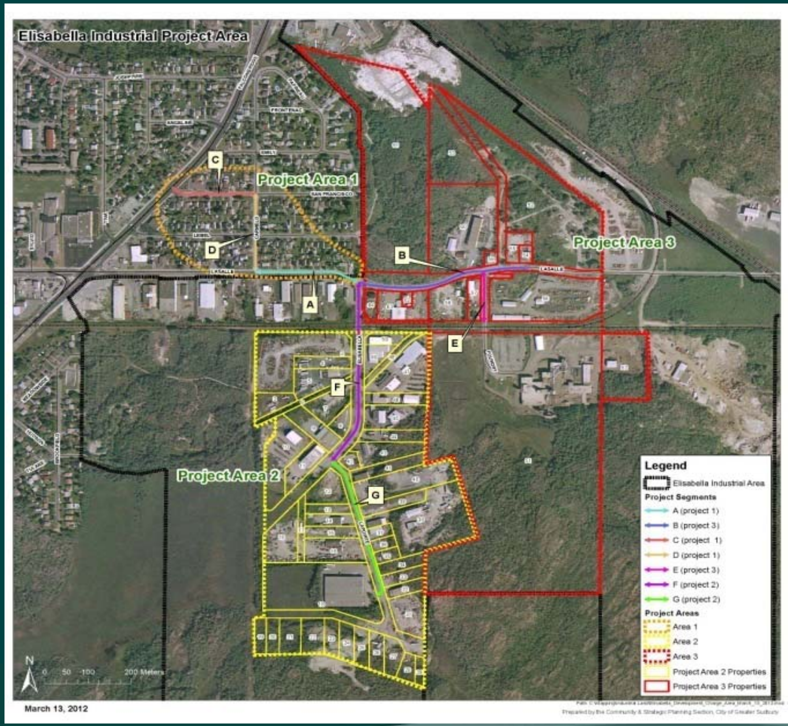
Industrial Land Strategy: Lasalle/Elisabella Industrial Area Project



Council Chambers

Tom Davies Square

May 29, 2012

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Staff Team

- Water/Wastewater
- Roads and Transportation
- Engineering Services
- Economic Development
- Planning Services
- Building Services
- Finance

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Presentation Outline

- Background
- Policy Context
- Project Technical Overview
- Cost-sharing Options
- Conclusion
- Recommendation

Background

- Why Economic Development?
  - 2007 Report to GSDC Board
  - City-owned industrial parks nearly sold-out
- Buoyant economy suggested that private sector may supply industrial development lots

Background

- Decision Point
  - New or expanded municipal industrial parks or partner to assist private industrial lands
  - Two pronged approach taken
- Inventory of land reveals there is 1,216 acres (30-year supply) of industrial land
  - Less than 20% of land (6-year supply) is considered 'shovel-ready'

Background

- Private landowners indicated interest in partnerships
  - Infrastructure upgrades needed to foster development
  - 8 industrial areas with a combination of existing services and development potential across the City considered with total investment required of $60 million
  - Evaluations based on development potential, ease of servicing, other factors

Background

- Two sites chosen to go forward: Fielding Road & Lasalle / Elisabella industrial areas
- Last June, Council approved the following:
  - EA for Fielding Road Industrial Area
  - Development of detailed design and cost-sharing framework for Lasalle/Elisabella Project

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Policy Context

- Policy development in this case is important
  - Largest project where CGS invests in partnership with private sector, directly in internal services for future growth
  - Sets precedent for similar projects
- Watched closely for fairness
  - Many areas faced with ageing infrastructure and/or are affected by a change in fireflow requirements
  - Private developers must cover internal servicing costs to industrial parks

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Policy Context

- CGS policy is that growth should pay for growth
  - Development Cost Share Policy applies where internal or external infrastructure upgrading is required
  - Historic principle and practice is 50/50 split of costs
  - Ensures fairness in dealings with competing private sector interests

