



**CITY OF HAMILTON**  
**PUBLIC WORKS DEPARTMENT**  
**Engineering Service Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	September 5, 2018
<b>SUBJECT/REPORT NO:</b>	West Harbour Strategic Initiatives Pier 8 Capital Works Tenders (PW18079) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gavin Norman (905) 546-2424, Extension 4812
<b>SUBMITTED BY:</b>	Gord McGuire Director, Engineering Services Public Works
<b>SIGNATURE:</b>	

Discussion of Appendix “A” to Report PW18079 in Closed Session is subject to the following requirements(s) of the City of Hamilton’s Procedural By-law and the Ontario Municipal Act, 2001:

- a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or [the] organization; and,
- a trade secret or scientific, technical, commercial or financial information that belongs to the municipality or local board and has monetary value or potential monetary value.

**RECOMMENDATIONS**

That staff be authorized and directed to award tenders for 100% of the previously approved Capital works, in the amount of \$35.8M, on Pier 8 for the following projects in 2018:

- (a) Project ID 4411606105 - Pier 8 Shorewall Rehabilitation (Approved Budget \$13.1M);
- (b) Project ID 4411506103 - Pier 8 Sanitary Pumping Station (Approved Budget \$5.9M);
- (c) Project ID 4411706101 - Pier 8 Servicing (Approved Budget \$8.8M);
- (d) Project ID 4411606106 - Pier 8 Promenade Park (Approved Budget \$8M).

## **EXECUTIVE SUMMARY**

In 2012 the Waterfront project budget was established on planning level estimates that were not based on detailed site specific information.

As the project progresses more details are being determined, and these are refining the understanding of the budget impacts to complete the works required to deliver this project.

The purpose of this report is to:

- ❖ Alert Council to the potential cost increase for the capital works on Pier 8;
- ❖ Be able to proceed with tenders for one hundred percent of the work required for the four projects outlined in this report; and
- ❖ Advise Council that any additional funding required will be processed through the 2019 Capital Budget. Staff will bring forward for Council's consideration funding options with a focus on minimizing the Levy impact.

As part of the West Harbour Strategic Initiatives project, staff are proceeding with the construction of capital works required to support re-development of Pier 8.

The detailed design of previously approved capital works in the amount of \$35.8M on Pier 8 has been completed and is ready for tendering, including the:

- Pier 8 Shorewall Rehabilitation;
- Pier 8 Sanitary Pumping Station;
- Pier 8 Servicing; and
- Pier 8 Promenade Park.

Detailed cost estimates completed as part of the design of each project have projected a budget shortfall; however, each project is still subject to being tendered so the actual shortfall is not known.

In addition to construction cost indexing from 2012-2018, the impacts of working at considerable depth to stable soils has resulted in significantly more complex designs and construction requirements than could have been anticipated when the projects were first costed and budgeted for in 2012.

Despite the projected budget shortfall and in light of the City's commitment to moving forward with the Preferred Proponent of the Pier 8 development lands it's required that these projects proceed in 2018 in accordance with the capital delivery schedule. Staff are proposing that the budget shortfall be addressed in the 2019 Capital Budget which will include a combination of funding options with a focus on minimizing the Tax Levy impact to be considered by Council.

***Alternatives for Consideration – See Page 6***

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**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** Staff are proposing that the budget shortfall for all four projects of approximately \$12M be addressed in the 2019 Capital Budget. Staff will bring forward for Council's consideration a combination of the following funding options with a focus on minimizing the Tax Levy impact:

1. Commitments of additional Future Sales Revenues from the Pier 8 Development\*;
2. Works-in-Progress appropriations;
3. Increased Development Charge Funding where justifiable and feasible\*\*; and
4. Deferral of 2019 Waterfront Capital, where feasible.

\* Section 413 of the Municipal Act suggests that the "matching principle" applies regarding the use of any sales proceeds. Therefore any sales proceeds from the Pier 8 Development would first be applied against any debenture issues for Pier 8 Development works which were Levy/Rate financed.

