

**Subject: Front-Ending Report – Cost Increase on the Sanitary Forcemain
Twinning Stage 2 for the Village of Richmond**

File Number: ACS2022-PIE-PS-0080

Report to Agriculture and Rural Affairs Committee on 30 June 2022

and Council 6 July 2022

**Submitted on June 15, 2022 by Derrick Moodie, Director, Planning Services,
Planning, Real Estate and Economic Development**

**Contact Person: Stream Shen, Coordinator (A), Front Ending Agreements and
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Ward: Rideau-Goulbourn (21)

**Objet : Rapport d'entente préalable – hausse de coût de l'étape 2
du jumelage de la conduite de refoulement de l'égout sanitaire du village de
Richmond**

Dossier : ACS2022-PIE-PS-0080

Rapport au Comité de l'agriculture et des affaires rurales

le 30 juin 2022

et au Conseil le 6 juillet 2022

**Soumis le 15 juin 2022 par Derrick Moodie, Directeur, Services de la planification,
Direction générale de la planification, des biens immobiliers et du développement
économique**

**Personne ressource : Stream Shen, Coordinateur par interim, Ententes préalables
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Quartier : Rideau-Goulbourn (21)

REPORT RECOMMENDATIONS

That Agriculture and Rural Affairs Committee recommends Council approve the following:

- 1. Authorize the City and delegate authority to the General Manager, Planning, Real Estate and Economic Development Department, to enter into a modified Front-Ending Agreement (the “Agreement”) with Mattamy (Jock River) Limited in relation to the design and construction of 5.9 kilometres of 600-millimetre diameter forcemain, from the existing twinned 600-millimetre diameter forcemain at the overflow lagoon to 5.9 kilometres along Eagleson Road, as outlined in this report, in accordance with the Front-Ending Agreement Principles and Policy set forth in Documents 1 and 2 and with the final form and content being to the satisfaction of the City Solicitor;**
- 2. Pursuant to said Agreement, authorize the receipt from Mattamy (Jock River) Limited of an additional \$2,216,596 plus applicable taxes for a total of \$13,863,775 plus applicable taxes in accordance with the Agreement, to fund the above-described works which are to be completed by the City;**
- 3. Pursuant to the said Agreement, upon receipt of the above-described funds, authorize the City to award the contract for the said works and provide contract administration and site inspection for their construction; and**
- 4. Pursuant to the said Agreement, authorize financial disbursements to reimburse Mattamy (Jock River) Limited for an additional \$2,216,596 plus applicable taxes for a total of \$13,863,775 plus applicable taxes, funded as follows:**
 - i. Area specific development charges collected, on a schedule to be set out in the Front-Ending Agreement and which maintains priority of funding for currently planned area specific development charge funded projects, pursuant to the Front Ending Agreement, for an additional \$1,662,447 plus applicable taxes to a total upset limit of \$10,397,831 plus applicable taxes;**
 - ii. Sewer reserves to an upset limit of \$3,465,944 plus applicable taxes.**

RECOMMANDATIONS DU RAPPORT

Que le Comité de l'agriculture et des affaires rurales recommande ce qui suit au Conseil :

