

**Minutes – Standing Policy Committee on Finance – April 13, 2017**

**REPORTS**

**Item No. 4                      Servicing for St. Boniface Industrial Park Phase 2 – Financial Status  
Report No. 6 for the Period Ending January 31st, 2017**

**STANDING COMMITTEE DECISION:**

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service:

1.        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.

**Minutes – Standing Policy Committee on Finance – April 13, 2017**

**DECISION MAKING HISTORY:**

Moved by Councillor Gerbasi,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

# ADMINISTRATIVE REPORT

**Title: Servicing for St. Boniface Industrial Park Phase 2 – Financial Status Report No. 6 for the Period Ending January 31st, 2017**

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

## AUTHORIZATION

| Author                   | Department Head | CFO     | CAO       |
|--------------------------|-----------------|---------|-----------|
| J. Zabudney<br>M. McGinn | J. Kiernan      | M. Ruta | D. McNeil |

## EXECUTIVE SUMMARY

This report identifies the financial status and significant events for the period November 1st, 2016 to January 31<sup>st</sup>, 2017

Costs for this project are being funded by the Land Operating Reserve (209-163040-638089). Project costs continue to be within the approved budget of \$8.6 million.

Servicing to the Parmalat site has largely been completed. Delays in the completion of the lift station were encountered. Commissioning was started in December, 2016 but needed to be delayed as natural gas supply to the standby generator was unavailable. The electric wastewater pumps at the lift station were placed into service on December 13<sup>th</sup>, 2016 to accommodate discharges resulting from Parmalat's plant commissioning activities. Full commissioning of the lift station, including the generator, was finalized on February 1st, 2017 and Certificate of Substantial Performance was issued by the contract administrator. The lift station is now fully functional as the Parmalat plant goes into full production this spring.

The Funding and Servicing Agreement provides that Parmalat pay to the City the amount of \$520,000.00, representing Parmalat's share of lift station oversizing costs within thirty (30) days of the City providing notice to Parmalat that the lift station has reached Substantial Performance. Notification of Substantial Performance has been sent to Parmalat.

Work to finish two drainage culverts and ditching through Mazenod Road was completed in November, 2016. That work was delayed awaiting the relocation of two primary hydro cables that were in conflict with the culvert elevations. Relocation of two primary cables was completed on November 8th, 2016, which allowed the culvert and ditching 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 for services 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. A Change in Work under Bid Opp. No.

1134-2015 was issued to Cambrian Excavators to continue with servicing work required for the additional lot. Underground pipe services to the additional lot were completed by February 1<sup>st</sup>, 2017. About a 4 week delay was encountered due to cold weather conditions in December, 2016, however there were no additional costs to the City resulting from that delay. Pavement construction to the additional lot will be undertaken as soon as weather permits this spring.

## **RECOMMENDATIONS**

1. 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 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.

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. As the servicing project for the original project scope is substantially complete, 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 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 transaction selling a lot to Parmalat, a second purchaser has come forward to purchase both an 8.52 acre parcel in 2017 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 to create these two lots is underway.

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

Watermains, wastewater sewer, and land drainage pipe systems were completed by the end of July, 2016 as required by the agreement with Parmalat. Pavement construction was completed by the end of October 2016. As the works in Mazenod Road adjacent to the Parmalat site are mostly completed, the construction coordination risk is considered to be extremely low. Outstanding contract work includes drainage ditch sodding, boulevard sodding and active transportation path which will be done in 2017 as weather permits.

The substantial completion date for the lift station contract was originally October 24th, 2016; but was extended due to delay in obtaining natural gas and electric service to the station that were beyond the contractor's control. This delayed finalization of certain work and station commissioning. Inspection and testing has now been completed and substantial completion of the lift station was issued on February 1<sup>st</sup>, 2017.

Electric pumps within the lift station were activated on December 13<sup>th</sup>, 2016 that allowed removal of temporary pumping systems. The temporary pumps had been installed in mid-October to accommodate Parmalat's schedule for temporary and occasional discharge of wastewater from component flushing and cleaning within the new plant.

There will still be some construction activity taking place along Mazenod Road south of the Parmalat site and along the future east-west road (Black Diamond Blvd.) to complete services



required for the second lot sold. Underground pipes were completed by February 1<sup>st</sup>, 2017. Remaining construction involves completion of roadway pavement to the second lot and connection of drainage ditch to the retention pond. Risk around remaining construction coordination is considered low.

