

**To:** **COUNCIL**

**Meeting Date:** **10/19/2021**

**Subject:** **North Cambridge Business Park – Capital Projects Additional Funding Request**

**Submitted By:** **Kevin De Leebeeck, Director of Engineering**

**Prepared By:** **Sarah Austin, Manager of Development Engineering**

**Report No.:** **21-266(CD)**

**File No.:** **A/00431-30, A/00431-40 and A/00431-42**

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## **Recommendations**

THAT Report 21-266 (CD) North Cambridge Business Park – Capital Projects Additional Funding Request be received;

AND THAT the funding plan outlined in Report 21-266 (CD) to address the shortfall of funding for the design and construction of the East-West Collector Road and Railway Grade Separation in the North Cambridge Business Park be approved;

AND FURTHER THAT the transfers to/from the reserve funds as outlined in Report 21-266 (CD) be approved.

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## **Executive Summary**

### **Purpose**

- This report has been prepared to request additional funding for the capital projects associated with the design and construction of the East-West Collector Road (known as Boychuk Drive) and the associated railway grade separation in the North Cambridge Business Park.

### **Key Findings**

- The capital budgets for A/00431-30 (North-South and East-West Collector Road Design), A/00431-40 (East-West Collector Road Construction) and A/00431-42 (Railway Grade Separation) were developed and approved based on best information available at the time of budget preparation.

- The detailed design process has required extensive coordination and review with Canadian Pacific Railway, which has resulted in an increase in consultant fees.
- The design process has identified requirements for property acquisition from the Ministry of Transportation, extensive retaining walls and a diversion railway track, which have increased the construction estimates beyond the approved budget.

## Financial Implications

- The requirements listed above result in an additional \$6.7M of funding required for the capital projects.
- Staff have proposed a funding plan to address the \$6.7M shortfall that includes additional cost recovery from Canadian Pacific Railway, as per the terms of a cost sharing agreement, cost recovery from the Region of Waterloo for oversizing of a storm sewer on King Street to provide capacity for Region flows, cost recovery from developers for the design and installation of local services, as per the City's Local Service Policy, and a draw from Development Charges Reserve Funds.
- The full details are included in the tables in the Financial Implications section below.

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## Background

The City has identified the development of the North Cambridge Business Park as a corporate priority.

Over the last several years, City Engineering staff have been leading numerous capital projects to advance the design and construction of key transportation and municipal servicing works to support the development of the North Cambridge area. To date, the City has constructed Intermarket Road, reconstructed Allendale Road and constructed a sanitary pumping station with an associated trunk sewer and forcemain.

The East-West Collector Road, now known as Boychuk Road, will connect Intermarket Road to King Street in the City of Kitchener. The alignment includes a crossing of the CP Railway. Following a decision by the Canadian Transportation Agency (CTA), the railway crossing is to be a grade separated crossing.

The CP Railway is the approximate limit of the City of Cambridge municipal boundary, meaning a portion of Boychuk Road is outside of the City. Through Report 20-163 (CD) Council supported the execution of a memorandum of understanding, to the satisfaction of the City Solicitor, between the City and the Region with regards to the construction, ownership and maintenance of the portion of Boychuk Road that is outside the

Cambridge municipal boundary. The City, through Development Charges, will design and construct the road, while the Region will own and maintain the road.

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## Analysis

### Strategic Alignment

**PROSPERITY:** To support and encourage the growth of a highly competitive local economy where there is opportunity for everyone to contribute and succeed.

Goal #6 - Economic Development and Tourism

Objective 6.1 Support the creation and retention of high quality and diverse employment opportunities by becoming the destination of choice for business and entrepreneurship, including helping existing firms thrive and grow.

The ongoing planning, servicing and development of the North Cambridge Business Park is assisting with the creation of high quality and diverse employment opportunities, with the City already seeing site plan applications for new industrial and commercial developments.

The development of the North Cambridge Business Park also touches on other goals and objectives of the City's Strategic Plan with City staff working with the Region of Waterloo, Canadian Pacific Railway and developers to plan, design, fund and construct key infrastructure and transportation connections.

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## Comments

The capital budgets for A/00431-30, A/00431-40 and A/00431-42 were developed and approved based on best information available at the time of budget preparation.

The detailed design process has identified requirements for property acquisition from the Ministry of Transportation (MTO), extensive retaining walls and a diversion railway track, which have increased the construction estimates beyond the approved budget. The additional coordination required to address these issues through the design process has also resulted in an additional fee request from the City's design consultant. Recovery of a portion of the design costs from Canadian Pacific Railway will fund the additional design funds required.

