



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 15.1.12
Halifax Regional Council
December 13, 2022

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed

Caroline Blair-Smith, Acting Chief Administrative Officer

DATE: December 8, 2022

SUBJECT: **Herring Cove Servicing - Phase 2B and 4 Update**

ORIGIN

January 28, 2020 Regional Council motion (Item No.15.2.1):

MOVED By Councillor Adams, seconded by Councillor Whitman

THAT Halifax Regional Council:

- 1. Authorize the Mayor and Municipal Clerk to sign the attached Contribution Agreement with the Minister of Municipal Affairs, to receive \$5,778,522.00 in funding for the Herring Cove Water and Wastewater Servicing project, Phase 2B.*
- 2. Increase capital account CS000001 – Herring Cove Servicing Phase 2B by \$5,778,522.00 with funding from the Investing in Canada Infrastructure Program.*
- 3. Increase capital account CS000001 – Herring Cove Servicing Phase 2B by \$2,101,639 with funding from a Local Improvement Charge (LIC).*
- 4. Add the detailed design for Phase 4 with costs coming back to Council prior to beginning.*

MOTION PUT AND PASSED UNANIMOUSLY

September 1, 2020 Regional Council motion (Item No.11.1.4):

MOVED by Councillor Whitman, seconded by Councillor Mason

THAT Halifax Regional Council authorize the Mayor and Municipal Clerk to sign the attached Amending Agreement of the staff report dated May 20, 2020 with the Minister of Municipal Affairs with respect to Investing in Canada Infrastructure Program (ICIP) funding for the Herring Cove Water and Wastewater Servicing project, Phase 2B.

MOTION PUT AND PASSED UNANIMOUSLY

December 7, 2021 Regional Council motion (Item No.15.2.1):

MOVED by Councillor Blackburn, seconded by Deputy Mayor Lovelace

THAT Halifax Regional Council:

- 1. Direct the Chief Administrative Officer to proceed with the detailed design of Herring Cove Water and Wastewater Servicing Phase 4 at the same time as Phase 2B.*
- 2. Approve an unbudgeted reserve withdrawal of \$200,000 from the General Contingency Reserve - Q421 for the detailed design on Herring Cove Water and Wastewater Servicing Phase 4.*
- 3. Approve an increase of \$200,000 to capital project account CS210001 – Herring Cove Water and Wastewater Servicing Phase 4.*
- 4. Authorize a sole source award to the Halifax Regional Water Commission up to a maximum amount of \$200,000 for the detailed design of the Herring Cove Water and Wastewater Servicing Project Phases 2B and 4.*

MOTION PUT AND PASSED UNANIMOUSLY

LEGISLATIVE AUTHORITY

The *Halifax Regional Municipality Charter*, S.N.S. 2008, c. 39:

79A(1) Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if (a) the expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality;

96 (1) The Council may spend money in an area, or for the benefit of an area, for any purpose for which the Municipality may expend funds or borrow.

96 (4) The Council may, in lieu of levying an area rate, levy a uniform charge on each

- (a) taxable property assessment;
- (b) dwelling unit, in the area.

104 (1) The Council may make by-laws imposing, fixing and providing methods of enforcing payment of charges for:

- (a) wastewater facilities or stormwater systems, the use of wastewater facilities or stormwater systems and connecting to wastewater facilities or stormwater systems;
- (e) the municipal portion of the capital cost of installing a water system;

74 (1)(2)

(1) "The Municipality may agree with...the Government of the Province or of Canada or a department or agency of either of them...to provide or administer municipal or village services.

(2) An agreement made by the Municipality pursuant to subsection may...(a) include any service provided by the Municipality;"`

RECOMMENDATION

It is recommended that Halifax Regional Council direct the Chief Administrative Officer to:

1. Not proceed with construction of Phase 2B and Phase 4 of the Herring Cove Project, at this time;
2. Notify the Province that the Municipality will not be proceeding with the Project but request that the funding remain allocated to the project; and
3. Apply under future funding programs, should they become available, to offset the increased costs to complete both Phase 2B and Phase 4 at the same time.

BACKGROUND

In 1999, Regional Council agreed to provide central water and sewer services to the community of Herring Cove due to the co-location of the Harbour Solutions Wastewater Treatment Facility, and subsequently approved \$5 million from a Community Integration Fund for community enhancements.

