. No. 1134-2015. It is expected that all of the underground piping will be done in 2016, weather permitting. This will be more cost effective and timely than

waiting until 2017 for the underground piping installation work. Pavement work will be done in spring, 2017 as that work can be completed before the onset of winter. Costs for the additional work received from the contractor included their honouring prices bid for this project in February 2016, but charging additional mobilization costs for pipe crews this fall and pavement crews in 2017. This was considered reasonable as Cambrian had completed all the underground pipe work for Parmalat at the end of July 2016 and subsequently left the site. Pavement work required for Parmalat as prescribed by the original contract was complete in October, 2016, so pavement crews will need to return in 2017. Over-expenditure approval for the Change in Work to B.O. No. 1134-2015 has been received and a Change in Work issued. As the costs for this work have now been established, the future cost risk has been minimized.

Although the construction work to install underground pipes for the additional lot will be done this fall, coordination of contractors' work activities is of lesser concern as the work areas are farther south along Mazenod Road and west of Mazenod Road along future Black Diamond Blvd. and away from activities of Parmalat or their agents.

The gas line installation by Centra Gas (a subsidiary of Manitoba Hydro) required for the Parmalat site development was completed by July 31st, 2016, as stipulated by the agreement with Parmalat, and therefore the schedule and construction risks have been removed.

There continues to be a risk for increased project costs for gas line installation due to additional pavement restoration that was undertaken as a result of the requirement to locate the gas line under the Camel Sys pavement rather than within the boulevard. The amounts for the cut permits and associated restoration costs were stipulated to Centra Gas by the Public Works Department. Pavement restoration along Camel Sys has been completed by the Public Works Department. Costs between Centra Gas and the City for the gas line installation will be reconciled by June, 2018, at the latest, per the agreement between both parties. Any amounts payable will also take the gas consumption by Parmalat, the major user, into consideration. An additional \$200,000 was included in the project budget for gas line installation to account for future payments to Centra Gas if necessary.

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. 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 street lighting and gas line will now be deferred to 2017 due to delays in proceeding with installation of underground services and pavement. Therefore the pricing for these services will need to be confirmed for 2017 installation, however should be limited to escalation in costs based on the one year deferral of the work.

Additional agreements with Manitoba Hydro and Centra Gas for installation of both street lighting and gas line services for the additional lot will need to be finalized for 2017 construction, however the agreements are fairly standard and should contain the same format and conditions as agreements entered into for the Parmalat lot servicing.

4. PROJECT STATUS/ CHANGES FROM LAST REPORT

- a. **Agreements with Parmalat:** 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, \$520,000 is to be paid by Parmalat upon notification by the City that the wastewater lift station is substantially complete. Substantial completion of the lift station is anticipated in December 2016, which is a delay of about 4-5 weeks since last report.
- b. **Design and Contract Administration:** The City's engineering 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 Mazonod Road right-of-way to service the proposed Parmalat development on the west side of Mazonod Road. Contract administration services during construction commenced with award of two contracts on April 11th, and 14th, 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 was 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 and contract administration for service installation and pavement extension required to accommodate the additional lot sale. Design has been completed and contract administration during construction will commence in November, 2016.

- c. **Building Permits:** On February 3rd, 2016, a 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. The original Building Permit issued was for a building with a floor area of 8,691 m² (93,549 ft²). On October 25, 2016 a revised permit was applied for a building expansion with a floor area of 2,825 m² (30,408 ft²) resulting in a total revised floor area of 11,516 m² (123,957 ft²).
- d. **Partial Retention Basin Excavation:** The contract with Man-Shield for this item is complete.
- 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 10th, 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 17th, 2016. Installation of the gas line was complete on July 28th, 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 30th, 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, was required to pay for street lighting along Mazonod Road. This lighting has been installed along the frontage of Parmalat's lot with Mazonod Road. The cost for the street lighting is \$58,054.00 plus GST.

During the installation of two drainage culverts through Mazonod 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 Mazonod Road. Manitoba Hydro has relocated and lowered 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 was entered into. The cost paid by the City for relocation of the two lines was \$66,022 plus GST, however the contract makes provision for reconciliation to actual costs at completion of construction which could result in additional payment by the City or a credit to the City.

Natural gas line extension and street lighting will also be required along a future east-west road (Black Diamond Blvd.) west of Mazonod 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 street 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 of street lighting and gas line services for the additional lot will need to be prepared.

