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BOX GROVE COLLECTOR ROAD/14TH AVENUE REALIGNMENT PARTIAL REIMBURSEMENT OF TOTAL PROJECT COSTS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated January 20, 2012, from the Commissioner of Finance and the Chief Administrative Officer.

RECOMMENDATIONS

It is recommended that:

1. Council authorize staff to amend the Box Grove Collector principles to permit a partial reimbursement to the Town of Markham for construction of the Box Grove Collector road from Highway 407 to 14th Avenue.
2. Council authorize staff to provide a partial reimbursement of \$4.7 million to the Town of Markham for the construction of the Box Grove Collector road from Highway 407 to 14th Avenue.

2. PURPOSE

This report seeks Council authorization to amend the timing and reimbursement to the Town of Markham for the construction of the Box Grove Collector road. The proposed reimbursement of \$4.7 million represents the cost of the road that has been substantially complete since 2010. This reimbursement reflects all other principles negotiated between the Town and the Region, based upon Council authority provided on June 11, 2009.

3. BACKGROUND

Box Grove Community road network facilitates buildout of the area

On May 26, 2009, Town of Markham Council approved a report titled “Box Grove Collector road Highway 407 to Box Grove Bypass”. Markham’s report requested that York Region take the necessary steps to allow the Town of Markham to build the Box Grove Collector Road, a local roadway designed to service local transportation needs, in the right-of-way corridor of the proposed Donald Cousens Parkway. The Donald Cousens Parkway to the Morningside Link located south of the Box Grove Collector Road was, at the time and remains, the subject of an Individual Environmental Assessment requiring approval from the Minister of the Environment.

Council authorized staff to enter into agreement with the Town of Markham

On June 25, 2009, Council authorized staff to negotiate the terms of an agreement based on six principles. The key principles include the transfer of the portion of land required for the Box Grove Collector road from York Region to the Town of Markham and the timing of the reimbursement for the construction of the Box Grove Collector road. This reimbursement was to be made six months after substantial completion of both the Box Grove Collector Road from Highway 407 to the Box Grove Bypass and the 14th Avenue Realignment, and no sooner than June 2011.

4. ANALYSIS AND OPTIONS

A portion of the Box Grove Collector Road is open to traffic

In 2009, the Town of Markham engaged the Box Grove Developer Group as the constructors and funders of the Box Grove Collector road and the 14th Avenue realignment road projects. These projects are estimated to cost a total of \$15.5 million. As shown in *Attachment 1*, the Box Grove Collector road construction began in a phased approach starting from:

- Phase 1. Highway 407 south to 14th Avenue
- Phase 2. 14th Avenue south to the Box Grove Bypass, and 14th Avenue realignment

The first phase of the Box Grove Collector road is built; however, a portion of this segment remains closed. The second phase of the Box Grove Collector road, including the 14th Avenue realignment, is currently in the final stages of construction.

Constructor of the local roadway requests partial reimbursement of \$10 million

In 2009, the timing for the completion of the construction of the local Box Grove Collector road from Highway 407 to the Box Grove Bypass including the 14th Avenue realignment was scheduled to be December 2010. Based on that forecast, the Region was to reimburse the Town of Markham for the construction costs in June 2011 (i.e., six months after substantial completion of all the roadworks and no sooner than June 2011). The developer group within the Box Grove Community has incurred costs of approximately \$13 million of an estimated \$15.5 million total project costs.

The developer group has indicated to Town staff that the project timelines have been adversely affected by the Canadian Pacific Railway's track and signal work at the intersection of the 14th Avenue realignment and the Box Grove Collector road, and by delays in obtaining regulatory approvals. The developer group has also indicated that these delays were outside their control. As a result, the developer group is asking the Town for a partial reimbursement of the funds spent on the Box Grove Collector road in

the amount of \$10 million, with the balance of \$5.5 million to be reimbursed once the road has been completed. The Town has forwarded this request to the Region.

In accordance with Council approved principles, York Region is to reimburse the Town of Markham for its costs from the Region's roads development charge reserve fund six months after substantial completion of all of the roadway works and no sooner than June 2011.

The developer group's request to the Town of Markham is not in strict conformity with one of the principles established between the Town and the Region for the transfer of funds, as the reimbursement is to occur six months after substantial completion of all the roadworks. Council approval is therefore needed for the Region to make a partial payment to the Town.

Staff recommends a partial reimbursement of \$4.7 million

As the Donald Cousens Parkway is included in the Region's Development Charge bylaw, the Region is responsible for providing development charge funding for the project's expenditures. Since the Box Grove Collector road replaces a segment of the Donald Cousens Parkway that would otherwise be funded by the Town's Development Charge Bylaw and the Donald Cousens Parkway is included in the Region's Development Charge Bylaw, it is appropriate for the Region to provide funding from its Development Charge reserves. Staff recommends that the partial reimbursement be based on the cost of the section of the Box Grove Collector road that is currently built and substantially complete. The total project cost for this segment is \$4.7 million.

Link to Key Council-approved Plans

This report is consistent with the 2011 to 2015 Strategic Plan objective of sound fiscal management.

5. FINANCIAL IMPLICATIONS

The Regional Development Charge Bylaw includes a provision for the construction of the Donald Cousens Parkway. The Box Grove Community is largely built out. As the Region has collected and continues to collect development charges for implementation of the section of the Donald Cousens Parkway that is no longer required due to the construction of the Box Grove Collector road, the Region is required to reimburse the Town of Markham for its costs from the Region's roads development charge reserve fund. York Region will continue to collect development charges for this project until such time as the Town of Markham can include the cost of the project in its Development Charge Bylaw.