- 1. Autoriser la Ville à conclure une entente préalable modifiée (l' « entente ») avec Mattamy (Jock River) Limited et en déléguer le pouvoir au directeur général de Planification, Immobilier et Développement économique, en vue de procéder à la conception et à l'installation d'un tronçon de 5,9 kilomètres de conduite de refoulement d'un diamètre de 600 mm, entre la conduite de refoulement jumelée existante d'un diamètre de 600 mm et l'étang de trop-plein, sur 5,9 kilomètres le long du chemin Eagleson, comme le décrit le présent rapport, conformément aux principes et à la politique de l'entente préalable énoncés dans les documents 1 et 2, et dont la forme et le contenu définitifs seront à la satisfaction de l'avocat général;**
- 2. Autoriser, en vertu de ladite entente, le paiement par Mattamy (Jock River) Limited d'un montant supplémentaire de 2 216 596 \$ (taxes en sus) pour un total de 13 863 775 \$ (taxes en sus), conformément à l'entente, pour financer les travaux décrits ci-dessus, qui doivent être terminés par la Ville;**
- 3. Autoriser la Ville, en vertu de ladite entente et après réception des sommes précisées ci-dessus, d'établir des plans et devis pour les travaux susmentionnés et d'assurer l'administration du contrat et l'inspection du site en vue des travaux; et**
- 4. Autoriser, en vertu de ladite entente, les sorties de fonds nécessaires pour rembourser à Mattamy (Jock River) Limited un montant supplémentaire de 2 216 596 \$ (taxes en sus) pour un total de 13 863 775 \$ (taxes en sus), de la manière suivante :**
 - i. Redevances d'aménagement propres à un secteur, perçues selon un calendrier à établir dans l'entente initiale et accordant la priorité au financement des projets associés aux redevances d'aménagement propres à un secteur qui sont actuellement prévus et financés, en vertu de l'entente initiale, pour un montant supplémentaire de 1 662 447 \$ (taxes en sus) jusqu'à hauteur de 10 397 831 \$ (taxes en sus);**
 - ii. Fonds de réserve d'égout jusqu'à hauteur de 3 465 944 \$ (taxes en sus).**

BACKGROUND

The Village of Richmond is a rural community located in the southwestern end of Ottawa. The Village of Richmond Community Design Plan and accompanying Official Plan and Zoning By-law Amendment, Master Servicing Study and Class Environmental Assessment (ACS2010-ICS-PGM-0122) was approved by City Council on July 14, 2010. The Community Design Plan outlines the objectives and vision for the Village, including its sanitary servicing strategy which states that all new major developments will proceed based on the central wastewater collection system.

The Village of Richmond Wastewater Collection System Upgrades Functional Design Study was completed in September 2019. The objective of the report is to identify the works necessary to relieve current constraints on developments in the Village of Richmond imposed by the capacity of the sanitary sewer system.

The report broke down the sanitary upgrade into four phases. Phase 1 and 2 of the upgrades is towards the existing pump station upgrade and the initial sewer and forcemain works. Phase 3 work includes the installation of 5.9 kilometres of 600-millimetre diameter forcemain, which is the subject of the current report. This section will be referred to as forcemain twinning stage 2 to avoid confusion with the phasing terminologies. Lastly, phase 4 is for the installation of the remaining forcemain twinning stage 3, which will extend the forcemain to the discharge chamber on the Glen Cairn Trunk Sewer within the City's urban area.

On September 9, 2020, a Front-Ending Report to front-end the cost of the design and construction of the forcemain twinning stage 2 was approved by Council (ACS2020-PIE-PS-0072). The report estimated that the total project cost to be \$18,713,179, with an existing available city funding of \$7,066,000. Mattamy (Jock River) Limited agreed to front-end the remaining difference of \$11,647,179 plus HST. The work is proposed to be tendered and managed by City staff once funding is received from the developer. An agreement has since been executed and the funding was received.

Following the completion of the tendering process for the subject works, the final cost based on the preferred tender bid is \$20,929,775 plus applicable taxes, which represents a \$2,216,596 increase from the initial project estimate. The reason for the increase is due to the current highly volatile construction market conditions and a general increase in construction labour cost, fuel cost, and material inflation. The purpose of the report is to seek Council approval for Mattamy (Jock River) Limited to front-end the additional cost increase.

The project is listed in the Development Charges Background Study under Appendix D.3, Table 2, as Item 3.2.1 Richmond Pump Station and Forcemain Expansion – Phase 2, Project Number 10.508B4, with a gross project cost of \$30,689,564. The forcemain twinning stage 2 represents a portion of the above total. The funding split for the project includes a 25 per cent share attributed to benefit to existing and with the remaining 75 per cent being development charges eligible.

DISCUSSION

Mattamy (Jock River) Limited has subdivision application (D07-16-18-0017) in the Village of Richmond that requires the sanitary capacity from the forcemain twinning works to proceed with its development. Therefore, the developer has agreed to front-end the increase in cost related to the works. Once the funding is received, the city project manager will award the tender for the project based on the policies within the City's Procurement By-law. The project is currently estimated to be completed during Q3 2023 and will provide the necessary sanitary capacity to support Mattamy's proposed developments.

