



**Subject: East Side Employment Lands Servicing – Phase One
Construction and Funding Approval**

To: Council

From: Development and Government Relations Department

Report Number: 2025-139

Meeting Date: June 24, 2025

Recommendation:

That Development and Government Relations Department Report 2025-139 be received; and

That the Chief Administrative Officer and Director of Public Works be authorized to execute the required contracts and agreements, with an upset limit of \$4,300,000, for the construction of infrastructure to support the development of Phase One of the East Side Employment Lands; and

That the Chief Administrative Officer and Director of Development and Government Relations continue with Asahi Kasai to establish a water and wastewater purchase agreement to be brought to Council for approval; and

That the Mayor, Chief Administrative Officer and Director of Development and Government Relations impress upon the Province of Ontario that the project infrastructure timelines are in jeopardy absent the funding requests submitted.

Purpose:

The purpose of this report is to request Council's approval to delegate authority to the Chief Administrative Officer (CAO) and Director of Public Works to execute the required contracts and agreements to complete the construction of infrastructure to support the development of the East Side Employment Lands (ESEL) and to provide direction for the CAO and Director of Development and Government Relations to continue working on securing the necessary funding by way of a water and wastewater purchase agreement and grants. This report also provides an update on construction and project funding.

Background:

The ESEL development involves the construction of several kilometers of trunk watermain, wastewater gravity and forcemains, a wastewater pump station, and a tunnel crossing beneath the Welland Canal. This infrastructure provides a second water and wastewater line under the Welland Canal to service the City's east side. In addition to supporting current infrastructure, it will support future residential and industrial growth, including servicing the Asahi Kasei battery separator facility.

The ESEL is located at the north end of Port Colborne, bordered by the Welland Canal, Second and Third Concession Roads, and Highway 140. These lands are un-serviced, permit industrial use, and are part of the Niagara Gateway Economic Zone. The Niagara Region and City of Port Colborne are committed to providing the necessary resources to develop these lands, extend servicing and utilities to the east side of the canal, and enhance existing infrastructure.

The initial project is a coordinated effort between the City and the Niagara Region and consists of water servicing to the Asahi Kasei site by the second quarter of 2026, and wastewater servicing, which includes the completion of tunnel crossing by the third quarter of 2027. The project plan includes funding from the Federal and Provincial governments, development charges and a water and wastewater purchase agreement from Asahi Kasai. The project funding plan as designed is not anticipated to have an impact on current water or wastewater rates. At present the Federal grants have been secured, the Provincial grant is outstanding, and the Asahi Kasai water and wastewater purchase agreement is in development.

The City retained Associated Engineering (AE) to complete the engineering design for the watermain servicing portion of the ESEL, a critical step for the Asahi Kasei development. In November 2024, through report 2024-221, the scope was expanded to complete the detail design for the remaining portions of the development which included a sanitary pump station, wastewater forcemains and gravity system, and roadway upgrades. The Niagara Region also retained AE to complete the engineering design of the Eastside Pumping Station Forcemain and Barrick Road Watermain Extension, which involves tunnelling to cross the canal. The design for the canal crossing is in the final stages and soon to be released for tender to construct with an anticipated start in July 2025.

To meet the timelines for servicing the Asahi Kasei battery separator site, staff developed a phased approach for the full build out of the development to allow for the construction of the watermain and wastewater systems to begin, while engineering design for remaining works continue simultaneously. The engineering design for the first phase of the development has been completed and a contractor has been tentatively selected through a competitive bidding process for construction of the project.

The City's portion of the ESEL development was divided into three phases to allow certain components to proceed to construction while design work for the second and third phases continues in parallel. This phased approach was necessary to meet both immediate and long-term infrastructure needs, supporting the Asahi Kasei battery separator plant and the encompassing ESEL development. Phase one of the ESEL development is critical to support the services needed to bring the Asahi Kasei battery separator plant online. This includes approximately 3,200 meters of trunk watermain, 1,900 meters of gravity wastewater pipes, and 4,100 meters of wastewater forcemain pipes.

The engineering design of phase one was previously approved by Council and completed in January 2025. Due to the criticality of the project and required timelines, City staff issued a request for supplier qualification to ensure only qualified contractors would be eligible to bid on the project. The prequalification was issued on January 20, 2025, and closed on February 18, 2025. The City received a total of 6 submissions and the top 3 ranked proponents were short-listed to participate in an invitational second stage competitive process. The tender was issued on March 18, 2025, and closed on April 18, 2025. Two of the three qualified contractors submitted bids for the following amount:

1. Peters Excavating Inc. \$15.9 million
2. Rankin Construction Inc. \$17.9 million

A review and analyses of the bids were completed, and staff recommend proceeding with the low bidder. To secure the bid submission, the City is required to execute the form of agreement prior to the end of the irrevocable period set for July 1, 2025, unless otherwise agreed to by both the City and Peters Excavating.

