



Subject: East Side Employment Lands – Phase 1 Servicing Project

To: Council

From: Office of the Chief Administrative Officer

Report Number: 2023-109

Meeting Date: June 13, 2023

Recommendation:

That Chief Administrative Office report 2023-109 be received;

That the Director of Public Works be directed to initiate design work, engineering, and construction, in partnership with Niagara Region, for phase one servicing for the City's East Side Employment Lands;

That the Director of Public Works be directed to retain a qualified engineering consultant to review, revise, and update the detailed design and drawings for the proposed infrastructure for the East Side Employment Lands;

That the Manager of Strategic Initiatives be directed to submit an application to the Ministry of Economic Development, Job Creation and Trade's Southwestern Ontario Development Fund to request funding for servicing work for the City's East Side Employment Lands; and

That Council commit to funding the City's share of the project from the 2024 and 2025 Capital Budgets.

Purpose:

The purpose of this report to request a Council motion directing staff to commence work regarding the servicing of the East Side Employment Lands (ESEL) and pass a resolution in support of the City's application to the Southwestern Ontario Development Fund (SWODF).

Background:

The City's East Side Employment Lands (ESEL), shown in Appendix A, are located at the north end of Port Colborne, east of the Welland Canal, north of Concession Two, south of Concession Three, and west of Highway 140. These lands are un-serviced, zoned industrial, and are primarily owned by the City of Port Colborne and Transport Canada (see Appendix B). Some lands are owned by the private sector.

In 2014, AECOM Engineering were retained to develop a master plan for servicing the City's East Side Employment Lands and completing improvements to Ramey Road (renamed Progress Drive) and the 3rd Concession. The rationale for undertaking this master plan was to help the City better respond to development inquiries for industrial land; help the City meet its economic growth objectives; and coordinate with Niagara Region on their project to extend services under the canal to the 2nd Concession.

The Southwestern Ontario Development Fund is a provincial funding program administered through the Ministry of Economic Development, Job Creation and Trade (MEDJCT), designed to provide businesses, municipalities, and not-for-profit organizations with support for economic development projects.

The City of Port Colborne intends to apply to the community economic development stream of this funding program. To be eligible, projects need to:

- 1) be led by municipalities, economic development organizations, or sector organizations;
- 2) focus on economic and business development and job creation in the community or region by investing in infrastructure or implementing strategies to advance regional economic development priorities;
- 3) lead to measurable outcomes including private sector investment, growth and job creation;
- 4) invest more than \$100,000;
- 5) have private sector support; and,
- 6) be used for activities that are new to the organization.

The servicing project, outlined in this staff report, aligns with the objectives of SWODF and prepares the ESEL for private sector investment.

Discussion:

Over the past three years, there has been a significant increase in the number of inquiries from site selectors, investors, and developers interested in serviced industrial land. This strong demand is consistent throughout Niagara and the province with industrial development being one of the best performing asset classes in real estate investment as supply is not meeting demand. Recently, City staff are having to turn

away interested parties and their investment because the City doesn't have serviced industrial land.

Niagara Region has a project within their existing capital works plan to bring municipal services and utilities from the west side of the City from Barrick Road, under the canal, to the east side to service the East Side Employment Lands and future industrial development. In recent discussions with senior leadership and Public Works officials at Niagara Region, the canal crossing servicing project will be completed in 2026.

Given the demand for serviced industrial land, and the opportunities presented by the East Side Employment Lands, City staff are recommending that phase one of the servicing on the east side be designed, engineered, and constructed over the next 12-18 months (see Appendix C). In fact, phase one will service forty (40) acres of industrial land that will facilitate private sector investment and the construction of a processing facility that will create 80-100 jobs and economic activity. There are several components of the ESEL servicing project, they are as follows:

- 1) complete a new Environmental Assessment;
- 2) create a permanent watermain to service the ESEL;
- 3) install the necessary servicing infrastructure so that it is in place when the permanent water and wastewater services are extended to the east side;
- 4) complete detailed design and drawings for Ministry of Transportation review for a new road off of Highway 140 that would provide access to future industrial lands at Progress Drive.
- 5) initiate detailed design and drawings for phase 2, specifically Ramey Road/Progress Drive connection and construction; survey work; servicing plan for Progress Drive industrial lands; modifications to Highway 140 with new access road, and coordination with key stakeholders.

Primary responsibility for water and wastewater systems and infrastructure rests with Niagara Region. To this end, they have agreed to partner with the City on aspects of this servicing project as they recognize the strategic location of these lands and the importance of having services to attract industrial investment. However, it should be noted that the City is responsible for extending services north to the East Side Employment Lands once the new Regional watermain and sanitary services are located on the east side.