The project has been broken into four phases (Refer to Attachment 1). In 2005, Regional Council approved a Local Improvement Charge (LIC) for phases 1 to 3, which resulted in a charge of \$12,300 for a typical property with 100 feet of road frontage receiving both water and sewer services.

Although included in the Serviceable Area Boundary, an LIC has yet to be approved for the fourth and final phase.

By 2008, Phases 1A, 1B, and 2A were completed. Multiple sources of funding were applied to hold the LIC to the original approved amount, including the following:

- Federal/Provincial funding;
- Oversized infrastructure contributions in respect of properties outside of the immediate service area;
- Halifax Harbour Solutions Project Contingency; and,
- Halifax Regional Water Commission Stewardship contributions.

In December 2016, Council approved funding to complete the preliminary design for the remaining two phases: 2B and 4

In June 2014, Regional Council approved the addition of the Herring Cove Servicing Phase 2B project to HRM's Building Canada Fund submissions. The project was not approved and Phase 2B was resubmitted for the Clean Water and Wastewater Fund (CWWF) in 2016. Phase 2B was approved under the program but there were insufficient funds for the project to proceed. HRM considered a project with reduced scope but the number of properties covered made the LIC unaffordable (\$40,250 for properties with an average market value of \$129,000). HRM withdrew the project with the stipulation that it be Council's top priority for any future intergovernmental infrastructure funding.

In April 2018, the Investing in Canada Infrastructure Program (ICIP) was announced and in the following November, the Minister of Municipal Affairs issued a call for applications under the ICIP Environmental Quality Sub-stream, this being the main source of ICIP funding for water and wastewater projects. Under this Program, approved projects typically receive 40% federal and 33% provincial cost-sharing, with municipalities covering the remaining 27%.

On January 15, 2019, HRM submitted Phase 2B as one of two projects for consideration under the ICIP Environmental Quality Sub-stream call of applications. Phase 2B will provide water and wastewater

servicing to approximately 70 properties in the Herring Cove area.

In July 2019, Phase 2B received federal and provincial ICIP funding approval, with the estimated total cost for the project being \$7,880,161. The combined federal and provincial cost share is \$5,778,522, with HRM being responsible for covering the remaining \$2,101,639, to be funded through an LIC.

In April 2021 and in the middle of the COVID-19 pandemic, supply chains and labour shortages contributed to significant market price volatility. This required an update to the phase 2B and 4 project cost estimates to reflect the current economic environment.

In December 2021, Halifax Regional Council directed the CAO to proceed with the detailed design for Phase 2B and Phase 4 to update the previous cost estimates in advance of an LIC calculation and an amendment to By-law L-100. This direction was provided in response to the market volatility described above, in order to provide accurate estimates as possible prior to initiating the LIC process.

The final design is complete for Phase 2B, and nearing completion for Phase 4, and the estimated cost of construction far exceeds any amount previously contemplated or presented to Regional Council. Considering this, it is appropriate to seek direction from Regional Council prior to initiating the LIC process.

DISCUSSION

Shortly after Council's direction, a cost sharing agreement with the Halifax Regional Water Commission was executed to carry out the detailed design on behalf of the Municipality. The design services to update the Phase 2B and complete the Phase 4 designs were subsequently agreed upon with a contracted consultant, WSP.

Upon receiving the updated cost estimates, staff completed an LIC analysis. The Phase 2B and Phase 4 (Attachment 2) updates are detailed below:

Phase 2B

The previous cost estimate for the project was \$7,880,161. Under the existing ICIP agreement, the program provides funding in the amount \$5,778,522 (73.33%) with HRM providing the remaining \$2,101,639 (26.67%). HRM's portion would then be financed through an LIC, as had been done for earlier phases of work in Herring Cove.

The updated project cost to provide central water and sewer services for Phase 2B is now estimated to be \$11,600,000. This signifies a **47% cost increase** to the project. The ICIP funding under the existing agreement is fixed at \$5,778,522 (49.8%) while the HRM funding increases to \$5,821,478 (50.2%). The increase to the HRM portion would be passed on to the benefiting residents, as property tax is not typically used to fund water and sewer projects.

