



## **Staff Report for Council Meeting**

**Date of Meeting:** March 29, 2023

**Report Number:** SRPI.23.041

**Department:** Planning and Infrastructure  
**Division:** Infrastructure and Engineering Services

**Subject:** **SRPI.23.041 – Request for In-Year Budget Approval and Increase to City Financial Contribution for UMESP Sanitary Improvement Project WW-14**  
**City File: D06-20045 (SRPI.22.041)**

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### **Purpose:**

To authorize an in-year increase in capital project budget as well as an increase to the City financial contribution for the Harding Boulevard Sanitary Improvement Project WW-14 that is identified in the Urban Master Environmental Servicing Plan and being delivered by Metroview Developments (Harding) Inc.

### **Recommendation(s):**

- a) That Council authorize and increase the amount of the City's capital project budget and City's financial contribution by \$995,774 (from \$2,788,386 to \$3,784,160) for costs associated with the reconstruction of the Harding Boulevard municipal sanitary sewer system improvement project (WW-14);
- b) That \$465,525 of the increase be funded through the Sanitary Sewer Repair and Replacement Reserve Fund;
- c) That the \$530,249 of increase be funded from the City-wide Engineering Development Charges Reserve Fund;
- d) That staff be directed to include the updated cost of \$3,784,160 for the Harding Boulevard sanitary sewer project in the next update to the City-Wide Development Charge By-Law; and
- e) That Council authorize changes to the structure of the tri-party servicing agreement approved under Staff Report SRPI.22.041, whereby the City would only enter into an agreement with Metroview Developments (Harding) Inc.

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### Contact Person:

Rob Nicoll, Project Coordinator, 905-771-5457

Paul Guerreiro, Manager of Engineering Site Plans and Site Alterations, 905-747-6448

### Report Approval:

**Submitted by:** Kelvin Kwan, Commissioner of Planning and Infrastructure

**Approved by:** Darlene Joslin, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

### Background:

#### **Metroview Developments applications are triggering the need for Harding Boulevard Sanitary Sewer improvements identified in the City's Urban Master Environmental Servicing Plan (UMESP)**

Metroview Developments (Harding) Inc. being the legal owner of the property known municipally as 9825-9839 Yonge Street, 254-264 Church Street South and 11-17 Harding Boulevard, is proposing to construct a 22 storey high density mixed-use development located at the northeast corner of Yonge Street and Harding Boulevard (related Site Plan application: D06-20045)

Metroview Developments (Elmwood) Inc., being the legal owner of the properties known municipally as 9929-9939 Yonge Street and 186-188 Church Street South, is proposing to construct a 21 storey high density mixed-use development located at the northeast corner of Yonge Street and Elmwood Avenue (related Site Plan application: D06-18056).

Refer to location Map 1 for both development locations.

For the purposes of this report, the above referenced property owners will be collectively referred to as "Metroview Developments".

The subject properties are located within the UMESE study area. The UMESE was undertaken to support the City's planned growth and intensification by providing direction on municipal servicing infrastructure requirements needed to support growth in the City's centers and corridors, and the City is collecting Development Charges for these improvements.

The timing for the infrastructure improvements identified in the UMESE is driven by development applications. As such, development applications within the UMESE study area are required to demonstrate conformity to the UMESE and address the adequacy

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of external storm, sanitary and water systems to verify if and when a development triggers system improvements.

Metroview Developments have submitted detailed engineering designs, including sanitary infrastructure capacity assessments in support of their site plan applications. Review of the capacity assessments and corresponding flows confirms that the sanitary system upgrades along Harding Boulevard, identified as Sanitary Improvement Project WW-14 through the UMESP, are needed to support the Metroview Developments applications. The scope of sanitary sewer pipe reconstruction along Harding Boulevard is identified on Map 2, which includes pipe size upgrades from Yonge Street to the Regional trunk sewer, east of Lennox Avenue.

Metroview Developments has agreed to advance the external municipal sanitary works on Harding Boulevard to ensure the necessary infrastructure is in place in time to support the subject developments and facilitate future growth in this area, as well as, secure their approvals. Implementation of the works through the development process will ensure the construction of services in a coordinated and timely manner and accommodate critical development schedules.

### **Servicing Agreement and City Financial Contribution:**

**Council has previously approved a financial contribution and the execution of the necessary agreements to facilitate the Harding Boulevard Sanitary Sewer Improvements**

In December 2022, Council approved Staff Report SRPI.22.041, which authorized the City to execute a servicing agreement with Metroview Developments (Elmwood) Inc. and Metroview Developments (Harding) Inc. to facilitate the delivery of the sanitary system upgrades along Harding Boulevard. Refer to Appendix 1: Staff Report SRPI.22.041.

