



City of
Peterborough

To: **Members of the General Committee**

From: **W. H. Jackson,
Commissioner of Infrastructure and Planning Services**

Meeting Date: **June 25, 2018**

Subject: **Report IPSEC18-018
Pre-commitment of Funds and Award of Internal Servicing of
Cleantech Commons - Phase 1 and 2**

Purpose

A report to recommend the pre-commitment of funds and the award of Tender T-12-18 for the internal servicing of Cleantech Commons - Phase 1 and 2.

Recommendations

That Council approve the recommendations outlined in Report IPSEC18-018 dated June 25, 2018, of the Commissioner of Infrastructure and Planning Services, as follows:

- a) That the \$1,796,000 budget amount previously proposed for the 2019 Capital budget for Cleantech Commons be increased to \$3,100,000 and be pre-committed;
- b) That Tender T-12-18 for the Cleantech Commons - Phase 1 and 2 be awarded to Drain Bros. Excavating Limited, 2130 8th Line Road, North Dummer, Douro-Dummer, Ontario, K0L 2H0 at a cost of \$4,454,337.15 plus \$579,063.83 HST for a total cost of \$5,033,400.98;
- c) That a provisional work value of \$400,000 be committed to the project and the Commissioner of the Infrastructure and Planning Services Department be provided the authority to adjust the purchase order value to an upset limit of \$4,854,337.15, excluding HST as necessary to complete this project; and

- d) That, given the additional capital costs to be incurred, City staff work with Trent staff to update the financial model and closely monitor the various factors such as estimated costs for Phase 3 construction, timing of Phase 3, ground lease rates, indexing of rates, etc in order to recover the City's costs at least within the term of the Head Lease.

Budget and Financial Implications

The total project costs (net of the HST rebate) are shown in Table 1:

Table 1: Total Project Costs for T-12-18

Line	Description	Amount
1	T-12-18 Cleantech Commons - Phase 1 and 2 (Revised Scope)	\$ 4,454,337.15
2	Provisional Work	\$ 400,000.00
3	Subtotal	\$ 4,854,337.15
4	Functional Servicing Report, Detailed Design and Contract Administration – Phase 3 (Estimate)	\$ 1,300,000.00
5	HST Payable by the City	\$ 108,316.33
6	Utility Installation – Phase 1 and 2 (Estimate)	\$ 400,000.00
7	Costs incurred to date (Design costs, Geotechnical work, Utility locates, etc.)	\$ 1,337,465.67
8	Geotechnical and Material Testing Allowance	\$ 100,000.00
9	City Project Management	\$ 275,000.00
10	Total Estimated Project Cost (Net of HST rebate)	\$ 8,375,119.15

Funding for the Cleantech Commons – Phase 1 and 2 projects will come from the following sources:

Table 2: Funding Sources for T-12-18

Line	Description	Amount
1	Trent Research and Innovation Park (Cleantech Commons) (2018 Capital Budget Item 7-3.01)	\$ 5,344,000
2	Increase and Pre-commitment of Cleantech Commons (2019 Capital Budget)	\$ 3,100,000
3	Total	\$ 8,444,000

The total net \$8,375,119.15 requirement, after applicable HST rebates, can be accommodated within the \$8,444,000 allocation from the previously approved Capital Budget and pre-committed 2019 Capital Budget (Debenture Revenue – Lease Supported) for the Cleantech Commons – Phase 1 and 2 projects.

Background

Brief Description of the Work

The work will include the municipal servicing of the Cleantech Commons Phase 1 and 2 including a storm water management pond, sanitary sewers, storm sewers, water main and road construction of Street 'A' and Street 'C'. (See Appendix 'A')

Phase 3 of Cleantech Commons, as presently contemplated will require \$5.8 million (2018 dollars), including the cost of a watermain extension around the north end of the wetland in the future years Capital Budget to complete including the extension of Street 'A' and the construction of Street 'B', resulting in a total cost to complete the existing draft plan of subdivision of \$14.2 million (2018 dollars).

However, as described in a subsequent section, the design of Phase 3 may need to be altered because of Ministry of Transportation land protection policies related to a conceptual highway design along Ninth Line and the wetland along the western edge of the Cleantech Commons area.

RFT Bid Solicitation, Closing, Prepared by, Reviewed by

Tender T-12-18 for the Cleantech Commons – Phase 1 and 2 was prepared by D. M. Wills Associates Limited and City staff. The tender was issued on March 21, 2018 and closed on April 12, 2018. The tender was evaluated by D. M. Wills Associates Limited and the Engineering Services Coordinator.