The LIC for Phase 2B includes approximately 62 properties (Attachment 3) eligible to receive central water and wastewater. In addition, staff considered the potential of small-scale infill development occurring in Phase 2B by bringing in central services. The number of potentially serviceable properties would increase to 104. This number of properties is the best-case scenario, and the current average property assessment for these properties is approximately \$205,000.

An LIC rate is already established for Phase 2B. It should be noted that construction costs for the completed phases were consistently over budget and other sources of funding were used to hold the LIC rate. No other funding sources currently exist to support Phase 2B.

Three LIC scenarios were established using the best case scenario of 104 connections:

LIC Scenario	LIC Charge Criteria	Average LIC Per Property	LIC Collected	Project Shortfall
1	2005 LIC Rate	\$14,643	\$1.17M	\$4.60M
2	2005 LIC Rate Plus Inflation	\$18,794	\$1.50M	\$4.27M
3	Cover HRM Project Cost	\$55,975	\$5.82M	\$0.00M

Phase 4

The current detailed design for Phase 4 has not been completed. However, it is at a stage where staff were provided with a Class C (30% contingency) construction cost estimate. Based on this estimate, it will cost \$15,300,000 to bring central water and sewer to the residents in Phase 4. Based on provincial property data, this phase would service approximately 58 properties that have direct access to municipally owned roads. These properties have an average assessed property value of \$326,000.

There is no approved or agreed funding source to complete the construction of Phase 4. If HRM were successful in receiving 73% funding from federal and provincial governments for the full scope of Phase 4, the external funded amount would be \$11,214,900 (73.3%) of the construction costs. The remaining HRM portion funded through a LIC would be \$4,085,100 (26.7%). This would equate to a \$70,400 charge per Phase 4 property.

Project Analysis & Next Steps

As mentioned in the Background section, HRM's commitment to providing central services to the community stems from the co-location the Harbour Solutions Wastewater Treatment Facility. Providing these services does not address any known health or environmental issues and could cause a financial burden to the community residents. The current interest rate that would be applied to any LIC amount billed is 8.45%.

The LIC rates provided within this report include the provision of service laterals up to the property line. Residents wishing to connect to these services would be responsible for all associated costs beyond the property line. Residents of similar past projects have incurred anywhere from \$5,000 to \$25,000 to extend services beyond the property line and into their dwellings. Staff estimate that the Herring Cove area residents' costs will be on the higher end, if not more, of these past costs. The ground in the area is made up of hard rock/granite materials that significantly complicate the project and drive-up costs.

With the most up-to-date information at the time of writing this report, the cumulative cost to bring both Phase 2B and Phase 4 central water and sewer is estimated at \$26,900,000. These services would benefit 162 properties. If HRM were successful in receiving 73.3% funding from federal and provincial governments to complete both phases, the LIC per property could potentially be reduced to \$44,300.

Conclusion

The cost of supplying water and wastewater to the remaining phases of Herring Cove is not viable at this time. It would require significant funding from other levels of government which is not currently available. The level of participation in previous phases has been high, indicating that the LIC established in 2005 is indeed viable for the community. Without additional funding, a contribution of \$4.27 million is required from HRM to hold the LIC in Phase 2B to the 2005 level when escalated for inflation. Given HRM's fiscal position, it is not advisable to make the contribution required to make the project viable for the residents at this time.

The Phase 4 detailed design will be finalized as the funds have already been approved by Council. Completing the design will streamline construction efforts should a sufficient funding program become available.

FINANCIAL IMPLICATIONS

There are no immediate financial implications at this time as the project would not be proceeding. If Regional Council chose to approve one of the alternatives, a supplementary report would be required to outline funding and financial implications.

RISK CONSIDERATION

No risk considerations were identified.

COMMUNITY ENGAGEMENT

No community engagement was completed as part of this report.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

1. Regional Council could choose to move forward with Phase 2B as per the existing ICIP agreement. As stated in the report, this necessitates an average LIC of almost \$56,000 for Phase 2B, and is not recommended for the reasons outlined in the report.
2. Regional Council could choose to contribute additional funding from the general tax rate or reserve funding account to reduce the Phase 2B LIC. As stated in the report, this would require a contribution of \$4.27M, and is not recommended for the reasons outlined in the report.
3. Regional Council could choose not to approve the recommendation and stop all efforts to bring in central services to Phase 2B & 4. This is not recommended for the reasons outlined in the report.