\*\* Currently growth related projects are being analyzed by the City's DC consultants for the draft 2019 DC Background Study. When the growth components were initially set in 2013 the scope of the Pier 8 projects and the resultant growth impacts were not fully developed. This work is near completion and additional funding from Development Charges has been identified.

The Council approved funding to date for the four capital projects listed in recommendation (a) are as follows:

**A. Pier 8 Shorewall Rehabilitation**

Debt - \$6,529,000

Contribution from Capital - \$5,000,000

Federal Gas Tax - \$1,566,000

**Total - \$13,095,000**

Note: A growth component of approximately 60 percent has been identified through the draft 2019 DC Background study for the shorewall project. This funding amount is dependent upon DC Reserve funding availability. Any additional replacement funding from DC's will go first towards Levy debt reduction.

**B. Pier 8 Sanitary Pumping Station**

Debt - \$1,000,000

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Development Charges - \$2,565,150

Rate Reserves - \$2,684,850

**Total - \$5,850,000**

Note: A growth component of approximately 90 percent has been identified through the draft 2019 DC Background study. This funding amount is dependent upon DC Reserve funding availability. Any additional replacement funding from DC's will go first towards Rate debt reduction.

C. Pier 8 Servicing

Debt - \$4,330,000

Contribution from Capital - \$4,500,000

**Total - \$8,830,000**

Note: A growth component of approximately 10 percent (transportation related) has been identified through the draft 2019 DC Background study. This funding amount is dependent upon DC Reserve funding availability. Any additional replacement funding from DC's will go first towards Levy debt reduction.

D. Pier 8 Promenade Park

Debt - \$6,200,000

Contribution from Capital - \$1,625,000

Donations - \$185,000

**Total - \$8,010,000**

Note: A growth component of approximately 60 percent has been identified through the draft 2019 DC Background study. This funding amount is dependent upon DC Reserve funding availability. Any additional replacement funding from DC's will go first towards Levy debt reduction.

**Staffing:** N/A

**Legal:** N/A

**HISTORICAL BACKGROUND**

On June 13, 2018 City Council approved GIC Report 18-013 including Report PED14002(h) entitled "Pier 8 Development Opportunity Request for Proposals Evaluation", naming The Waterfront Shores Corporation as the Preferred Proponent of the Pier 8 Development Opportunity RFP process and directed staff to proceed with negotiations and preparation of a development agreement intended to be complete by end of 2018. The Agreement will outline, among other things, the dates each Block of land is to be transferred and developed, the type of development on each Block, the schedule for payments, affordable housing requirements, environmental responsibilities,

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LEED standards, indemnities and insurance obligations, the City's responsibilities with respect to land delivery and infrastructure preparation as well as provisions dealing with contract performance and contingencies such as delays and major market disruptions that are beyond the control of either the City or the Preferred Proponent.

From a capital works perspective staff has been advancing the West Harbour Strategic Initiative's since 2013. To date, major works completed include a new marina in the main basin and floating breakwater and the Pier 7 Boardwalk and Transient Docks. Setting the stage for being development-ready, Pier 8 has also been undergoing significant behind the scenes preparation including site remediation and building demolition.

Next steps in the transformation of the waterfront include installation of municipal services and the road network on Pier 8 to support the planned redevelopment.

The following is a list of Council-approved Motions and staff reports that form a chronological history regarding the City's West Harbour Re-Development Plans, specifically for the Piers 5 to 8 lands:

- November 20, 2015 - Information Update CASP1516 entitled "Status of West Harbour Capital Works";
- On November 9, 2016, Council approved General Issues Committee (GIC) Report 16-028 (Report PED14002(c)) entitled "West Harbour Real Estate Solicitation Process for Pier 8 Lands";
- May 24, 2017 – Council approved Planning Committee Report 17-009 and staff Report PED17074 entitled "Applications to Amend City of Hamilton Zoning By-law No. 05-200, Approval of a Draft Plan of Subdivision and Temporary Use By-law for lands located at Pier 8, 65 Guise Street East";
- On July 14, 2017, Council approved GIC Report 17-015, including Report PED14002(e) entitled "Pier 8 Request for Proposal (RFP) Evaluation and Scoring Framework" outlining the RFP evaluation and scoring framework; and,
- On November 22, 2017, Council approved GIC Report 17-024 including Report PED14002(f) entitled "Pier 8 Request for Proposal (RFP) Financial Bid Structure".