Policy Context: Lasalle/Elisabella

- Current CGS practice is to upgrade based on condition, but only to current standards
  – Foundry and Lapointe near top of list
    - $600,000 project planned for 2012
  – Balance of project area not ranked for watermain replacement (no history of breaks)
    - would wait 25 years for replacement, not expansion
- Economic Development Partnership proposed to accelerate projects

Policy Context: Lasalle/Elisabella

- Lasalle/Elisabella area complex
  - Not a true industrial park (single developer)
  - Variety of growth-related requirements with some existing limitations
  - 40 landowners with different needs
- Project does have potential to increase land values and trigger development
- Will create additional 42 acres of shovel-ready industrial land

Project Technical Overview

- Detailed design completed in-house
  - Saved significant dollars ($375 k budgeted)

Project Technical Overview

- Watermains oversized for current fireflow standard and to meet future demand for growth
- Wastewater collection system oversized to meet existing and future demands
- Storm sewer system to mitigate drainage issues

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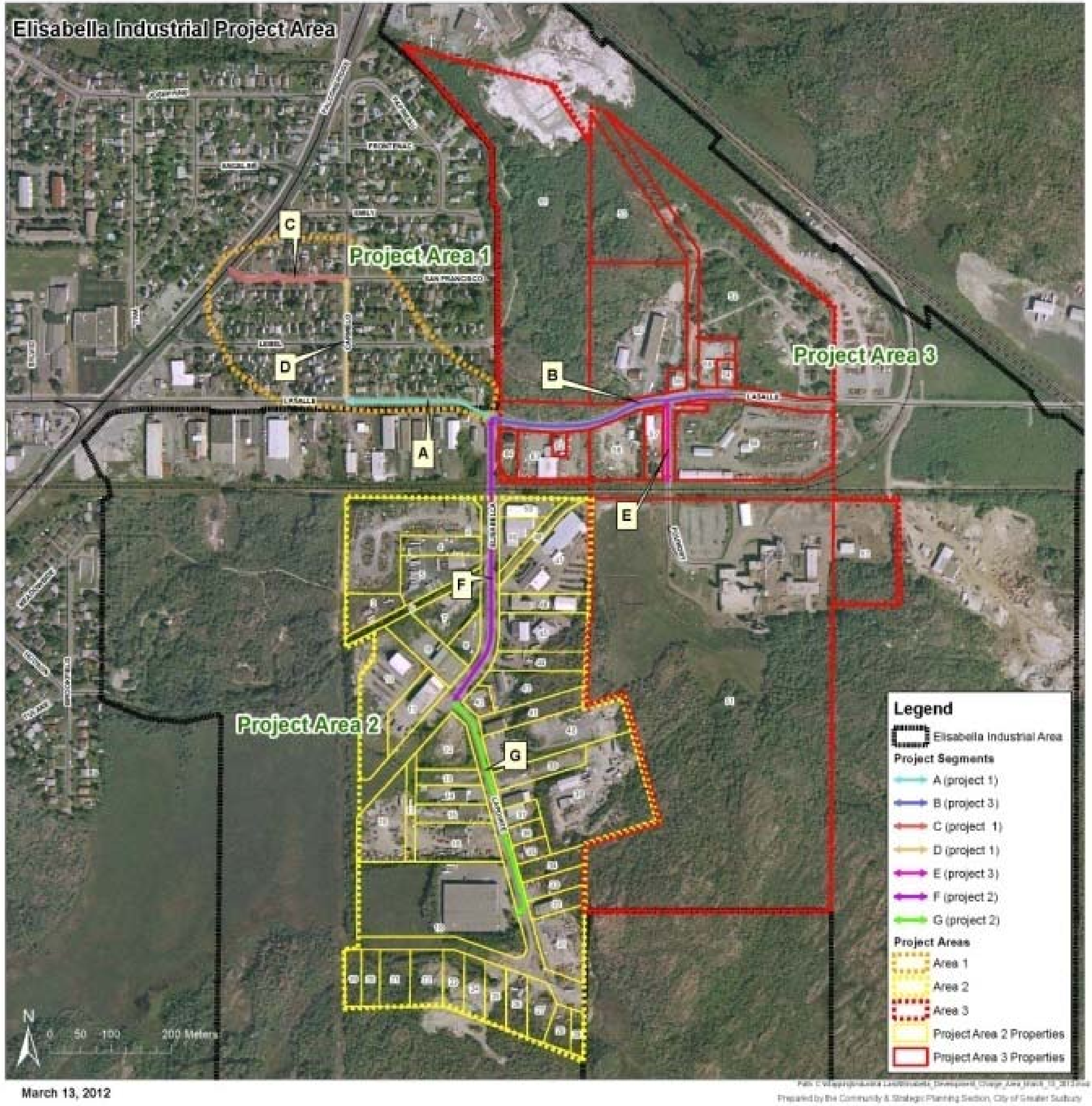
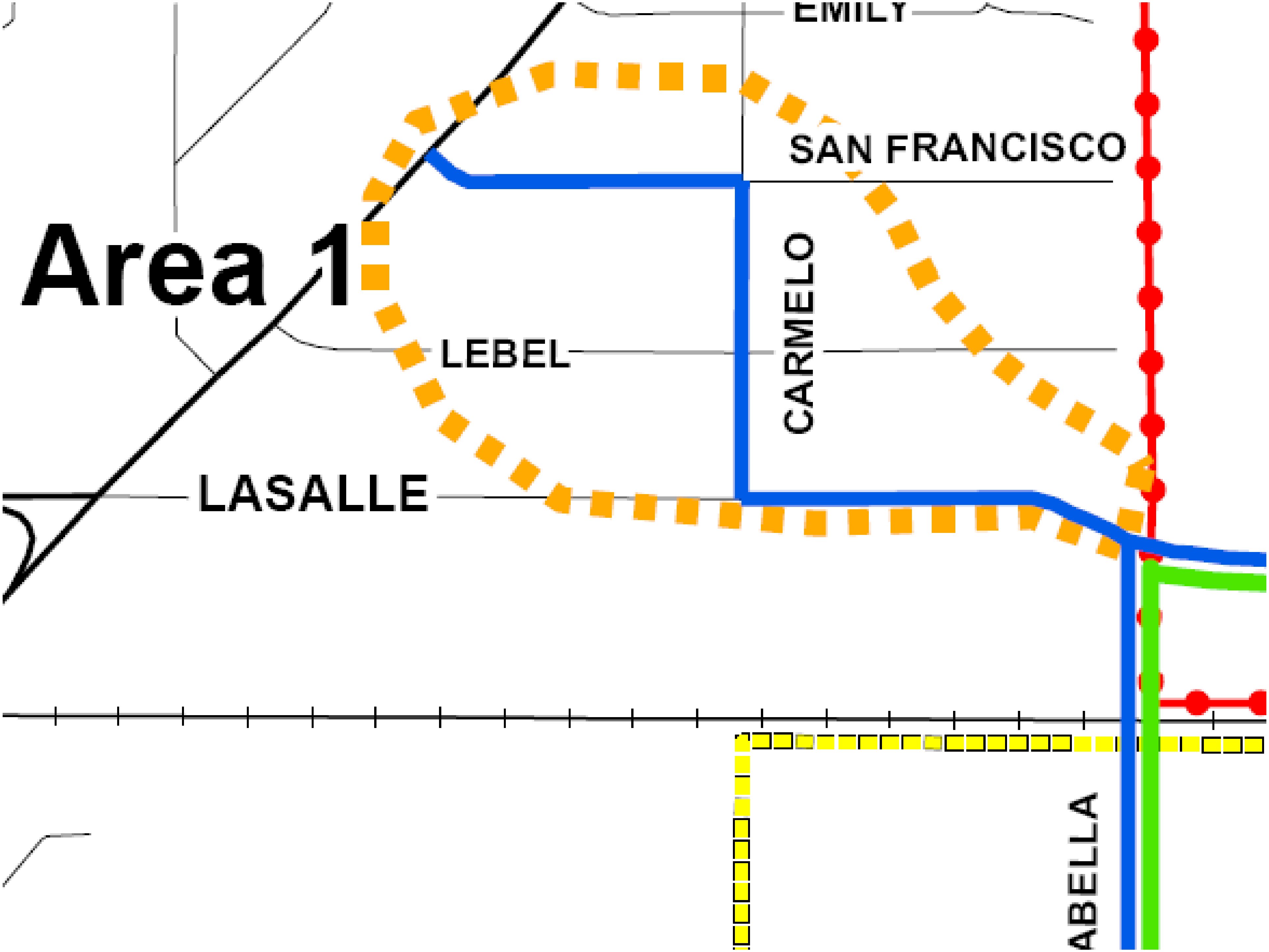
Construction