City staff recommend that an application be submitted to SWODF to request that the province partner with the City and Region on this economic development project and provide a financial contribution as this project aligns with the program objectives to attract private sector investment and create economic activity and jobs. This project has already been screened for eligibility by MEDJCT officials and was determined to be eligible for the second step of the SWODF application process, which entails completing a full application. The SWODF application is due June 15th.

Staff will come back to Council in Q4/2023 with more project information, cost estimates, and a funding strategy for phase two of the East Side Employment Lands and Niagara Region's canal crossing servicing project.

Internal Consultations:

Discussions regarding the servicing and redevelopment of the City's East Side Employment Lands have involved Corporate Services, Economic Development, Planning, Public Works, and the Office of the Mayor and CAO.

Financial Implications:

City staff retained an external engineering firm to provide a high-level cost estimate, including a 20% contingency, for the components of this project. Based on discussions with Public Works staff, the cost breakdown is as follows:

Phase 1 - Project Scope:

• Environmental Assessment and Detailed Design	\$ 600,000
• Construction - Install water/wastewater services	\$ 3,500,000
• Construction of Regional watermain on 2 nd Concession	<u>\$ 2,400,000</u>
Total Project Cost	\$ 6,500,000

Funding Sources:

• Niagara Region	\$ 2,400,000
• City of Port Colborne	\$ 2,250,000
• Private sector partner	\$ 350,000
• Southwestern Ontario Development Fund	<u>\$ 1,500,000</u>
Total	\$ 6,500,000

This City is seeking the maximum contribution from SWODF which equals \$1.5 million. Staff are recommending that the City's portion of this project be funded from the 2024 and 2025 Capital Budgets. Some of the project costs will be shared with Niagara Region and a private sector partner.

At the time of writing this report, no funding sources are under agreement and are subject to change.

Borrowing costs on \$2,250,000 are approximately \$150,000 per year, if financed at 5% over 30 years. Once the project is complete (water and wastewater connected) and the one private sector partner is fully operational, a partial offset to this amount would occur. This noted, the combined water and wastewater budgets would still likely need to increase approximately 1.0% to accommodate.

Should the City be required to fund the full \$6,500,000, borrowing costs would be approximately \$423,000 per year, if financed at 5% over 30 years. Once the project is complete (water and wastewater connected) and the one private sector partner is fully operational, a partial offset to this amount would occur. Note, the wastewater while started in this phase would not be completed until Phase 2. This noted, the combined water and wastewater budgets would still likely need to increase approximately 3.0% to accommodate.

As Phase 2 is built out, additional revenue may become available should additional lands be developed as anticipated. In this case, costs may be recovered from land sales, future water and wastewater sales and the future development as companies locating within the East Side Employment Lands will be expected to enter a development agreement that will address the provision of services and infrastructure, and how costs are to be shared.

At the time of writing this report, future revenue cannot be estimated but it is anticipated that future revenue sources will not offset the cost of the project.

The City will however realize future benefits/return on investment through increased tax assessment, direct and indirect economic activity, and new jobs.

Public Engagement:

Not applicable.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

The City of Port Colborne, along with Niagara Region, has a shortage of serviced industrial land and this deficiency is hampering investment attraction efforts. Niagara Region's capital project to bring municipal services and utilities under the canal in 2026 will support the City's efforts to service the East Side Employment Lands and it is important be ready. To this end, City staff are recommending that a phase one servicing project for the east side be initiated involving the installation of permanent water and sewer infrastructure to facilitate private sector investment and construction on forty (40) acres of industrial land and so that the infrastructure is in place and ready for when services are available on the east side. City staff are also recommending that the detailed design and drawings be completed for Ministry of Transportation review regarding a new road created off Highway 140 that would provide truck access to service future industrial lands on Progress Drive. Finally, staff are recommending that background work, studies, and assessments be initiated for phase two to continue with the momentum of phase one.

Public Works staff and a consulting engineer have estimated the total project cost to be \$6.5 million with a portion of the project being funded by Niagara Region and a private sector partner. City staff are recommending that an application be submitted to SWODF requesting \$1.5 million, which represents the maximum contribution the province will provide. This project will also allow the City to capitalize more quickly on the opportunities of the East Side Employment Lands as initial servicing infrastructure will already be in place once permanent services are available in 2026.

Appendices:

- a: Property Map – East Side Employment Lands (ESEL)
- b: Property Map – Port Colborne Industrial Lands and Multi-Modal Options
- c: Concept Plan – Phase 1 Servicing and New Road for ESEL

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.