The December 2022 report also outlined that the City will be making a financial contribution of \$2,788,386 toward the advancement and delivery of the Harding Boulevard Sanitary Improvements. The approval for funding of this financial contribution was secured separately through the City's Annual Capital Budget process.

This contribution amount of \$2,788,386 was based on the value for these works currently being carried in the City's Development Charges By-Law, funded by development charges and the water and wastewater rate for the non-growth component of the project. This value was established using cost estimates generated through the 2014 UMESP, indexed annually to 2023.

**The actual costs of the Harding Boulevard Sanitary Sewer improvements are expected to exceed the City's estimated costs and approved financial contribution**

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During the process of finalizing engineering approvals and the servicing agreement for the Harding Boulevard Sanitary Sewer improvements, it was brought to staff's attention by the applicant's consultant that the actual costs of these works (based on their estimates) would exceed the City's financial contribution amount of \$2,788,386.

At that time, Metroview Developments requested that the City increase their contribution amount to \$6,620,727, to fund the full value of the project based on their consultant's estimate.

### **City staff have confirmed an increase in project costs for the Harding Boulevard Sanitary Sewer improvements through a competitive tender and bidding process**

In response to their request, staff advised Metroview Developments that in order for the City to be able to consider additional funding for the project, confirmation of the increased project cost would need to be established through a detailed and itemized tender package and a competitive bidding process, similar to that of the City's own procurement process for Capital Projects. To that end, staff provided Metroview Developments with a list of prequalified City contractors and required that tender documents be prepared and circulated to a minimum of three (3) contractors under a formal tender process.

In January 2023, following the tender closing, Development Engineering received the results of the tender bidding process. Five (5) bids were received, with all bids exceeding the \$2,788,386 budget allocated for the project. The lowest of the five bids amounted to \$3,784,160.

Staff, having reviewed the tender documents and bids in detail, and are satisfied that a transparent competitive bidding process has been followed, and that the low bid of \$3,784,160 is reasonable and more reflective of the actual project cost for the Harding Boulevard Sanitary Sewer improvements.

Based on their review, staff attribute the increase in project costs primarily to a combination of pandemic related cost increases, supply chain challenges, and the shortage of qualified labourers, as well as a minor increase in pipe size from what was originally identified in the UMESP, but that is required to service the ultimate growth in this development area based on revised population and growth forecasts.

As such, staff support a budget increase for the Harding Boulevard Sanitary Sewer improvements from \$2,788,386 to \$3,784,160.

### **Authorization is required from Council in order to increase the project budget and City contribution for the Harding Boulevard Sanitary Sewer improvement**

Staff advised Metroview Developments that it could support an increase in both the project budget and the City's financial contribution for the Harding Boulevard Sanitary Sewer Project by \$995,774, to \$3,784,160. However, Council approval would be

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required to facilitate this in accordance with the City's Capital Budget Financial Monitoring Policy (Attached as Appendix 2, for reference)

Staff also advised Metroview Developments, that such increases and approvals are typically facilitated through the City's Annual Capital Budget process. Furthermore, Staff also advised that as the increased amount is partly funded from Development Charges, that the City's Development Charge By-Law would need to be updated to facilitate this increase.

However, Metroview Developments stressed that they would need to execute the servicing agreement and pull conditional building permits imminently, so that they could commence construction to meet their obligations with respect to closing dates for the Metroview Harding site, but would not consider signing the servicing agreement without certainty with respect to cost recovery for the sanitary works.

As such, Metroview Developments requested that staff bring forward a report to Council in order to seek that approval for an increase of \$995,774 to the City contribution for the Harding Boulevard Sanitary Sewer improvements.

Metroview Developments also requested that the City prioritize the Metroview Harding Site ahead of the Metroview Elmwood site and execute a servicing agreement with only Metroview Developments (Harding) Inc.

Staff have no concerns to alter the structure of the tri-party servicing agreement, whereby the parties would enter into a conventional servicing agreement, binding only Metroview Developments (Harding) Inc. and the City of Richmond Hill.

### **Financial/Staffing/Other Implications:**

#### **There are two sources of funding for the Harding Boulevard Sanitary Sewer improvement project**

The Harding Boulevard Sanitary Sewer improvement project is a growth related project that is partially funded by Development Charges for the growth component, and there is a benefit to existing resident's component for the replacement of the Harding Boulevard sanitary sewer that will effectively extend the life cycle of the sewer and is therefore funded through water & wastewater rate. The detailed breakdown of the funding for the \$995,774 increase is as follows:

- **City-wide Engineering Development Charges Reserve Fund:** The 2021 City-Wide Development Charges (CWDC) update study includes the infrastructure improvement projects identified in the 2014 UMESP, including the Harding Boulevard sanitary sewer upgrades, which is incorporated into the Development Charges By-law Amendment (34-21) approved by Council. The growth related share of this project is 53.25%, which equates to \$530,249 of the increased

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funding, which will come from the City-wide Engineering Development Charges Reserve Fund.