- 1 Project
- 3 Areas
- Summer 2012 to Fall 2013

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Area 1
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CARMELO
LASALLE
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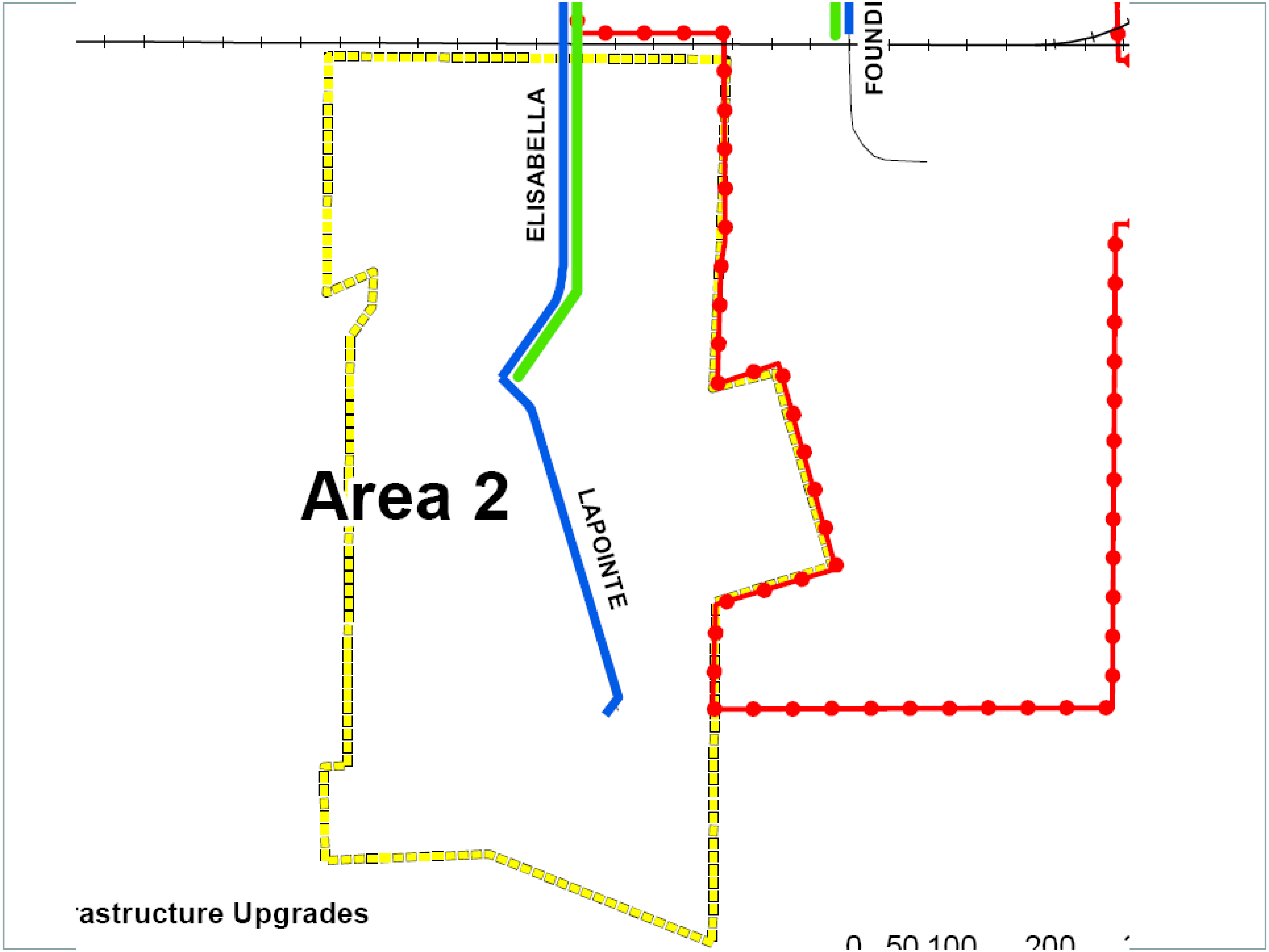