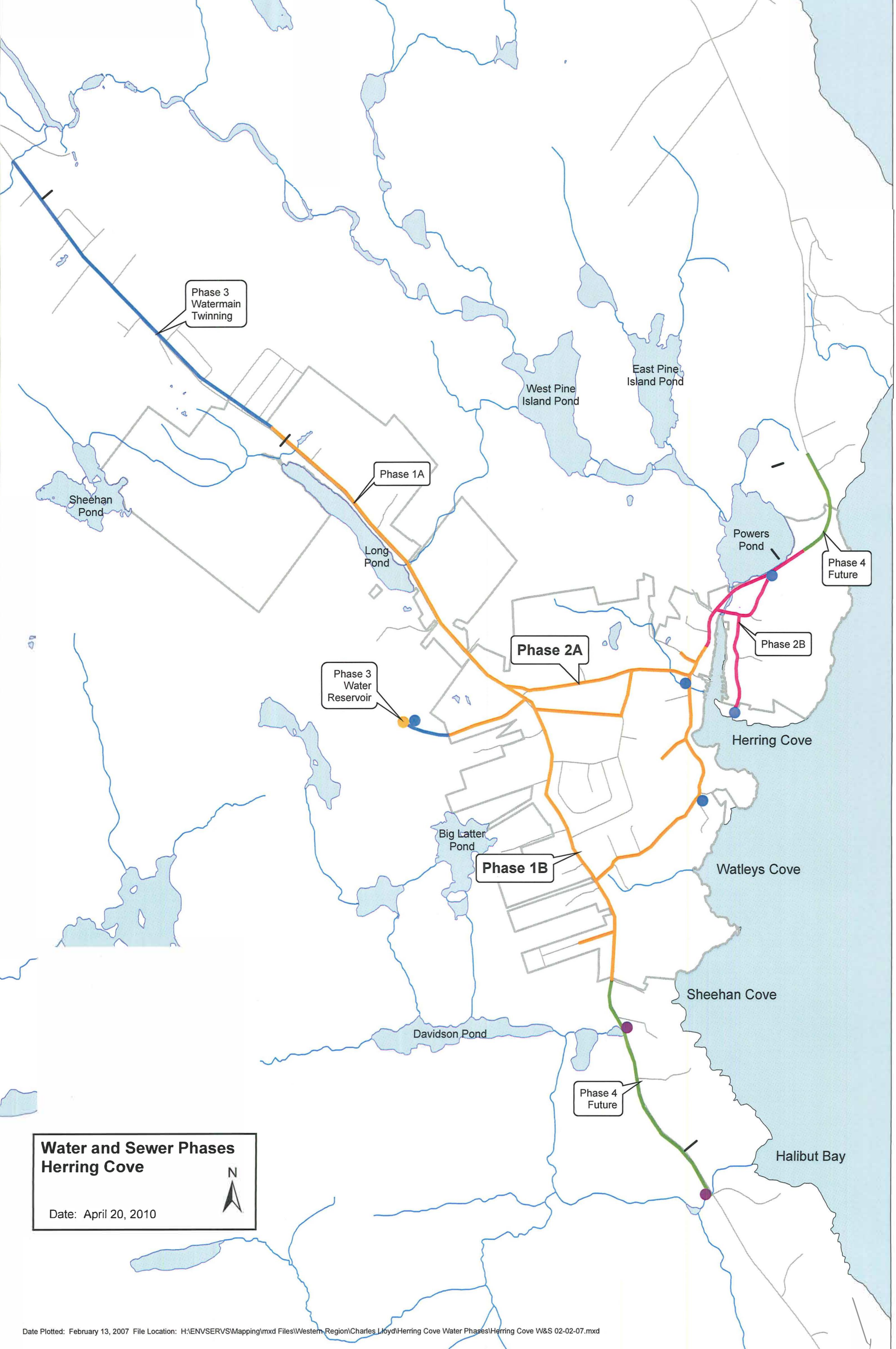
ATTACHMENTS

Attachment 1 - Herring Cove Servicing Phases
Attachment 2 - Herring Cove Servicing Phases 2B & 4
Attachment 3 - Herring Cove Servicing Phase 2B

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Youssef Habboush, Program Engineer, Planning & Development, 902.292.1490