- f. **Reimbursement for work under previous Joint Venture:** On January 30, 2013, council adopted the Report of the Standing Committee on Policy 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 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 conditions for sale for the 8.52 acre lot were satisfied on September 27th, 2016, while the purchase date for 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. A subdivision application is currently being processed to create these two lots.

Services and pavements are planned for installation to the 8 acre lot only. The required extensions are farther south along Mazonod 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. Services to the 4 acre lot will not be undertaken until conditions for that purchase are satisfied.

Favourable pricing to extend services to the 8 acre lot was received from Cambrian Excavators under Bid Opportunity No. 1134-2015, therefore a Change in Work was issued and underground services installation is expected to commence in November 2016. Pavement work will need to be delayed until 2017. Estimated cost of servicing, including associated engineering; and natural gas line and street lighting, is estimated at \$1,138,500.00. 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.

i. **Application for Roadway Opening:** A Development Application for DAO 10/2015: Proposed Opening of Mazenod, 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 80% complete after April 11th, 2016 award date.
- Foundations complete, wet and dry wells received and installed; and excavation backfilled.
- Building over dry well completed.
- Stand-by generator installed.
- Electrical and natural gas supply to building completed, awaiting gas meter
- Final electrical, and controls and instrumentation underway.
- Commissioning scheduled to commence in end November.
- Substantial completion expected by approximately December 1st, 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 14th, 2016
- Site dewatering commenced April 20th, 2016
- Watermain, Wastewater Sewers/Forcemain – 100% complete
- Roadways – 100% complete
- Land Drainage Sewers - 99% complete
- Lake Excavation - 100% complete
- Ditching – 95% complete
- Sodding of retention basin complete
- Sodding of ditch side slopes delayed due to wet weather, postponed to 2017.

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	Apr. 15, 2016	April 28th, 2016 (Actual)
Underground Piping Construction Completion	July 30, 2016	July 30, 2016 (Actual)
Lift Station Construction Completion (estimated)	Oct. 31, 2016	Dec. 1, 2016
Pavement Completion	Oct. 31, 2016	Oct. 31, 2016 (Actual)
Landscaping and Final Grading (estimated)	July, 2017	July, 2017
Completion of Construction of Underground Services for additional lot (estimated)	Dec. 15, 2016	Dec. 15, 2016
Pavement Completion for additional lot (estimated)	June 30, 2017	June 30, 2017

6. MAJOR CONTRACTS

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

Request for Proposal or Bid Opportunity	Description	Current Status	Contract Value (GST and MRST extra as applicable)	Total Approved Over-Expenditures
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	\$28,695.00

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 on Mazenod Road	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 including Change in Work for Additional 8 acre lot	Awarded to Cambrian Excavators Ltd.	\$3,194,384.50	\$965,000.00 Note: Amount of \$935,000.00 for servicing of additional lot included in over-expenditure amount above.
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 Additional Lot- Centra Gas (Manitoba Hydro)	To be awarded	To be updated to 2017 costs	Nil
Contract Single Source-MM Ref. # 491-2016	Electrical Service – Manitoba Hydro - Street Lighting for Additional Lot	To be awarded	To be updated to 2017 costs	Nil
Contract Single Source-MM Ref. # 755-2016	Electrical Service - Manitoba Hydro - Primary Cable Lines Relocation	Awarded to Manitoba Hydro	\$66,022.00	
	Total		\$6,369,749.50	\$993,695.00

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 ¹	\$ (400,000)
2016	\$ 400,000	\$ 0	\$ 400,000
To Date	\$8,600,000	\$8,600,000	\$ 0

¹ Includes budget adjustment estimated at \$400,000 required for Manitoba Hydro's natural gas line installation approved by Council on January 27th, 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	\$ 3,248,468	\$ (838,713)	\$ 30,000
- Lift Station	\$ 2,258,079	\$ 1,731,249	\$ (526,830)	\$ -
- Manitoba Hydro services	\$ 550,000	\$ 627,516	\$ 77,516	\$ 66,022
- 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	\$ 1,140,955	\$ 452,815	\$ (96,022)
Total	\$ 8,600,000	\$ 7,627,309	\$ (972,691)	\$ -

Additional Project Component*				
-Engineering for service extension	\$ 92,070	\$ 98,500	\$ 6,430	\$ (7,500)
-Service Extension for Additional Lot Sale**	\$ 876,855	\$ 1,040,000	\$ 163,145	\$ (74,000)
-Additional Lot Sales Revenue	\$ (1,400,000)	\$ (1,400,000)	\$ -	\$ -
Total	\$ (431,075)	\$ (261,500)	\$ 169,575	\$ (81,500)

*Additional Project Component is as a result of 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 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 January 31st, 2017 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 Mazenod adjacent to additional 8 acre lot.
- Construction of underground pipelines for additional lot will be complete.
- Construction of wastewater lift station will be complete.