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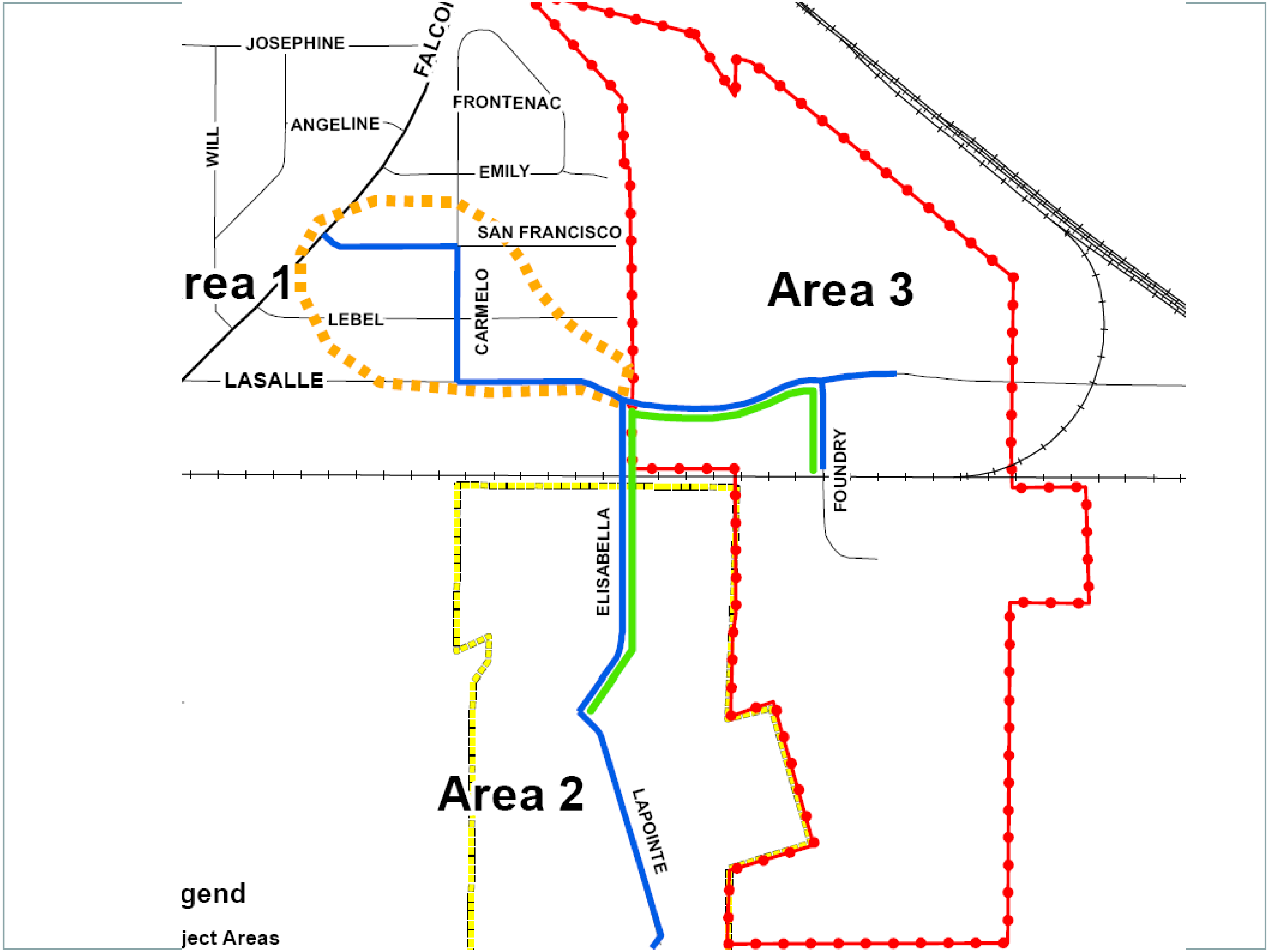