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Respecting the various funding options to be considered to address the budget shortfall:

- Commitments of additional Future Sales Revenues from the Pier 8 Development consistent with Section 413 of the Municipal Act.
- Works-in-Progress appropriations are governed by the "Capital Projects Budget Appropriation and Works-in-Progress Transfer" Policy.
- Increased Development Charge Funding where justifiable and feasible is subject to requirements of the Development Charges Act and approval of the 2019 Development Charges by-law.

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## **RELEVANT CONSULTATION**

In preparation of this report, staff consulted with Corporate Services, Capital Budgets & Development Section, Legal Services, and Financial Services Procurement Section.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Reference Appendix “A” (“Confidential” Details Supporting the Rationale for Recommendation). This portion of the report is to go “In Camera”.

## **ALTERNATIVES FOR CONSIDERATION**

Although final cost estimates project a budget shortfall, until projects are tendered and bids received, staff will not know the full extent of the projected shortfall.

### **❖ Alternative One:**

An alternative for consideration would be to wait for tenders to come in and then report back to Council on actual funding requirements; however, this is not recommended given the timing of upcoming municipal elections and that as any delay in awarding the work at this point would likely significantly impact the City’s ability to deliver the projects on time. Therefore, this approach is not recommended.

Financial Implications: Council has directed staff to proceed with rendering Pier 8 ‘development—ready’ and commencing negotiations with the Preferred Proponent. Any delay in delivering the associated capital infrastructure could adversely impact the timing in achieving those objectives.

Staffing Implications: N/A

Legal Implications: N/A

### **❖ Alternative Two:**

Another alternative would be to award and complete the work in phases; i.e. only approve work to be completed that is funded and wait for capital budget approval before proceeding with the next phase. For some capital projects it is possible to break a project into distinct phases that would allow the work to proceed by spending only the approved budget allocation for phase 1 work and to wait for 2019 capital budget approval prior to proceeding with phase 2 works. This approach is not being recommended for Pier 8 because approval in principle of the entire contract value of each project is still required in 2018 in order to proceed and given the timing (late in the year) there is little to no risk that enough work could be completed before the 2019 budget is approved that would result in not being able to pay invoices.

Financial Implications: N/A

Staffing Implications: N/A

Legal Implications: N/A

❖ Alternative Three:

Another alternative could be to look at design changes prior to tendering the work to reduce project cost; however, at a minimum, this approach will delay the start of construction and may not result in required cost savings so is not recommended. This approach could be considered post tender and award so not to delay the process and would allow time in the interim to assess any potential cost savings to each capital project. If feasible from a timing perspective, the change would need to be negotiated with the winning bidder and staff would report back to Council if required on the preferred approach and associated cost savings.

Financial Implications: Design changes could result in cost savings reducing the anticipated funding shortfall, but, if considered prior to tendering, the resulting delay in project delivery could materially impact the timely completion of the Pier 8 development.

Staffing Implications: N/A

Legal Implications: N/A

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Economic Prosperity and Growth**

*Hamilton* has a prosperous and diverse local economy where people have opportunities to grow and develop.

### **Clean and Green**

*Hamilton* is environmentally sustainable with a healthy balance of natural and urban spaces.

### **Built Environment and Infrastructure**

*Hamilton* is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

### **Clean and Green**

*Hamilton* is environmentally sustainable with a healthy balance of natural and urban spaces.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix A: “Confidential” Details Supporting the Rationale for Recommendation