RFT Statement

Only one bid was received for T-12-18. Staff evaluated this bid and found that unit prices were consistent with similar work being performed for the City in 2018. It is assumed that only one firm bid on this because of the workload of the other potential contractors. To ensure the best pricing for the City, as allowed under Part 8, 8.7.1a. of the Purchasing By-law 14-127 City staff approached the bidder to discuss options and have obtained revised pricing for the project as detailed in Table 3.

Table 3 - RFT T-12-18 Cleantech Commons Phase 1 and 2

Firm Name	Address	Bid Amount (Excluding HST)	Revised Price Amount (Excluding HST)
Drain Bros. Excavating Limited	Douro-Dummer, ON	\$ 5,956,425.15	\$ 4,454,337.15

The major items related to the cost reduction are shown in Table 4.

Table 4: Major Cost Reduction Items

No.	Item	Cost Reduction
1	Double Counting of a Specific Item	\$ 600,000
2	Reduced Asphalt Costing	\$ 200,000
3	Landscape Revisions	\$ 500,000
4	Redesigned Street C	\$ 150,000
5	Total	\$1,450,000

Recommended Bidder

Based upon a review of the lowest tender price, it is recommended that Tender T-12-18 be awarded to Drain Bros. Excavating Limited.

Drain Bros. Excavating Limited has completed numerous reconstruction projects for the City in the past. Recently Drain Bros. Excavating Limited performed satisfactorily while completing the Ashburnham Drive (2016) and Pioneer Road (2017 and 2018) reconstruction.

Phase 3 Work Scope Change

Based on environmental factors and the designation and protection by the Ministry of Transportation of the Conceptual Highway Corridor along Ninth Line that have come to light since the approval of the Draft Plan of Subdivision, the design of Phase 3 (area shown in red in Figure 1) may be altered.

A planning review of the consequences of the altered design will need to be completed prior to the detailed engineering design for Phase 3. Preliminary considerations indicate the total road requirements may be reduced which could result in a reduced cost to construct Phase 3. On the other hand, it is also expected that the total developable area will be reduced.

Additionally, the initial plans for a redundant water line to Trent University at the mid-point of the subdivision is now proposed to be relocated to loop with the roadway going northward to avoid disruption of the wetland. It is expected that this will result in an increase in cost in the order of \$200,000 which will be further detailed as part of the Phase 3 design.

Figure 1: Potential Redesign of Phase 3 of Cleantech Commons



Recovery of Capital Costs

As Tenant, the City assumes the role of Developer, fulfilling our traditional function in the Peterborough marketplace as the primary provider of serviced employment lands.

At this point it is envisioned that Phase 3, which would be the last Phase, could commence as early as 2020. However the City can time the commencement of this phase to match market demand and minimize the cost exposure to the City.

Council, at its meeting of March 19, 2018 (based on Report PLPD18-004 dated February 26, 2018), in considering the Cleantech Commons Head Lease Principles, Management Structure and Financial Model adopted six key principles of the Head Lease. The most significant Key Principle considering the additional costs for servicing Cleantech Commons is the Principle that “Ground Leases Recover Capital Costs”.

Trent has agreed that the first priority in the sharing of the land lease revenue is for the City to recover its capital investment. The net revenues are to be allocated between the Landlord and the Tenant on the following basis:

	Year 1 to 9 of the term of each Sublease	Year 10 to 19 of the term of each Sublease	Year 20 to 29 of the term of each Sublease	Year 30 to 39 of the term of each Sublease	Year 40 and onward of the term of each Sublease
Tenant	80%	60%	50%	40%	20%
Landlord	20%	40%	50%	60%	80%

This framework is designed for the City to recover all servicing and development costs within, at least, the lifetime of the leases and assumptions have been made with respect to ground lease rates, indexing of rates, timing of new sub-tenants and carrying costs. Based on the Phase 1 and 2 tender results, the anticipated Phase 3 costs and the reduced developable area, staff will need to carefully review the assumptions and monitor progress to ensure all capital costs are still recovered within the term of the Head Lease.

Summary

Costs for the servicing of Cleantech Commons are more than anticipated. A pre-commitment of the 2019 Capital Budget is required in an amount larger than was previously anticipated. Due to the increase, staff will review the financial model with Trent staff and monitor the next steps with a view to ensure that the capital costs are recovered within the lifetime of the lease.