There remains a very minor 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 for Parmalat servicing has been completed and all underground pipes for the second lot have been installed. Contingency allowances included in the projects' budget have been reduced accordingly.

Although there was a delay in scheduling the installation of servicing and pavements to accommodate the additional 8.5 acre lot purchased south of the Parmalat site, costs for that work were obtained from the City's contractor, Cambrian Excavators. Costs for the additional work received from the contractor were based on their honoring prices bid for this project in February, 2016, but charging additional mobilization costs for pipe crews in fall, 2016 and pavement crews in spring, 2017 which was considered reasonable. Over-expenditure approval for the Change in Work to B.O. No. 1134-2015 was received and a Change in Work issued. As the costs for this additional work have now been established, the cost risk is minimized. Underground piping installation was delayed about one month due to bad weather in December, however all underground piping was completed by February 1<sup>st</sup>, 2017. Pavement work will be done in spring, 2017 as that work could not be completed before the onset of winter.

The gas line installation by Centra Gas (a subsidiary of Manitoba Hydro) required for the Parmalat site development was completed by July 31<sup>st</sup>, 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 that was required for Parmalat, 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. 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. An additional \$200,000 is still 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 is required along the future east-west road (Black Diamond Blvd.) west of Mazonod 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 occur in 2017. Preliminary pricing has been received and service installation agreements are in preparation. Cost for gas line installation has increased but cost for street lighting has decreased from 2016 rates quoted. Construction of these utility services will not take place until roadway construction and boulevard grading is completed. Early discussions with Centra Gas and Hydro have occurred to arrange for these services installation to avoid delays this summer.

#### 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 occurred on February 1<sup>st</sup>, 2017 and Parmalat has been notified to that effect.
- b. **Design and Contract Administration:** The City's engineering consultant for the servicing work is Stantec Consulting Ltd. (Stantec). The engineering work 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 municipal services, including wastewater lift station and stormwater retention basin, and pavements 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 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 commenced with provision of the Change in Work to Cambrian Excavators on October 16<sup>th</sup>, 2016.
- c. **Building Permits:** On February 3rd, 2016, a building permit was been 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 m<sup>2</sup> (93,549 ft<sup>2</sup>). On October 25, 2016 a revised permit was applied for a building expansion with a floor area of 2,825 m<sup>2</sup> (30,408 ft<sup>2</sup>) resulting in a total revised floor area of 11,516 m<sup>2</sup> (123,957 ft<sup>2</sup>).
- 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 Mazenod Road. This lighting has been installed along the frontage of Parmalat's lot with Mazenod Road. The final cost for that section of street lighting is \$58,054.00 plus GST.

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. A contract with Manitoba Hydro for the relocation and deepening of two existing 25kV underground primary lines was entered into. Manitoba Hydro completed relocation and lowering of the underground primary lines on November 8<sup>th</sup>, 2016. 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. Cost reconciliation is underway and tentatively it appears that the cost will be consistent with the original amount paid.

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 street lighting and gas line will now be deferred to 2017 due to delays in concluding the lot sales transaction. Preliminary pricing for these services for 2017 installation has been provided by Manitoba Hydro and Centra Gas, and are currently under review.

Additional agreements for installation of street lighting and gas line services for the additional lot will need to be entered into between the City and both Manitoba Hydro and Centra Gas.

- 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 have been reviewed by Legal Services and a Statement of Defence has been filed. 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 by the purchaser 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 has been processed to create these two lots and is currently being registered. The sales transaction cannot be concluded until the lots are registered.

Services and pavements are being installed to the 8 acre lot only. The required extensions are farther south along Mazenod Road and westerly along a roadway right-of-way 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. Underground services installation commenced in November 2016 and was completed by February 1<sup>st</sup>, 2017. Pavement construction will need to be delayed until weather permits that work to be undertaken this year. Estimated cost of servicing, including associated engineering; and natural gas line and street lighting, is estimated at \$1,143,691.00. 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 were 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 96% 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
- Final electrical, and controls and instrumentation completed
- Commissioning completed.
- Certificate of Substantial Performance issued on February 1st, 2017.
- Work remaining in 2017 includes driveway access, grading and landscaping.

