



Corporate Report

NO: R135

COUNCIL DATE: July 10, 2006

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **July 6, 2006**

FROM: **General Manager, Engineering** FILE: **7805-0126-00**
8105-0126-00
8205-0126-00 8305-0126-00
8305-0126-01 8505-0126-00

SUBJECT: **Morgan Heights – Development Cost Charge Front-Ending Agreements and Development Work Agreement**

RECOMMENDATION

The Engineering Department recommends that Council:

1. Authorize the use of a Development Cost Charge (DCC) Front-Ending Agreement to an upset limit of \$409,352 to reimburse the front-ending Developer for costs incurred to construct the 24 Avenue high pressure water main within the Grandview Heights Neighbourhood Concept Plan (NCP) Area #1.
2. Authorize the use of a DCC Front-Ending Agreement to an upset limit of \$1,164,000 to reimburse the front-ending Developer for costs incurred to construct Community storm water detention pond H within the Grandview Heights NCP Area #1.
3. Authorize the use of a DCC Front-Ending Agreement to an upset limit of \$2,664,343 to reimburse the front-ending Developer for costs incurred to construct the 160 Street / 32 Avenue and 164 Street and 36 Avenue Trunk storm sewer works within the Grandview Heights NCP Area #1 and North Grandview NCP.
4. Authorize the use of a DCC Front-Ending Agreement to an upset limit of \$3,841,939 to reimburse the front-ending Developer for costs incurred to construct the North Grandview Sanitary Interceptor sewer within the North Grandview NCP.
5. Authorize the use of a Development Works Agreement to an upset limit of \$1,566,285 to reimburse the front-ending Developer for costs incurred to construct the North Grandview Sanitary Interceptor sewer within the North Grandview NCP.

INTENT

The purpose of this report is to obtain Council authorization for cost recovery for front-ending costs to install community servicing works proposed by the Morgan Heights developer as required by the Grandview Heights NCP Area #1 and North Grandview NCP.

BACKGROUND

Council, at the November 28, 2005 Regular Council Public Hearing, granted third reading to Rezoning By-laws No. 15878/79/80/81 to rezone the Morgan Heights lands.

Engineering Department staff have been working through the development servicing design process with the Developer's consulting team, with the result that Morgan Heights Development Corporation will be executing a Servicing Agreement with the City in the coming weeks to service the development lands. This site forms Area B of the Grandview Heights NCP Area #1, and is the first development application to proceed in this NCP. As such, and given the significant scale of this development, there are extensive servicing requirements to support this development. Certain components of the servicing are eligible for DCC reimbursement by the City while another component is proposed for recovery through a levy. Council authorization is required for these cost recovery agreements.

DISCUSSION

The following trunk and community infrastructure works required by the Grandview Heights NCP Area #1 and North Grandview NCP are proposed as part of the Morgan Heights site servicing:

- 24 Avenue high pressure water main;
- Community storm water detention pond H;
- 160 Street/32 Avenue and 164 Street and 36 Avenue trunk storm sewer works; and
- North Grandview sanitary interceptor sewer.

These works are included in the 10 Year Servicing Plan and the DCC By-law with the intention that they be constructed in the future using DCC funds. Table 1 attached summarizes the estimated costs, projected DCC revenues, 10 Year Servicing Plan funding limits, and the resulting DCC Front Ending and Development Works Agreement amounts required. Figures 1-4 illustrate the DCC Front Ending agreements benefiting areas, and Figure 5 illustrates the Development Works Agreement petition area.

As noted in Table 1, there are sufficient DCC revenues within the benefiting areas for full cost recovery of the water and drainage works, up to the 10 Year Servicing Plan cap and thus DCC Front Ending Agreements suffice. However, there are insufficient DCC revenues within the benefiting area to fund the North Grandview sanitary interceptor sewer, and thus a Development Works Agreement is required over and above the DCC Front Ending Agreement to recover the shortfall. This sanitary sewer levy was anticipated and is clearly articulated in the Grandview Heights NCP Area #1. The Developer has concluded a Development Works Agreement petition process and has submitted the documentation. Subject to Council authorizing the Development Works Agreement, the petition will be reviewed with the City Clerk for conformance to the Community Charter, and a DWA By-law will be subsequently introduced to Council.

