

DATE OF MEETING JULY 4, 2022

AUTHORED BY PHIL STEWART, MANAGER, ENGINEERING PROJECTS

SUBJECT MIDTOWN GATEWAY & WATER SUPPLY FUNDING

OVERVIEW

Purpose of Report

To seek Council direction to allocate funds to increase the budgets for the Midtown Gateway Project and the associated water supply pipeline work.

Recommendation

That Council direct Staff to:

1. Increase the budget for the Midtown Gateway Phase 2A project in 2022 for the Storm Sewer section by \$72,500 funded from the Drainage DCC Reserve Fund and increase the budget for the Water Distribution section by \$586,593 funded from the Water Reserve; and,
2. Increase the budget for the Midtown Water Supply Project by \$4,236,870 in 2022 funded by \$1,192,264 from the Water Supply DCC Reserve Fund, \$1,192,264 from the Water Asset Management Reserve Fund, and \$1,852,342 from the Water Reserve.

BACKGROUND

The Midtown Gateway Project is a multi-year, multi-phased project that is transforming a legacy brownfield site impacted by past industrial activity into a revitalized neighbourhood gateway.

In 2019, Phase 1 of the Midtown Gateway Project was completed. This included extensive geotechnical and environmental improvements to address contamination through historical coal mining and construction waste activities. The wetland impacted by these legacy activities was restored and now also serves as a storm water detention facility. Phase 1 also included the placement of 24,000 cubic meters of preload material over top of the future roadways, which would remain for two years, to help compact the soils underneath.

In 2020, a break in a large water supply main on Bowen Road caused significant damage and loss of water to residents, businesses, and to the Nanaimo Regional General Hospital. This event expedited the Midtown Water Supply Project that will mitigate this significant risk and provide water supply resiliency to the City. The Midtown Water Supply Project will see the construction of two large water pipelines to replace the aging and undersized current infrastructure that transmits potable drinking water to the central and northern areas of the City.

The alignment of the water supply pipeline crosses through and along the Midtown Gateway Project so both projects are bound together. The Midtown Water Supply and Midtown Gateway design teams worked together to include the necessary water supply details, including updating the budgets based on costs received from the first phase of the Midtown Water Supply Project in March. This water supply section through the Midtown Gateway Project is a critical link that provides system resiliency and supports future growth in the central and northern areas of the City.

Given the risk around the global financial situation, local market conditions, and supply chain issues, the construction of Phase 2 of the Midtown Gateway Project was split into two – Phase 2A and 2B. Phase 2A will proceed with construction in 2022 and includes ground improvements, underground municipal servicing infrastructure (water, sanitary, storm), and two large diameter water supply mains that are part of the Midtown Water Supply Project. All the activities under Phase 2A are highly interconnected and are required to meet the goals of each project.

Phase 2B, currently scheduled for 2023 construction, will see the completion of the modernized transportation corridors (curbs, sidewalks, bike paths, traffic signals, asphalt paving, etc.) that will increase safety and comfort for people who walk, bike, take transit, or drive. It will also create a public natural area with walking trails around the restored wetland and provide enhanced accessibility to Beban Park. Funding in 2023 for this phase of the project may need adjustment; however, that can be considered as part of the 2023-2027 Financial Planning process this fall.

Once fully constructed, the Midtown Gateway Project will improve functionality, liveability, and overall character of the neighbourhood; and, will stimulate further reinvestment in the area, part of the Bowen Corridor and Bus Frequent Transit Line.

DISCUSSION

A Negotiated Request for Proposal (NRFP) for the revised Phase 2A was issued and three responses were received, all exceeding the project's current budget. A significant benefit to the NRFP process is the ability to negotiate with the highest rated proponent, Knappett Industries (2006) Ltd., to find cost saving. There have been some potential cost savings identified that are being diligently pursued; however, given the project timeline, it is necessary to adjust the budget now. The total phase 2A project budget needed is \$12,122,000 including contingency.

Some of the funding for the escalated costs are available within the current Financial Plan. For example, the Midtown Gateway Project budget was increased by budget transfers of \$101,742 for the Storm Sewer section and \$109,941 for the Sanitary Sewer section. Several other aspects of the project, in particular the water supply portion requires drawing from reserves. The projected reserve balances are sufficient to fund the additional budgets that are required to undertake construction; however, this could affect the timing of projects in the 2023 – 2027 Draft Project Plan.

OPTIONS

1. That Council direct Staff to:
 1. Increase the budget for the Midtown Gateway Phase 2A project in 2022 for the Storm Sewer section by \$72,500 funded from the Drainage DCC Reserve Fund and increase the budget for the Water Distribution section by \$586,593 funded from the Water Reserve; and,
 2. Increase the budget for the Midtown Water Supply Project by \$4,236,870 in 2022 funded by \$1,192,264 from the Water Supply DCC Reserve Fund, \$1,192,264 from the Water Asset Management Reserve Fund, and \$1,852,342 from the Water Reserve.
 - The advantages of this option: The required section of the Midtown Water Supply Project through the Midtown Gateway Project is a critical link that is required to complete Phase 1 of the Midtown Water Supply Project. The Midtown Gateway Project can proceed with a phased construction program that supports the Water Supply Capital project and adjacent private developments. The Midtown Water Supply Project provides resiliency and supports future growth in the central and northern areas of the City.
 - The disadvantages of this option: Less funds will be available in the identified reserves to support other projects, which may require delay by a few years.
 - Financial Implications: The 2022 – 2026 Financial Plan will be amended at a later date to include the budget increase.
2. That Council provide alternate direction. |

SUMMARY POINTS

- Increased materials cost, labour shortages, and recent global uncertainty have created a volatile market and cost uncertainty.
- Phase 2 of the Midtown Gateway Project has been separated into two new phases in order to mitigate risk.
- Phase 2A is currently scheduled to start in 2022, and includes two large water supply mains that are a required part of the Midtown Water Supply Project.
- Approving the additional funding will allow the necessary construction works to proceed to support both the Midtown Gateway Project and the Midtown Water Supply Project.

ATTACHMENTS:

Attachment A – Midtown Gateway Project information package. |

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