**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 –

**Original Contract:**

- Contract awarded April 14th, 2016
- Watermain, Wastewater Sewers/Forcemain – 100% complete
- Roadways – 100% complete
- Land Drainage Sewers - 100% complete
- Lake Excavation - 100% complete
- Ditching – 98% complete
- Sodding of retention basin complete
- Sodding of ditch side slopes delayed due to wet weather, postponed to 2017

**Work to Service Additional Lot:**

- Extra work assigned October 17<sup>th</sup>, 2016
- Watermain – 98% complete
- Wastewater Sewers – 99% complete
- Land Drainage Sewers - 99% complete
- Ditching – 90% complete
- Roadways – 0% complete

## 5. PROJECT SCHEDULE

| Activity  | Target Date   | Status  |
|---|---------------|---|
| Class 3 Estimate  | Nov. 6, 2015  | Complete  |
| Pre-tender (Class 1) Estimate   | Jan. 15, 2015 | Complete  |
| Invitation to Bid ( 2 Bid Opportunities)                              | Jan. 15, 2016 | Complete  |
| Bid Review  | Feb. 19, 2016 | Complete  |
| Construction Contract Award   | Apr. 1, 2016  | B.O. No. 983-2015 –<br>April 11, 2015<br><br>B.O. No. 1134-2015 -<br>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                                  | Oct. 31, 2016 | Feb. 1, 2017 (Actual)   |
| 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 | Dec. 15, 2016 | Feb. 1, 2017 (Actual)   |
| 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<br>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 <b>including</b> Change in Work for Additional 8 acre lot               | Awarded to Cambrian Excavators Ltd. | \$3,194,384.50                                    | \$965,000.00<br><b>Note:<br/>Amount of \$935,000.00 for servicing of additional lot included in over-expenditure amount above.</b> |

|   |   |   |                       |                     |
|---|---|---|-----------------------|---------------------|
| 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) - <b>Estimated</b>              | To be awarded                           | \$69,562.00           | Nil                 |
| Contract Single Source-MM Ref. # 491-2016 | Electrical Service – Manitoba Hydro - Street Lighting for Additional Lot - <b>Estimated</b> | To be awarded                           | \$28,258.38           | Nil                 |
| Contract Single Source-MM Ref. # 755-2016 | Electrical Service - Manitoba Hydro - Primary Cable Lines Relocation                        | Awarded to Manitoba Hydro               | \$66,022.00           |                     |
|   | <b>Total</b>  |   | <b>\$6,467,569.88</b> | <b>\$993,695.00</b> |

## 7. FINANCIAL ANALYSIS

The table included as Appendix 1 provides a financial summary for this project. The Council authority for expenditures required for servicing the St. Boniface Industrial Park Phase 2, primarily to service the Parmalat property, was provided on July 15th, 2015. The approved expenditure amount in that report was \$8.2 million. That amount was subsequently increased by \$400,000 in January, 2016 to address additional funding required for natural gas services. The revised budget shown is therefore \$8.6 million and the forecast expenditure of \$7.427 million is for the baseline services that were required for Parmalat's development. Therefore that part of the project is projected to be about \$1,172,922 under the approved budget. Note that as construction for this phase of the work is nearing completion, contingencies have been reduced to \$124,493 from the previously reported amount of \$388,596.



## Project Funding

The approved budget funds for this project are as follows:

| <b>YEAR</b> | <b>Funding Source<br/>- Land<br/>Operating<br/>Reserve</b> | <b>ACTUAL + PROJECTED<br/>CASH FLOWS</b> | <b>CUMULATIVE BUDGET<br/>REMAINING</b> |
|-------------|--|--|--|
| 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.

| <b>Project Component</b>   | <b>Budget</b>       | <b>Value/Cost<br/>Estimate</b> | <b>Variance<br/>Revised Budget<br/>to Value/Cost<br/>Estimate</b> | <b>Change in<br/>Variance from<br/>Last Report</b> |
|--|---------------------|--------------------------------|---|--|
| 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)  | \$ -   |
| - Lift Station   | \$ 2,258,079        | \$ 1,691,567                   | \$ (566,512)  | \$ (39,682)  |
| - Manitoba Hydro services  | \$ 550,000          | \$ 627,516                     | \$ 77,516   | \$ -   |
| - Man-Shield Partial Retention Basin Excavation  | \$ 166,600          | \$ 92,496                      | \$ (74,104)   | \$ -   |
| Contingencies  |                     | \$ 124,493                     | \$ 124,493  | \$ 124,493   |
| Misc. -Temp. Access road, legal surveys, Internal Project Management, JV Reimbursement | \$ 688,140          | \$ 855,913                     | \$ 167,773  | \$ (285,042)                                       |
| <b>Total</b>   | <b>\$ 8,600,000</b> | <b>\$ 7,427,078</b>            | <b>\$ (1,172,922)</b>   | <b>\$ (200,231)</b>                                |

## 8. PROJECT FINANCING

|                                    | Contribution<br>(in millions) | Cumulative Project<br>Budget<br>(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 April 30th, 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.
- Sale of second lot will have concluded.