Since these works are necessary to proceed with this development, the Developer has offered to front-end the cost of these works provided he will be reimbursed over time from DCC and DWA funds collected from subsequent development within the benefiting areas. The DCC Front-Ending and Development Works Agreements provide the cost recovery mechanism.

Based on recent tenders and current estimates, the total cost of these community works inclusive of property acquisition, construction, engineering, contingency and 6% GST is \$10,224,818. City staff have undertaken a thorough review of these tenders and cost estimates and concur this estimate is reasonable given the current construction costs. However, the collective cost recovery through the Front-Ending Agreements and Development Works Agreement is limited to an upset amount of \$9,642,957.

The Engineering Department has reviewed its flexibility with respect to financing of future community infrastructure within the Highway #99 Corridor NCP, and confirms that supporting these Front-Ending proposals will not significantly affect the Engineering Department's program flexibility in the future.

Should Council authorize the Front-Ending and Development Works Agreements, the City's Legal Services Division will review the Agreements for execution by the Developer. Construction of the works is based on competitive tendering by the Developer with the results reviewed by City staff to confirm that the bid process reflects the City of Surrey purchasing a policy and the prices represent good value for the DCC expenditures.

The Developer will be providing securities for construction of the works through the Servicing Agreement. Construction of the works is required to be completed within 12 months. The DCC Front-Ending and Development Works Agreements will be finalized upon completion of the work based on actual certified costs to a maximum of the upset limit.

CONCLUSION

Much of the servicing proposed for the Morgan Heights development is trunk and community infrastructure DCC funded works, and thus eligible for reimbursement by the City. The scope and estimated costs of these works have been thoroughly reviewed and are in line with current competitive prices for other similar works, representing good value for the expenditure. Council authorization of these finance mechanisms is required.

Based upon the Grandview Heights NCP Area #1 and North Grandview NCP servicing plans, the Engineering Department supports a DCC Front-Ending Agreements and Development Works Agreement to the noted upset limits to reimburse the Developer for front-ending costs to construct community servicing works.

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General Manager, Engineering

RAW/rdd/brb
Attachments

TABLE 1 - MORGAN HEIGHTS DCC FRONT-ENDING

AGREEMENT AND DEVELOPMENT WORKS AGREEMENT SUMMARY

<u>Community Infrastructure</u>	<u>Estimated Project Cost</u>	<u>Projected DCC Revenue</u>	<u>10 Year Servicing Plan Cap</u>	<u>DCC Front-Ending Agreement Upset</u>	<u>Development Works Agreement Upset</u>
24 Avenue Water Main	\$409,352	\$1,637,203	\$490,500	\$406,390	
Stormwater Detention Pond H	\$1,379,110		\$1,164,000	\$1,164,000	
160 Street/32 Avenue Trunk Storm Works					
• 160 Street Trunk	\$1,268,272		\$1,135,600	\$1,135,600	
• 32 Avenue Trunk	\$785,584		\$542,000	\$542,000	
• Wills Brook Culvert Upgrade	\$52,833		\$45,300	\$45,300	
• Wills Brook Channel Upgrade	<u>\$941,443</u>	\$4,500,000 (Net)	<u>\$1,000,400</u>	<u>\$941,443</u>	
Total 160 Street/32 Avenue Trunk Storm Works	\$3,048,132		\$2,723,300	\$2,664,343	
North Grandview Sanitary Interceptor	\$5,408,224	\$3,841,939	\$3,980,745	\$3,841,939	\$1,566,285
Grand Total	\$10,224,818			\$8,076,672	\$1,566,285