### Canadian Pacific Railway

In June 2021, through Report 21-055 (CD) Council approved the execution of a cost sharing agreement with Canadian Pacific Railway for the costs of the railway grade separation. As per the Canadian Transportation Agency (CTA) ruling on the form of the crossing, the costs are to be split 50/50. The original capital budget for the capital projects included a \$5.8M contribution from Canadian Pacific Railway. The updated

estimate requires an additional \$0.6M from Canadian Pacific Railway for a total of approximately \$6.4M, which is in accordance with the principles of the cost sharing arrangement. A portion of the design costs have also been attributed to Canadian Pacific Railway.

### **Railway Diversion Track**

The original approach to the construction of the grade separation was to make use of the annual Toyota production shut down, to allow the existing railway spur to be removed and the new structure to be installed. Due to COVID production shut downs have not been occurring as scheduled. The construction of a diversion track was identified as an alternative to waiting for a rail shut down. The diversion track would be constructed adjacent the existing railway, and allows trains to continue moving throughout the construction of the railway grade separation, with the exception of some very short periods when the tracks are tied into the existing system. While an increased capital cost, the diversion track eliminates the need to coordinate construction timing with a Toyota shut down and provides a longer construction period should weather or material supplies become issues.

The costs of the diversion track are approximately \$3.3M and are subject to the 50/50 cost split with Canadian Pacific Railway.

### **Retaining Walls and Property Acquisition**

Due to the elevation of the new road compared to the surrounding lands, grading onto adjacent properties to blend back into existing elevations is required. As the lands on all sides of the new road are owned by private land owners, including the Ministry of Transportation, arrangements for grading had to be reached with each owner.

The lands west of the railway crossing, both north and south of the new road, are owned by MTO. On the north side of the new road, a portion of the MTO property was required by the City in order to create a full right-of-way. The City requested that MTO sell only a portion of their property to the City, allowing the right-of-way to be created and grading to occur. The MTO is unwilling to sell only a portion of the property which has resulted in the need for the City to purchase the entire property (current estimate \$1M) in order to proceed with the construction project.

On the southern MTO property there is a Hydro One tower immediately beside the new road. In order to construct the new road and ensure the stability of the tower, a retaining wall is needed. A request was made to MTO to allow grading on their remaining lands to minimize the amount of wall needed. Unfortunately, the MTO denied this request.

The lands east of the railway crossing are owned by developers and are intended for future development. Engineering staff have been working with the developers to develop a grading scheme that minimizes the amount of retaining wall needed, allows

some grading on private property, but also protects the amount of developable land each developer owns.

The current estimate for the retaining walls is \$3.5M. Through the cost sharing with Canadian Pacific Railway, they will contribute approximately \$0.5M for walls, with the remaining \$3.0M the responsibility of the City. Engineering and Property Services continue to work to reduce the amount of retaining walls required.

### **Region of Waterloo storm sewer**

In order to convey stormwater runoff from Boychuk Road to a suitable drainage outlet, a storm sewer is required on King Street to direct flows to Freeport Creek. At the request of the Region, the storm sewer is being upsized to provide capacity for runoff from King Street. The Region will be responsible for contributing \$0.1M for the oversizing of the storm sewer.

### **Local Services Policy**

The City's Local Services Policy, approved as part of the Development Charges Background Study, clearly identifies what infrastructure can be funded through Development Charge and what infrastructure developers are responsible for. On Boychuk Drive, the costs of sanitary sewer, watermain and a portion of the storm sewer are the responsibility of developers, as per the policy. Costs of \$0.87M will be recovered from developers through future planning approvals and/or subdivision agreements.

### **Additional funding request not approved**

The current schedule for this project would include tendering at the end of 2021, with construction to begin in early Spring 2022. Should the funding request not be approved, it would not be possible to move forward with tendering and construction at this time, which would delay the opening of a key transportation connection for the North Cambridge Business Park.

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## **Existing Policy/By-Law**

There is no existing policy/by-law for cost sharing, however, the City and Region apply the following formula to local storm infrastructure:

- The cost is proportionally split based on contributing drainage area from streets that connect to the storm sewer.

The City's Local Service Policy identifies the costs that developers are responsible for within their developments. The Development Charge funding of these projects is in accordance with this policy.

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## Financial Impact

### A/00431-30: North-South and East-West Collector Road Design

The additional coordination required to address these issues through the design process has resulted in an additional fee request from the City's design consultant. Recovery of a portion of the design costs from Canadian Pacific Railway will fund the additional design funds required.