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Project Estimated Cost

By Project Area	Estimated Cost
Area 1 – Offsite	$2.1 Million
Area 2 – Elisabella/Lapointe	$4.8 Million
Area 3 – Lasalle/Foundry	$1.9 Million
Total Project Cost	$8.8 Million

By Asset	Estimated Cost
Roads & Storm Sewers	$4.4 Million
Watermains	$3.3 Million
Sanitary Sewers	$1.1 Million
Total Project Cost	$8.8 Million

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Cost Sharing Options

- Two Options have been prepared
- Option One
  – Presented to landowners in March
- Option Two
  – Developed by staff with consideration to landowners position

Cost-Sharing Options

Key Principles:

- Growth should pay for growth related capital costs
- Partnership contribution is required to accelerate the project

Key Highlights of Options 1 and 2

- City commits to financing $7.8M
- NOHFC committed to $1 M grant
- City commits to provide upfront funding
  - Option 1: 5 year recovery
  - Option 2: 5 year recovery and at Building Permit Stage

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Cost-sharing Formula: Option 1

- Net costs shared 50/50 between CGS & landowners
- Consistent with existing development cost share policy and past practice
- Benefiting landowners share payable over 5 year period
- Portion to be collected from City wide DC
- City must upfront costs

Cost-sharing Apportionment: Option 1

- Apportionment based on the size of the property – the larger the property, the greater the opportunity for development
  - Area 2 - $2.3 Million or $0.739 per sf
  - Area 3 - $1.3 Million or $0.23 per sf
  - Fixed amount is payable over 5 years

Cost-Sharing Option 2 Breakdown of Estimated Costs

	Replacement Costs	Growth Related Costs	Total
Area 1 (Offsite)	$1.1 M	$1.0 M	$2.1 M
Area 2 (Elisabella/Lapointe)	$2.3 M	$2.5 M	$4.8 M
Area 3 (Foundry)	$1.0 M	$0.9 M	$1.9 M
Total	$4.4 M	$4.4 M	$8.8 M

Cost-sharing Formula: Option 2

Two Parts:

- Fixed Amount payable to City over 5 year period: $662K
- 100% of local growth related costs to be collected at Building Permit Stage: $3.4 Million

Replacement of Infrastructure:
(including upsizing to meet current standards)

	Total
Estimated Cost to replace infrastructure (Water, Sewer, allocation of Roads costs)	$4.413 M
Section 391 Recovery Charge payable over 5 years from Benefiting Landowners (20% of Area 2 and 3 replacement costs)	($0.663 M)
Balance to be paid by City Capital Budget (WWW User Fees and Taxes)	$3.75 M