- **Sanitary Sewer Repair and Replacement Reserve Fund:** As the project provides benefit to existing residents for the replacement of the Harding Boulevard sanitary sewer which will effectively extend the life cycle of the sewer, 46.75% or \$465,525 of the increase funding will be funded through the Water & Wastewater Rate.

There are sufficient funds available in the City-wide Engineering Development Charges Reserve Fund (\$42.8 million) and Sanitary Sewer Repair and Replacement Reserve Fund (\$34.1 million) to facilitate the increase in funding for the Harding Boulevard sanitary sewer.

The increased costs will be incorporated into the 2023 Development Charges Background Study and the future update of the Water and Wastewater Financial Plan, with the intent of limiting the City's financial exposure by recovering these additional costs. However, Bill 23 changes and DC By-Law appeals may impact the City's ability to fully recover this amount through future development charges collection. As part of the 2023 DC By-law Update, staff will continue to assess the financial implication of Bill 23 and develop policies to address and mitigate financial risks to the City. Should the unfunded portion of DCs not be able to be fully recovered, an alternative funding source will be required to make up the shortfall.

Metroview Developments will be responsible for payment of all other fees associated with the preparation of necessary agreements, legal documents, plans, as well as the review of the engineering plans and municipal inspection. Metroview Developments will also provide the required financial securities specified in the servicing agreement.

### **Relationship to Council's Strategic Priorities 2020-2022:**

The recommendation in this report are aligned with the City's Official Plan and the Urban Master Environmental Servicing Plan and generally supports the Council Strategic priorities of Balancing Growth and Green, and Fiscal Responsibility. The servicing agreement will fulfill the City's objective of serving as a role model for municipal management of services as it promotes the timely delivery of infrastructure to support growth and the future needs of the community and will ensure fiscal responsibility in the delivery of this infrastructure.

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### **Climate Change Considerations:**

Evaluating pipe condition and strategically planning for rehabilitation/replacement contributes to climate change mitigation by minimizing the frequency of construction activity and the use of gas-powered equipment that results in GHG emissions.

### **Conclusion:**

Based on the information received from Metroview Developments, Staff are satisfied that that \$3,784,160 is reflective of the actual project cost for the Harding Boulevard Sanitary Sewer improvements, and that this cost was established using a transparent and competitive bidding process.

As such, staff recommend that Council increase the capital budget and the City contribution amount for the Harding Boulevard Sanitary Sewer improvement project (WW-14) by \$995,774, from \$2,788,386 to \$3,784,160, and that the non-growth component of the increase (\$465,525) be funded from the Sanitary Sewer Repair and Replacement Reserve Fund while the growth component of the increase (\$530,249) be funded from City-Wide Engineering Development Charges Reserve Fund.

Furthermore, staff recommend the updated project cost \$3,784,160 for the Harding Boulevard sanitary sewer project be included in the next update to the City-Wide Development Charge By-Law

Staff also recommend that the structure of the tri-party servicing agreement be altered, whereby the parties would enter into a servicing agreement, binding only Metroview Developments (Harding) Inc. and the City of Richmond Hill.

### **Attachments:**

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Map No. 1 - Location Map
- Map No. 2 - WW-14 UMESP Wastewater Project
- Appendix No. 1 - Staff Report SRPI.22.041
- Appendix No. 2 - Capital Budget Financial Monitoring Policy

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### Report Approval Details

Document Title:	SRPI.23.041 Budget Approval Request and City Financial Contribution Increase.docx
Attachments:	- Location Map 1.docx - Map 2 WW-14 Upgrades.docx - Appendix 1 Staff Report SRPI.22.041.docx - Appendix 2 SRCFS.21.046 - Capital Budget Financial Monitoring Policy.pdf
Final Approval Date:	Mar 28, 2023

This report and all of its attachments were approved and signed as outlined below:

**Dan Terzievski - Mar 27, 2023 - 3:15 PM**

**Paolo Masaro - Mar 27, 2023 - 3:59 PM**

**Kelvin Kwan - Mar 27, 2023 - 4:06 PM**

**Gigi Li - Mar 27, 2023 - 4:25 PM**

**Darlene Joslin - Mar 28, 2023 - 10:07 AM**