Funding Source	Original	Revised budget
DC Sanitary	\$ 61,100	\$ 61,100
DC Water	\$ 87,900	\$ 87,900
DC Roads	\$ 1,116,000	\$ 1,116,000
401038 External Recovery - CP	\$ -	\$ 200,000
Sub-total A/00431-30	\$ 1,265,000	\$ 1,465,000

### A/00431-40 and A/00431-42: East-West Collector Road Construction and Railway Grade Separation

The original approved budget for both projects was \$14.3M. While the detailed design process has refined the budget, it has also identified requirements for property acquisition from the Ministry of Transportation (\$1M), extensive retaining walls (\$3.5M) and a diversion railway track (\$3.3M), which have increased the construction estimates over the approved budget. The revised budget for both projects is now \$21M.

### Funding Plan

Staff are proposing a funding plan for the shortfall that includes additional recovery from Canadian Pacific Railway, as per the terms of a cost sharing agreement, cost recovery from the Region of Waterloo for oversizing of a storm sewer on King Street to provide capacity for Region flows, cost recovery from developers for the design and installation of local services, as per the City's Local Service Policy, and a draw from Development Charges Reserve Funds.

It is noted that the City's contribution to these capital projects was intended to be funded from the Development Charges Road Reserve Fund, however due to the low balance with the Reserve Fund, the City's original funding source was identified as Growth Debenture, with repayment through the collection of future Development Charges. The additional funding is also proposed to be funded through Growth Debenture and the final debt requirements will continue to be reviewed with Finance

Table 1 below provides a summary of the total original budget, total revised budget and funding sources, while Table 2 provides a summary of only the required funding from the City.

Table 1: Original and Revised Budget Summary

<b>Capital Project</b>	<b>Funding Source</b>	<b>Original Total</b>	<b>Revised Total</b>	<b>Increase (\$)</b>
A/00431-40 East West Collector Road	Growth Debenture	\$ 2,692,000	\$ 3,940,000	\$ 1,248,000
	External Recovery (CP)	\$ -	\$ 1,344,000	\$ 1,344,000
	External Recovery (Developer)	\$ -	\$ 868,000	\$ 868,000
	External Recovery (Region)	\$ -	\$ 97,000	\$ 97,000
	Sub-total	\$ 2,692,000	\$ 6,249,000	\$ 3,557,000
A/00431-42 Railway Grade Separation	Growth Debenture	\$ 5,803,800	\$ 10,115,500	\$ 4,311,700
	External Recovery (CP)	\$ 5,803,800	\$ 4,692,000	-\$ 1,111,800
	Sub-total	\$ 11,607,600	\$ 14,807,500	\$ 3,199,900
	<b>Total</b>	<b>\$ 14,299,600</b>	<b>\$ 21,056,500</b>	<b>\$ 6,756,900</b>

Table 2: Original and Revised City Funding Requirements

<b>Capital Project</b>	<b>City Funding Only</b>	<b>Original Total</b>	<b>Revised Total</b>	<b>Increase (\$)</b>
A/00431-40	Growth Debenture	\$ 2,692,000	\$ 3,940,000	\$ 1,248,000
A/00431-42	Growth Debenture	\$ 5,803,800	\$ 10,115,500	\$ 4,311,700
	<b>Total</b>	<b>\$ 8,495,800</b>	<b>\$ 14,055,500</b>	<b>\$ 5,559,700</b>

## Public Input

Posted publicly as part of the report process.

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## Internal/External Consultation

Engineering staff have reviewed the proposed plan to address the funding shortfall with Finance, who are supportive of the recommendations.

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## Conclusion

The detailed design of Boychuk Drive and the associated railway grade separation has identified requirements for property acquisition from the Ministry of Transportation, extensive retaining walls and a diversion railway track, all contributing to increased construction estimates over the approved budget.


Staff have proposed a funding plan for the shortfall including cost recovery from Canadian Pacific Railway, the Region of Waterloo and developers, along with an additional draw from the Development Charges Reserve Fund.

The ongoing planning, servicing and development of the North Cambridge Business Park is assisting with the creation of high quality and diverse employment opportunities, with the City already seeing site plan applications for new industrial and commercial developments.

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## Signature

### Division Approval



Reviewed by the CFO

Reviewed by Legal Services

**Name: Kevin De Leebeeck**  
**Title: Director of Engineering**

### Departmental Approval



**Name: Hardy Bromberg**  
**Title: Deputy City Manager, Community Development**

### City Manager Approval





**Name: David Calder**

**Title: City Manager**

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## **Attachments**

- n/a