FINANCIAL IMPACT

Financial Impact Statement

Date:

December 2, 2016

Project Name:

Servicing for St. Boniface Industrial Park Phase 2 – Financial Status Report No. 5 for the Period Ending October 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: January 9, 2017
File No.: o:\reports directive\real estate\sales\finstatspc_st
boniface_parmalatreportno5tooct31st2016.docx

ATTACHMENTS:

Appendix 1 – Servicing for St. Boniface Industrial Park Phase 2 as at October 31st, 2016

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

as at October 31, 2016

Project Component (Original Scope)	Budget (Land Operating Reserve Account)			Expenditure Forecast					Surplus (Deficit)	Variance Last Report	Change in Variance
				Actual Costs							
	Original	Adjustment	Revised	To Oct 31 2016	Remainder of 2016	2017	2018	Forecast	From Revised Budget		
Engineering, design and other costs	\$ 850,000	\$ -	\$ 850,000	\$ 664,624	\$ 87,530	\$ 34,471	\$ -	\$ 786,625	\$ 63,375	\$ 63,375	\$ -
Construction:											
-Underground Piping, Pavements, and Retention Basin	\$ 4,087,181	\$ -	\$ 4,087,181	\$ 2,847,326	\$ 241,423	\$ 159,719	\$ -	\$ 3,248,468	\$ 838,713	\$ 868,713	\$ (30,000)
- Lift Station	\$ 2,258,079	\$ -	\$ 2,258,079	\$ 1,336,201	\$ 308,485	\$ 86,562	\$ -	\$ 1,731,249	\$ 526,830	\$ 526,830	\$ -
Manitoba Hydro services ²	\$ 150,000	\$ 400,000	\$ 550,000	\$ 427,516	\$ -	\$ -	\$ 200,000	\$ 627,516	\$ (77,516)	\$ (11,494)	\$ (66,022)
Man-Shield Partial Retention Basin Excavation	\$ 166,600	\$ -	\$ 166,600	\$ 92,496	\$ -	\$ -	\$ -	\$ 92,496	\$ 74,104	\$ 74,104	\$ -
¹ Misc. -Temp. Access road, legal surveys, Internal Project Management, JV Reimbursement, and Contingencies	\$ 688,140	\$ -	\$ 688,140	\$ 224,856	\$ 75,000	\$ 841,099	\$ -	\$ 1,140,955	\$ (452,815)	\$ (548,837)	\$ 96,022
Total	\$ 8,200,000	\$ 400,000	\$ 8,600,000	\$ 5,593,019	\$ 712,438	\$ 1,121,852	\$ 200,000	\$ 7,627,309	\$ 972,691	\$ 972,691	\$ -
Project Component (Revised Scope)											
-Engineering for service extension ³	\$ 92,070	\$ -	\$ 92,070		\$ 47,000	\$ 51,500	\$ -	\$ 98,500	\$ (6,430)	\$ (13,930)	\$ 7,500
-Service Extension for Additional Lot Sale (includes contingencies, street lights and natural gas) ⁴	\$ 876,855		\$ 876,855		\$ 350,000	\$ 690,000	\$ -	\$ 1,040,000	\$ (163,145)	\$ (237,145)	\$ 74,000
-Additional Lot Sales Revenue	\$ (1,400,000)		\$ (1,400,000)			\$ (1,400,000)	\$ -	\$ (1,400,000)	\$ -	\$ -	\$ -
Total	\$ (431,075)	\$ -	\$ (431,075)		\$ 397,000	\$ (658,500)		\$ (261,500)	\$ (169,575)	\$ (251,075)	\$ 81,500

Explanatory Notes:

The above estimates are based on bid pricing received on January 29th, 2016 and February 5th, 2016.

¹ Contingencies included equal \$388,596

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

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

⁴ Additional funds required for natural gas line extension and street lighting for second lot being sold, plus increased costs from partial servicing delay to late 2016 and 2017. Contingencies included equal \$41,755.