**FINANCIAL IMPACT**

**Financial Impact Statement**

**Date:** March 8, 2017

**Project Name:**

Servicing for St. Boniface Industrial Park Phase 2 – Financial Status  
Report No. 6 for the Period Ending January 31st, 2017

**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

This Report has been prepared in consultation with:

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: April 6, 2017  
File No: o:\reports directive\real estate\sales\finstatspc\_stboniface\_parmalatreportno6tojan312017.docx

Attachments:

Appendix 1 – Servicing for St. Boniface Industrial Park Phase 2 as at January 31st, 2017

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

**as at January 31, 2017**

| Project Component<br>(Original Scope)  | Budget (Land Operating Reserve Account) |                   |                     | Expenditure Forecast |                      |                   |             |                     | Surplus<br>(Deficit)<br><br>From Revised<br>Budget | Variance<br>Last<br>Report | Change in<br>Variance |
|--|---|-------------------|---------------------|----------------------|----------------------|-------------------|-------------|---------------------|--|----------------------------|-----------------------|
|  |   |                   |                     | Actual Costs         |                      | Forecast          |             |                     |  |                            |                       |
|  | Original                                | Adjustment        | Revised             | To Jan 31<br>2017    | Remainder of<br>2017 | 2018              | 2019        | Forecast            |  |                            |                       |
| Engineering, design and other costs  | \$ 850,000                              | \$ -              | \$ 850,000          | \$ 740,173           | \$ 46,452            | \$ -              | \$ -        | \$ 786,625          | \$ 63,375  | \$ 63,375                  | \$ -                  |
| Construction:  |   |                   |                     |                      |                      |                   |             |                     |  |                            |                       |
| -Underground Piping, Pavements, and Retention Basin                                    | \$ 4,087,181                            | \$ -              | \$ 4,087,181        | \$ 2,864,788         | \$ 383,680           | \$ -              | \$ -        | \$ 3,248,468        | \$ 838,713   | \$ 838,713                 | \$ -                  |
| - Lift Station   | \$ 2,258,079                            | \$ -              | \$ 2,258,079        | \$ 1,634,909         | \$ 56,657            | \$ -              | \$ -        | \$ 1,691,567        | \$ 566,512   | \$ 526,830                 | \$ 39,682             |
| Manitoba Hydro Services <sup>1</sup>   | \$ 150,000                              | \$ 400,000        | \$ 550,000          | \$ 427,516           |                      | \$ 200,000        | \$ -        | \$ 627,516          | \$ (77,516)  | \$ (77,516)                | \$ -                  |
| Man-Shield Partial Retention Basin Excavation  | \$ 166,600                              | \$ -              | \$ 166,600          | \$ 92,496            | \$ -                 | \$ -              | \$ -        | \$ 92,496           | \$ 74,104  | \$ 74,104                  | \$ -                  |
| Contingencies <sup>2</sup>   |   |                   |                     | \$ -                 | \$ 124,493           | \$ -              | \$ -        | \$ 124,493          | \$ (124,493)                                       | \$ -                       | \$ (124,493)          |
| Misc. -Temp. Access road, legal surveys, Internal Project Management, JV Reimbursement | \$ 688,140                              | \$ -              | \$ 688,140          | \$ 241,313           | \$ 614,600           | \$ -              | \$ -        | \$ 855,913          | \$ (167,773)                                       | \$ (452,815)               | \$ 285,042            |
| <b>Total</b>   | <b>\$ 8,200,000</b>                     | <b>\$ 400,000</b> | <b>\$ 8,600,000</b> | <b>\$ 6,001,196</b>  | <b>\$ 1,225,881</b>  | <b>\$ 200,000</b> | <b>\$ -</b> | <b>\$ 7,427,078</b> | <b>\$ 1,172,922</b>                                | <b>\$ 972,691</b>          | <b>\$ 200,231</b>     |

**Explanatory Notes:**

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

<sup>1</sup> Includes a budget adjustment authorized by Council on January 27th, 2016 for a contract with Manitoba Hydro for natural gas line installation.

<sup>2</sup> Project Contingencies originally included in construction budgets above. Projected unused contingency amounts and reduction in project costs reflected in Surplus/(Deficit) Column total of \$1.173 million.