The front-ended funds will be repaid under two streams. \$10,397,831 of the funding (75 per cent) that is development charges eligible will be repaid as development charges are collected through the Area Specific Development Charges for the Village of Richmond sanitary sewer infrastructure upgrades. The growth component for Phase 1 and 2 projects will be reimbursed first. Once those reimbursements are completed, development charges collected will be used to reimburse Mattamy (Jock River) Limited and the City development charges contribution on a quarterly, pro-rated basis. The remainder of the funding, being \$3,465,944 (25 per cent), is benefit to existing and is funded through user rates. This portion is recommended for repayment in 2026. Staff project 2026 is a reasonable timeframe in which the City would otherwise have planned to incur the expense for this works.

RURAL IMPLICATIONS

This report will support developments within the Village of Richmond.

COMMENTS BY THE WARD COUNCILLOR

The Councillor is aware of the recommendations outlined in this report.

LEGAL IMPLICATIONS

There are no legal impediments to the adoption of the recommendations in the report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications associated with the report recommendations.

ASSET MANAGEMENT IMPLICATIONS

The recommendations documented in this report are consistent with the City's Comprehensive Asset Management (CAM) Program objectives. The implementation of the Comprehensive Asset Management program enables the City to effectively manage existing and new infrastructure to maximize benefits, reduce risk, and provide safe and reliable levels of service to community users. This is done in a socially, culturally, environmentally, and economically conscious manner.

The infrastructure to be installed through this FEA will support growth in the adjacent development areas and on a timeline that supports development. This project will add to City's inventory of assets which require operations and maintenance, as well as lifecycle renewal and replacement in the long term. However, it will also provide additional operational flexibility and reliability to the existing forcemain system (and is therefore partially funding by the City's sewer rate budget).

FINANCIAL IMPLICATIONS

The front-ending report and subsequent agreement are in accordance with the 2019 Development Charges Bylaw and the 2019 Development Charges Background Study.

Richmond Forcemain Twinning Stage 2

2019 Development Charges Background Study Appendix D.3 - Table 2 - Item Number 3.2.1 – Richmond Pump Station and Forcemain Expansion	Cost Breakdown
Final project cost	\$20,929,775
Available city funding (account 908247)	\$7,066,000
Total amount to be front ended by Mattamy (Jock River) Limited	\$13,863,775
Funding received from Mattamy (Jock	\$11,647,179

River Limited) to-date	
Additional funding required	\$2,216,596

Pending an executed amending agreement and receipt of funds covering the additional cost increase from Mattamy (Jock River) Limited, the 908247 Richmond Forcemain Expansion budget authority will be increased by a further \$2,216,596. The Mattamy funding is subject to HST, which will be remitted to CRA. The Mattamy (Jock River) Limited payments are also subject to HST, therefore the City will incur an additional cost of 1.76 per cent for sunk HST.

Pending Council approval for the City to enter into the Modified Front-ending Agreement, the capital account 910254 budget authority will be increased by an additional \$2,255,608, for a total amount of \$14,107,777 based on the funding breakdown shown below:

Budget Authority	Existing Approved Amount	Additional Amount Required	Total Amount
Area Specific Development Charges for the Village of Richmond Sanitary Sewer Infrastructure (75%)	\$8,735,384	\$1,662,447	\$10,397,831
Sewer Reserves (25%)	\$2,911,795	\$554,149	\$3,465,944
Subtotal	\$11,647,179	\$2,216,596	\$13,863,775
Plus 1.76% sunk HST	\$204,990	\$39,012	\$244,002
Total	\$11,852,169	\$2,255,608	\$14,107,777

The total payments of \$13,863,775 (plus applicable taxes) to Mattamy (Jock River) Limited will be reimbursed as follows:

- \$10,397,831, plus applicable taxes, through the Area Specific Development Charges. The Area Specific Development Charge is used to recover costs for the growth component of each of the project phases of the Village of Richmond sanitary

sewer infrastructure upgrades. Once the growth component for Phases 1 and 2 are complete, the Area Specific Development Charge will be used to reimburse Mattamy (Jock River) Limited. Reimbursements will be done on a quarterly pro-rated basis along with the City development charges contribution portion, as they are collected (2019-156 DC By-law).