Submitted by,

W. H. Jackson, P.Eng.
Commissioner of Infrastructure and Planning Services

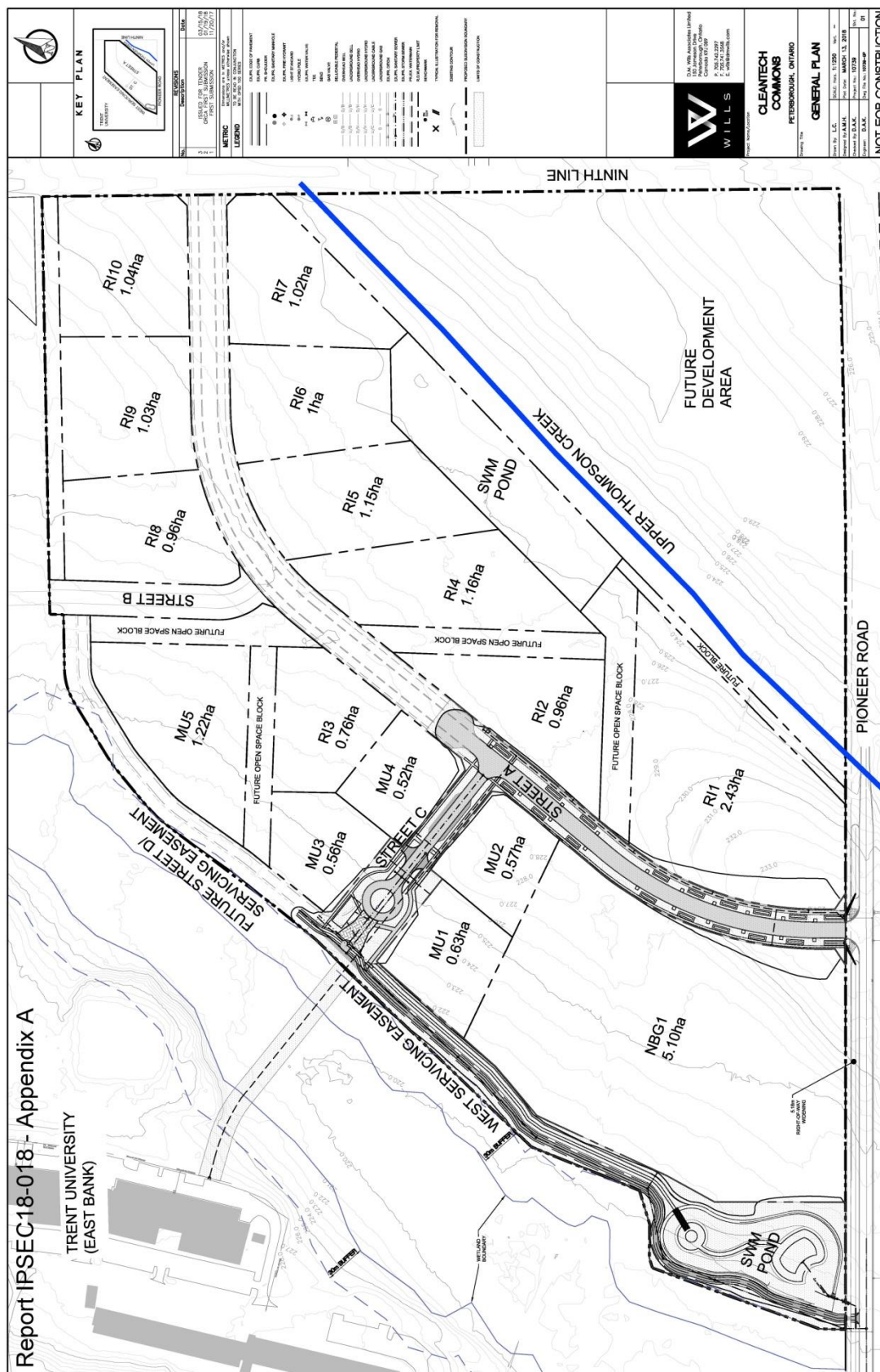
Contact Name

Blair Nelson
Manager, Design & Construction
Phone 705-742-7777 ext 1763
Toll Free: 1-855-738-3755
Fax 705-876-4621
E-mail address: bnelson@peterborough.ca

Attachments:

Appendix A: General Plan (Phase 1 and 2)
Appendix B: Draft Plan of Subdivision (Phase 1, 2 and 3)

Appendix A: General Plan
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Report IPSEC18-018 - Appendix B