The total estimated construction cost, including contingency for phase one of the ESEL development is \$19.9. This includes \$4 million spent to date on engineering design for key project components. The contractor is available to begin construction in June 2025 with an estimated completion in second quarter of 2026.

Discussion:

The total cost of the servicing project is anticipated to be approximately \$80 million. As the project moves through design and public procurement stages the project cost will be updated.

Federal and Provincial governments do not have grant programs to service industrial land; however, the City has identified housing benefits from the project identified in this report and/or other housing projects where funding can then be substituted. The most significant being the proposed housing development across from the Vale Health and Wellness Centre.

The federal government recently approved the City's application to the Canada Housing Infrastructure Fund (CHIF) and staff will be coming forward in the near future with a report outlining the projects.

The City has not received any provincial funding for applications submitted to the Housing Enabling Water Systems Fund (HEWSF). Staff have had multiple conversations with Provincial Ministers explaining the urgency. Staff are continuing to work with the Province on securing financial support. This includes Ministerial meetings at provincial-municipal conferences and ongoing outreach with key Ministerial staff.

Project timelines and completion are of paramount importance to Asahi Kasei like they would be for any company building a new plant. They need to be operational by the third quarter of 2027 to meet their contractual obligations to customers. To meet this timeline, construction contracts need to be awarded and executed now so that the servicing work can begin.

Recognizing the Provincial funding component is still outstanding, staff are recommending a measured approach whereby the initial contract for construction be awarded to Peters Excavating through an Early Works agreement with an upset limit of \$4.3 million. This keeps the project moving while limiting our financial risk while the Province considers our grant funding application.

In the interim, staff, Asahi Kasei representatives, and our respective solicitors, will continue to negotiate a water and wastewater purchase agreement to fund the water and wastewater infrastructure at the ESEL site.

Staff also continue to work with our solicitors and our strategic advisory firm to prepare the legal, financial, and governance framework to establish a new Municipal Services Corporation (MSC) as discussed at Council previously.

Asahi Kasei have been great partners throughout this process; they have demonstrated their commitment to finalize a water and wastewater purchase agreement with the City that addresses both their and City risks. This agreement, once negotiated, will come to Council for approval.

The servicing of the City's East Side Employment Lands, and extending these services to the Asahi Kasei site, will continue to attract private sector investment and result in employment growth and economic prosperity for Port Colborne and Niagara communities. However, completing the phases of this project within the desired timelines is uncertain without Provincial funding which is integral to project financing and the City's borrowing limits. City staff will continue to work closely with the Province and will keep Council informed.

Internal Consultations:

The servicing and development of the ESEL have involved collaboration across multiple City divisions including Economic Development, Planning, Building, Financial Services, Public Works, and the Office of the Mayor and CAO. Ongoing coordination among these divisions has been essential to the planning and development of the ESEL projects.

Financial Implications:

Staff are working through the funding model to support the full build out of the development. Federal funding for housing related infrastructure will help to cover a portion of the City's cost of Niagara Region's tunneling project under the canal to bring water and wastewater infrastructure to the east side while also providing borrowing capacity for the industrial servicing. To date, despite several applications and follow-up meetings, the City has not received the requested Provincial funding which is integral to completing the financing plan and keeping the project on track.

To ensure staff meet the committed timelines for the Asahi Kasei battery separator plant, staff are requesting approval for \$4.3 million to be funded from internal reserves which will be reimbursed by the first tranche of project financing which is expected this fall and subject to future Council approval.

To date, through Staff Report 2024-221 approved at the November 26, 2024, Council meeting, the City has allocated a total of \$4.6 million towards engineering design and subject matter expert fees for the development of ESEL. Of the \$4.6 million, a total of \$1.5 million is being funded by the Southwestern Ontario Development Fund (SWODF).

Strategic Plan Alignment:

The initiative contained within this report supports the following pillars of the strategic plan:

- Environment and Climate Change
 - Welcoming, Livable, Healthy Community
 - Economic Prosperity
 - Increased Housing Options
 - Sustainable and Resilient Infrastructure
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Conclusion:

The ESEL project will provide the infrastructure needed to support new industry, including the Asahi Kasei battery separator plant, and prepare the City for future residential and industrial growth.

Securing the necessary funding and moving forward with construction is essential to ensuring that Port Colborne remains competitive, attracts new investment, and continues to provide sustainable and resilient infrastructure that aligns with the City's strategic priorities.

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.