- \$3,465,944, plus applicable taxes, through the sewer reserves. This payment will be made in 2026, in accordance with the Long-Range Financial Plan.

ACCESSIBILITY IMPACTS

All infrastructure will be designed in accordance with relevant regulations.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priorities:

- Thriving Communities
- Sustainable Infrastructure

SUPPORTING DOCUMENTATION

Document 1 Front-Ending Agreement Principles

Document 2 Council Approved Front-Ending Policy

Document 3 Location Map

DISPOSITION

Legal Services to prepare the final form of the agreements in consultation with the Planning, Real Estate and Economic Development Department.

The Chief Financial Officer to earmark funds for repayment as noted in this report.

Document 1 – Front-Ending Agreement Principles

1. The cost of the Sanitary Forcemain Twinning Stage 2 in the Village of Richmond to be funded by Mattamy (Jock River) Limited, including all associated works, is estimated at \$13,863,775 including engineering and contingences plus applicable taxes. All costs incurred shall be justified and include supporting invoices and payment certificates.
2. The City will reimburse Mattamy (Jock River) Limited in accordance to the following schedule;
 - 25 per cent attributed to “user rate” - \$3,465,944 plus applicable taxes to be paid in 2026.
 - 75 per cent to Growth - \$10,397,831 plus applicable taxes to be paid through the “Area Specific Development Charges” for sanitary sewers (2019-156 Development Charges By-law).

The Area Specific Development Charge is used to recover costs for the growth component of each of the project phases of the Village of Richmond sanitary sewer infrastructure upgrades.

Once the growth component cost recovery for Phase 1 and 2 (pump station upgrades and existing sewer works) are completed, the Phase 3 (forcemain twinning stage 2), front-ended by Mattamy (Jock River) Limited, growth component will be reimbursed through the “Area Specific Development Charges for Sanitary Sewers” as they are collected (2019-156 Development Charges By-law). Reimbursement will be on a quarterly, pro-rated basis along with the city development charges contribution portion.

3. Reimbursements will be made provided the applicant satisfies all requirements in accordance with the standard-form, Council-approved Front-Ending Policies in Document 2. To the extent that the specific recommendation of this report is inconsistent with the standard-form policy in Document 2, the specific recommendations of this report should be followed. Specifically, notwithstanding item 2 in Document 2, the City will oversee the award of the contract for this project and the construction of the works.

Document 2 – Council Approved Front-Ending Policy

Front-Ending Agreements are requested by developers who wish to have specific growth-related capital works in place in advance of the City's capital project plans for emplacement of these same works: developers agree to finance the works at the "front-end" and recover their costs from the City at a later date. The following conditions must be met in order for the City to enter into a Front-Ending Agreement:

1. All Front-Ending Agreements with the City will be for growth-related capital works that have been included in a development charge study.
2. The contract for front-ended works shall be awarded by the front-end in accordance with the City's Purchasing Policy of a competitive procurement process and subject to the review and satisfaction of the General Manager, Planning, Infrastructure and Economic Development Department. Where the front-end does not award the work in accordance with the City's purchasing policy, they must demonstrate that competitive pricing has been obtained, through independent analysis of their engineer, to the satisfaction of the General Manager, Planning, Infrastructure and Economic Development Department. The contract for the work must be made available to the City to provide to the public.
3. Stormwater ponds and related sewer works that are 100 per cent development charge funded in the recommended by-laws will be paid back to the developer based on revenues as they are collected from the designated area. This means that at no time are the repayments to exceed the revenues received. Each Front-Ending Agreement will define the geographic area involved and a separate and specific deferred revenue account may be set up to keep track of the revenues collected and payments made. Crediting will also be allowed for the Front-Ending Agreements related to storm water ponds. Indexing shall apply to the outstanding balance in accordance with the rate of indexation pursuant to the Development Charge By-laws.
4. For all other capital projects, a lump sum payment, both the development charge portion and the City portion, will be made to the developer in the year the project is identified in the City's 10-year capital plan at the time the Front-Ending Agreement is approved. Should growth occur earlier than forecasted, then repayment would be accelerated to reflect the revised timing the City would have budgeted for the project. If growth occurs more slowly than forecasted, then the City will have an additional one to three years (one to three years from the year the project was identified in the 10-year plan) to make repayments. Only in this