Recovery Charge represents 7.5% of Total Project Costs

Option 2:
Fixed Section 391 Recovery Charge

- Collectible over a 5 year period
  - $467,046 from Area 2 (Elisabella/Lapointe)
  - $195,715 from Area 3 (Foundry/Lasalle)
  - From benefiting landowners based on their proportion of land that is available for development

Option 2: Growth related Costs

Estimated Costs to oversize infrastructure to meet anticipated future development	$4.355 M
Less: Amount to be collected from City wide Development Charges (Area 1: offsite)	($.950 M)
Balance to be recovered from Benefiting Landowners at the Building Permit Stage	$3.4 M

Area 2: $2.4 M

Area 3: $1.0 M

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Option 2 : Calculated Section 391

Recovery Charges at Building Permit Stage

Charge Per Square Foot	Area 2 Recovery Charge	Area 3 Recovery Charge
Year 1 to 5	$3.42	$1.01
Year 6 to 10	$4.22	$1.25
Year 11 to 15	$5.20	$1.55
Year 15 to 20+	$6.42	$1.91

Option 2: City Front Ends Benefiting Landowners Share

Fixed Section 391 Charge Recovered over 5 years from Benefiting Landowners	$662,761
Amount to be collected at Building Permit Stage (if/when development occurs)	$3,405,103
Total Upfront Funding	$4,067,864

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Funding Shortfall

Source of Funding	Amount
Total Project Costs	$8.8 M
Less Approved Funding Sources:	
Roads Capital Budgets (2011 to 2013)	$2.050 M
Water Capital Budgets(2011 to 2013)	$1.575 M
Wastewater Capital Budgets(2011 to 2013)	$1.050 M
NOHFC Grant	$1.0 M
TOTAL	$5.675 M
Funding Short Fall	**$3.125 M**

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Potential Funding for Shortfall

Source of Funding	Amount
Industrial Park Reserve Fund	$1.3 M
2012 Capital Budget envelope for Industrial Land Strategy	$0.2 M
Future Industrial Land Strategy capital envelopes (2013, 2014, 2015)	$1.050 M
Explore future funding from Senior Levels of Government	$1.0 M
TOTAL SHORTFALL	**$3.125 M**

Cost-Sharing Option 2

Funding for Option 2

- Should funding from senior levels of government fall short, staff will identify another funding source
- An alternate option can be developed to increase upfront contribution and reduce collectability risk to CGS

Comparison of Option 1 and 2

	Option 1	Option 2
Benefiting Landowner's Share collectible over a 5 year period	$3.6 M	$0.66 M
Building Permit Stage	$ -	$3.4 M

Comparison of Option 1 and 2: An Example - Area 2

	Option 1	Option 2
Benefiting Landowner’s Share collectible over a 5 year period	$49,915	$6,853
Building Permit Stage (10,000 sf expansion)	$ -	$34,200

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Comparison of Option 1 and 2: An Example - Area 3

	Option 1	Option 2
Benefiting Landowner's Share collectible over a 5 year period	$73,968	$16,529
Building Permit Stage (20,000 sf expansion)	$ -	$20,200

Conclusion

- Lasalle/Elisabella Servicing Project meets objectives set out by GSDC in 2007
- Upgrades could trigger expansion of existing businesses and attract new ones
- Will add 42 acres of shovel-ready land to city's inventory (est.1-year supply)

Recommendation

1. That CGS Council approve Option ___ as the City's position on cost-sharing for the Lasalle/Elisabella Servicing
2. That staff be directed to communicate the City's position to the benefitting landowners

Recommendation

3. Providing that more than 2/3 of the landowners, representing at least 50% of total project land area confirm their partnership in the proposed project, the appropriate by-law be prepared and presented to Council for approval

Questions?