Attachment 1 - Herring Cove Servicing Phases

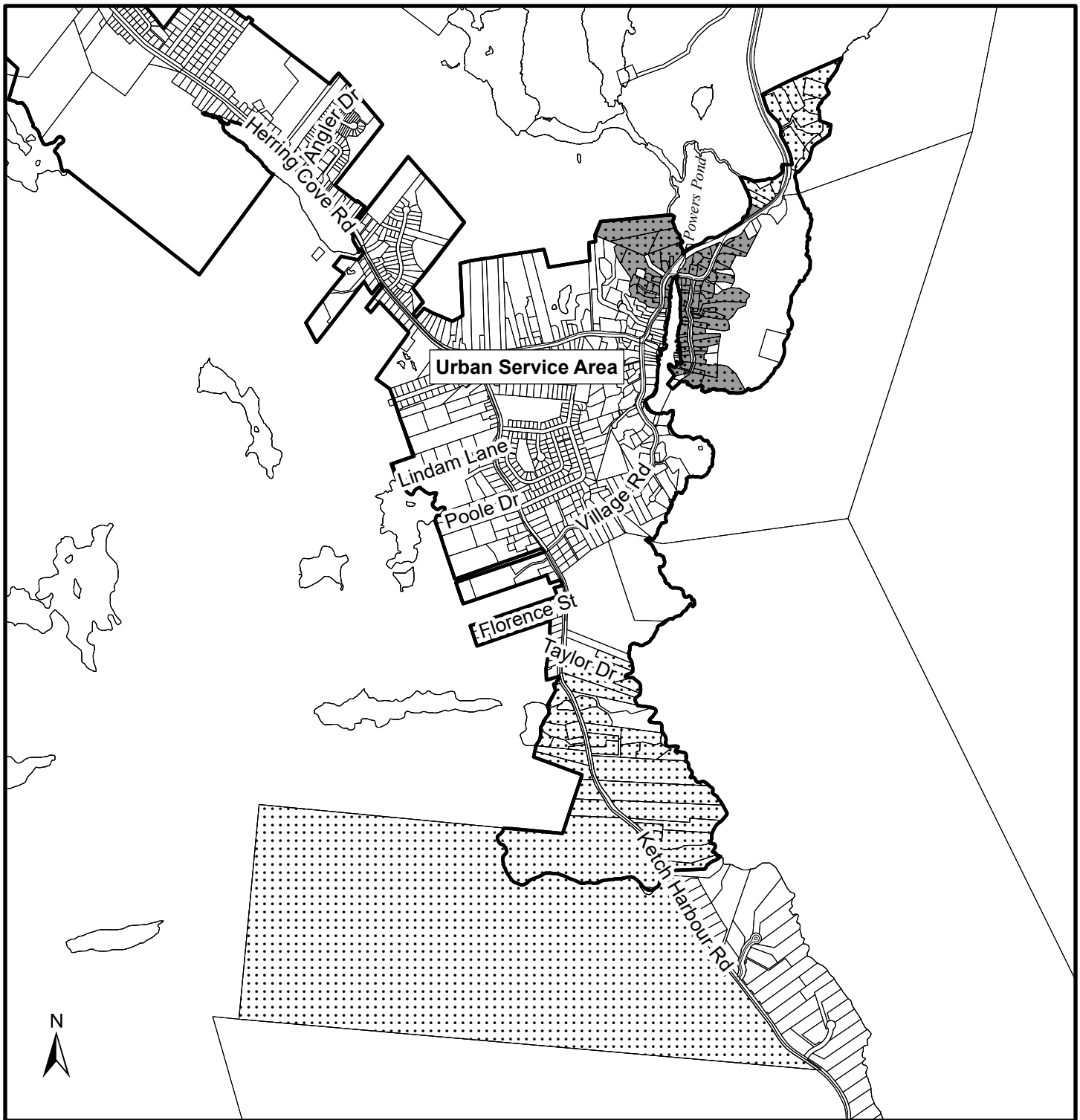


**Water and Sewer Phases
Herring Cove**

Date: April 20, 2010





Attachment 2 - Herring Cove Servicing Phase 2B & 4



Herring Cove Servicing Phases 2B & 4

Local Improvement Charge (LIC) Subject Properties

-  Phase 2B
-  Phase 4

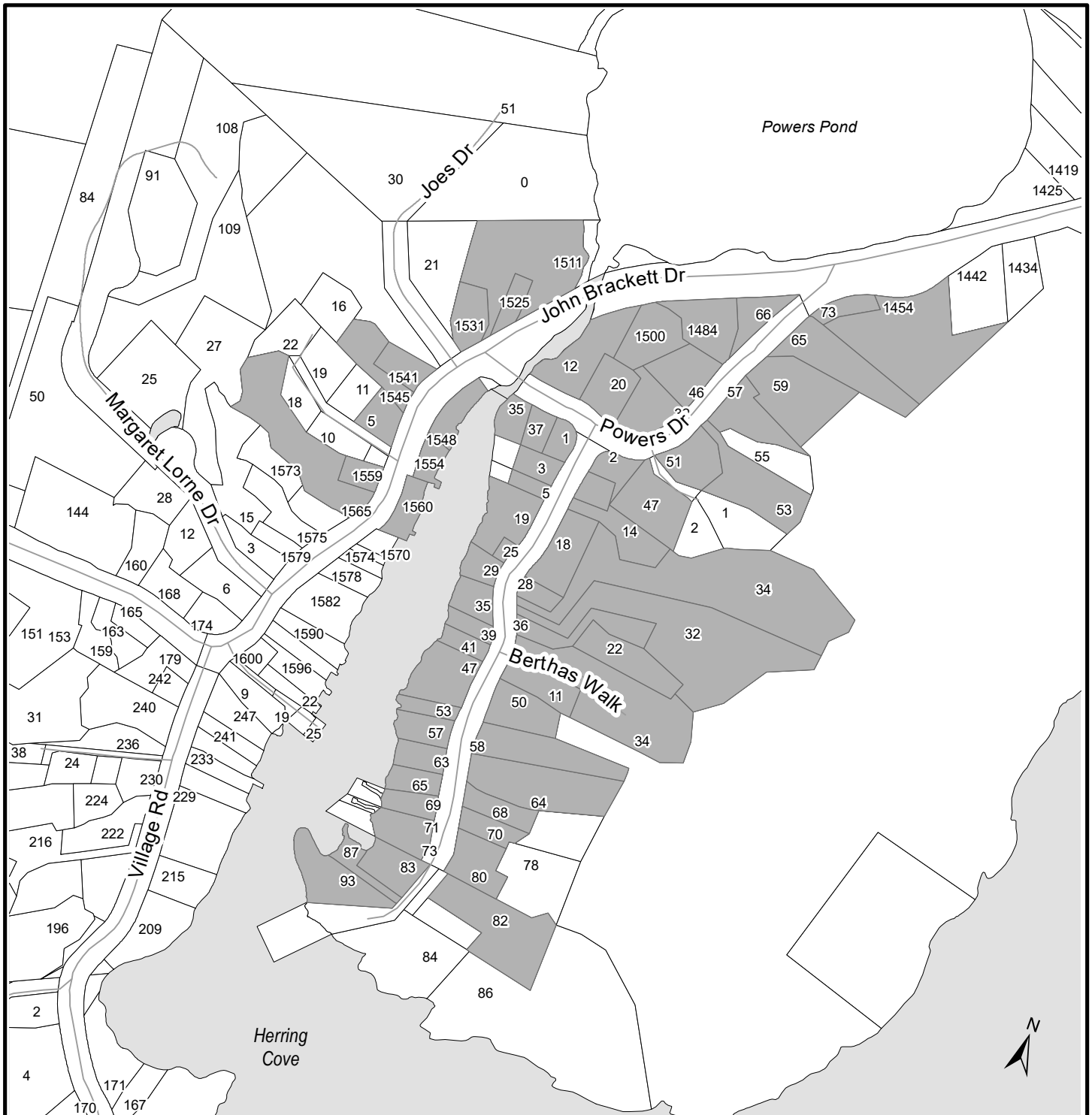
HALIFAX



This map is an unofficial reproduction of a portion of the Halifax Regional Subdivision By-law, Schedule B.

The accuracy of any representation on this plan is not guaranteed.

Attachment 3 - Herring Cove Servicing Phase 2B




Herring Cove Servicing Phase 2B

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 Local Improvement Charge (LIC) Area

0 25 50 75 100 Meters



The accuracy of any representation on this plan is not guaranteed.