latter case will the City's portion of the payment be indexed beginning with the year the project was identified in the 10-year plan.

5. Given that the City will be assuming operating costs earlier than anticipated through the Front-Ending Agreement process; the City is not to pay any carrying costs to the developer.
6. All development charges payable by developers must be paid up front in accordance with the City's by-law. With the exception of the stormwater ponds and related sewer works, there will not be any crediting allowed as a result of entering into a Front-Ending Agreement. On December 8, 2004, City Council approved, "That staff be directed to work with the industry to develop the details of a credit policy to be incorporated into the Front-Ending Policy".
7. In the case where multiple Front-Ending Agreements are in force in the same area-specific Development Charge By-law, and the City has approved the front-ended works for development charge reimbursements, the front-enders will share in the distribution of development charge revenues on a pro-rata basis with other storm water drainage projects. The pro-rated works shall be based on the balance of the outstanding amount owing on the date the repayment is due. Existing front-enders will be advised of new Front-Ending Agreements for stormwater works within the same benefiting area and area-specific Development Charge By-law.
8. The capital project upset limits for engineering, project management, and contingency shall be the established rates set in accordance with the City's Development Charge By-laws and accompanying background studies, as amended.
9. Land remuneration shall be subject to an appraisal by a professional land appraiser and the appraisal shall be conducted in accordance with the terms of reference as established in the City's Development Charge By-laws and accompanying background studies, as amended. The upset limit for land remuneration shall be the lesser of the appraised value and the upset limit in accordance with the City's Development Charge By-laws and accompanying background studies.
10. Indexing shall apply to the total project costs if the front-ended works have been delayed over a period of time; the front-enders provides justification for the delay, and with the written concurrence of the City.

11. Where a front-enders is eligible for development charge reimbursement, documentation is required to support the reimbursement in accordance with the City's Purchasing Policy. The Front-Ending Agreement shall identify at which stage the documentation shall be required. The following documentation shall be forwarded to the City before payment is issued:
 - An invoice summarizing the front-ended works, and separate cost items, if applicable, for land, construction costs, engineering fees, project management fees, contingency fees, and applicable taxes.
 - Payment Certificates, including the final certificate, signed by the developer's civil engineer.
 - All invoices supporting re-payment for the front-ended works.
 - Statutory Declaration.
 - Certificate of Substantial Performance.
 - Workplace Safety and Insurance Board Clearance Certificate (WSIB).
 - Certificate of Publication.
12. A report to Council is required to authorize staff to enter into a Front-Ending Agreement. The recommendation will include the financial commitment of the City, specify the funding source(s), the project timeline and where necessary, request that a specific deferred revenue account be established. The financial comment in the report will specify the timelines for the repayment, an operating budget impact and an estimate of the year in which the operating budget impact will begin. It should also indicate the year in which the project was originally identified in the City's 10-year capital plan. A capital project will be established upon Council approval to enter into a Front-Ending Agreement. The status of these projects will be provided to Council on a yearly basis.
13. No capital project identified outside of the Council approved 10-year long range capital plan, shown in the Development Charge Background Study is eligible to be front-ended unless another item(s) of comparable value, funding allocation, and timing is delayed. A capital project identified with a post-period deduction applied to the gross cost will only have the development charge portion reimbursed if front-ended over the term of the by-law. Indexing would not be applicable to the repayment of the post-period component of the project cost. If

growth occurs more slowly than forecasted, then the City Treasurer will have the authority to add an additional three years, without interest, to the repayment of the post-period component of the front-ended project from development charges.

Document 3 – Location Map