In accordance with the principles agreed to between the Town of Markham and York Region, York Region is to reimburse the Town of Markham six months after substantial completion of all of the Box Grove Collector roadworks and no sooner than June 2011. Based on the information provided by the Town of Markham, staff recommends amending the timing to provide a partial reimbursement of \$4.7 million.

6. LOCAL MUNICIPAL IMPACT

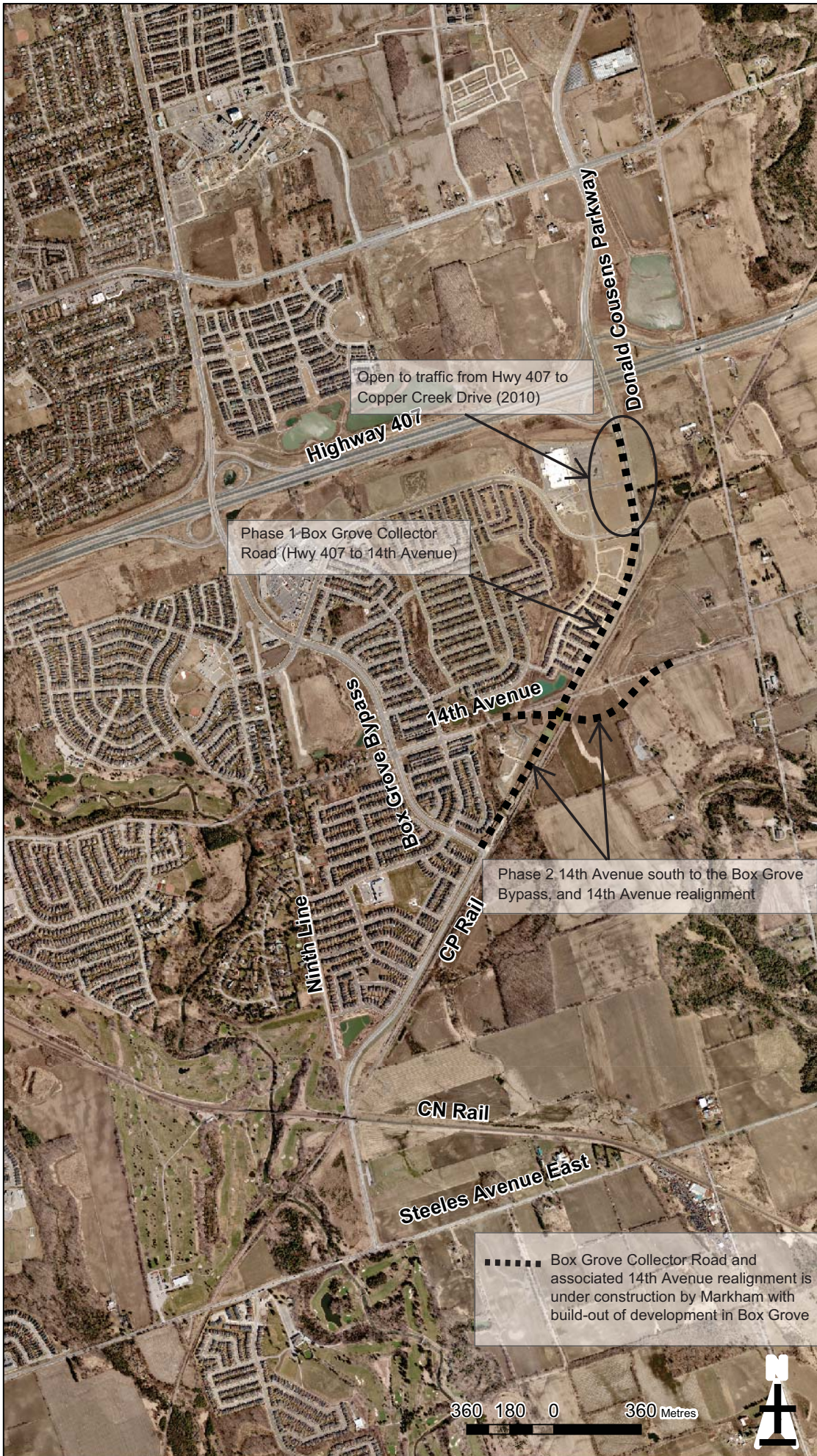
The Box Grove Collector road is located in the Donald Cousens Parkway corridor. Once constructed, this local road would facilitate the transportation flow in the Box Grove Community area.

7. CONCLUSION

The Town of Markham has identified the need to complete the Box Grove Collector road connection from Highway 407 southerly to the Donald Cousens Parkway to service local transportation needs. The developer group has constructed a portion of the Box Grove Collector road on behalf of the Town of Markham, at a cost of \$13 million. Due to delays experienced during construction of the roadway, the developer group has carried the cost of construction for longer than they anticipated. As a result, the developer group is seeking partial reimbursement of the project costs from the Town in the amount of \$10 million. Staff have reviewed the request and recommend that Council provide partial reimbursement to the Town of Markham in the amount of \$4.7 million, which represents the cost of the segment of the local road that is currently built and substantially complete.

For more information on this report, please contact Fabrizio Filippazzo, Head, Development Financing, at Ext. 1696 or Kelly Strueby, Director, Business Planning & Budgets, at Ext. 1611.

(The attachment referred to in this clause is attached to this report.)



**BOX GROVE COLLECTOR ROAD AND 14TH AVENUE REALIGNMENT
BOX GROVE DEVELOPMENT AREA**