



Corporate Report

NO: R096

COUNCIL DATE: MAY 14, 2007

REGULAR COUNCIL

TO: Mayor & Council DATE: May 9, 2007
FROM: General Manager, Engineering FILE: 7806-0137-00
8306-0137-00-1
8606-0137-00-1
SUBJECT: Morgan Crossing – Drainage Development Cost Charge Front-Ending Agreement and Development Works 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 \$647,000 to reimburse the front-ending Developer for partial costs incurred to construct Community storm water detention Pond A within the Grandview Heights NCP Area #1.
2. Authorize the use of a Development Works Agreement (DWA) to an upset limit of \$4,010,000 to reimburse the front-ending Developer for further costs incurred to construct Community storm water detention Pond A within the Grandview Heights NCP Area #1.

INTENT

The purpose of this report is to obtain Council authorization for recovery of costs to construct community servicing work proposed to be front-ended by the Morgan Crossing developer as required by the Grandview Heights NCP Area #1.

BACKGROUND

The Morgan Crossing site lies north and west of the Grandview Corners site developed in 2005/2006, and straddles two separate land use plan areas – the Highway No. 99 Corridor Local Area Plan, and Area A of the Grandview Heights NCP Area #1 (as shown on Appendix I). Council, at the October 30, 2006 Regular Council Public Hearing, endorsed OCP/NCP Amendments and granted third reading to Rezoning By-law No. 16074 to

rezone the Morgan Crossing lands for a large mixed use retail, office, and residential development.

Engineering Department staff have been working through the development servicing design process with the Developer - Morgan Crossing Properties Ltd. – and Engineering Consultant. It is expected a Servicing Agreement will be executed by the Developer prior to the DCC deadline later this Spring. Given the significant scale of this development, there are extensive servicing requirements necessary to support this development. A certain component of the servicing are eligible for DCC reimbursement by the City while another component is proposed for recovery through a Development Works Agreement levy. Council authorization is required for these cost recovery agreements.

DISCUSSION

The Morgan Crossing site servicing requires the construction of community storm detention Pond A as per the Grandview Heights NCP Area #1. Pond A is included in the 10 Year Servicing Plan and the DCC By-law with the intention that it be constructed in the future using DCC funds. Since Pond A is necessary before the Morgan Crossing development can proceed, the Developer has offered to front-end the cost of Pond A provided he will be reimbursed over time from DCC and DWA funds collected from subsequent development within the benefiting area. The DCC Front-Ending Agreement and Development Works Agreements provide the cost recovery mechanism.

The benefiting area for Pond A is illustrated in Figure 1. Based on current estimates, the total cost of Pond A inclusive of property acquisition, construction, and engineering plus a 10% contingency and 6% GST is \$4,657,000. City staff have undertaken a review of this cost estimate and concur this estimate is reasonable given current construction costs.

The 10 Year Servicing Plan funding allocation for Pond A is \$1,540,000; however, the DCC revenue payable by future development within the proposed benefiting area at full build-out is estimated to be only \$647,000. As such, the cost recovery through the Front-Ending Agreement is limited to the benefiting area DCC revenue amount of \$647,000. This leaves a \$4,010,000 shortfall, and thus a Development Works Agreement is required over and above the DCC Front-Ending Agreement to recover the shortfall, which equates to a DWA levy amount of roughly \$79,000 per acre for lands within the benefiting area. This significant shortfall is due to the large construction cost escalation since 2005 and is more costly to build in the new location of the proposed pond. Subject to Council authorizing the Development Works Agreement, the Developer will be undertaking a Development Works Agreement petition process of the benefiting properties, and if supported by the a majority of landowners 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.

The Engineering Department has reviewed its flexibility with respect to financing of future community drainage infrastructure within the Highway #99 Corridor Local Area Plan, and the Grandview Heights NCP Area #1, and confirms that supporting this Front-Ending proposal will not significantly affect the Engineering Department's drainage DCC 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 will be based on competitive tendering by the Developer with the results reviewed by City staff to confirm that the bid process meets the intent of the City of Surrey purchasing 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

Pond A proposed for the Morgan Crossing development is a community infrastructure eligible for reimbursement by the City DCC program as shown in the 10 year plan and up to the DCC revenue from within the benefiting area. The shortfall between the estimated cost and the DCC revenue meets the criteria for a Development Works Agreement. The scope and estimated costs of this work have been 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, the Engineering Department supports a DCC Front-Ending Agreement and Development Works Agreement to the noted upset limits to reimburse the Developer for front-ending costs to construct community storm water detention Pond A.

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VL/RAW/brb:kd2

Appendix I: Benefiting Area for Pond A

c.c.: Manager, Utilities & Transportation, Engineering Department