

Acquisition of Land from 302 Melville Street for CN Industrial Storm System Upgrades

ISSUE

The City of Saskatoon's (City) storm water drainage system outlet at the intersection of Melville Street and Portage Avenue in the CN Industrial neighbourhood requires repair and replacement. The City does not have a registered easement on the existing storm water drainage outlet pipe and needs to acquire land from the landowner to allow for the construction of a replacement outlet pipe to connect the Melville Street storm drainage system to the storm pond south of the CN Rail line.

RECOMMENDATION

1. That the Administration be authorized to purchase a portion of Lot 11 Block 563, Plan No. 66S18566, ISC Parcel No. 119989614) from 101196566 Saskatchewan Ltd., consisting of approximately 0.36 acres at a purchase price of \$486,000 as per the terms of the conditional agreement and that Capital Project P.01619.06.005 Storm Sewer Trunk and Collection Capacity Improvements – CN Industrial Drainage Improvements be used as the funding source; and
2. That the City Solicitor be requested to have the agreement executed by His Worship the Mayor and the City Clerk under the Corporate Seal.

BACKGROUND

The City is currently completing infrastructure improvements in the CN Industrial neighbourhood. The infrastructure improvements include watermain replacement, ditch grading and capacity improvements, standardized crossing culverts, roadway construction and an upgraded outlet pipe.

The current drainage outlet at this location daylights at the CN Rail track to the south and has no dedicated drainage path or endpoint. The storm water infrastructure at this location is also undersized based on current standards and needs to be replaced due to its current condition. The City does not have a registered easement for the existing storm water outlet pipe that runs through 404 Melville Street. It's suspected that the outlet would have been installed as part of CN's development of the area and an easement would not have been taken out at that time or part of the sale of the land from CN to the owner of the property.

To complete the infrastructure upgrades as planned for the CN Industrial neighbourhood, a new storm pipe connection from Melville Street to the storm pond south of the CN Rail tracks is required. The construction of this storm pipe connection would require a directional bore under the CN Rail line.

The City's practice is to install utility services and pipes in locations where an easement exists or in the absence of an existing easement, obtain an easement so the City has

future access to the City-owned infrastructure to ensure future maintenance or replacement can occur when needed. Given the depth and size of the storm pipe being planned for installation, a 12-metre-wide easement is required.

DISCUSSION/ANALYSIS

The CN Industrial Infrastructure Improvement project is part of the Government of Canada Natural Infrastructure Fund (NIF) program, where NIF is contributing 60% of eligible construction costs. The CN Industrial Infrastructure Improvement project started in 2023 and is required to be completed by the end of 2024 to comply with the City-NIF agreement deadline. The storm water drainage outlet pipe construction needs to start in February 2024 to take advantage of winter conditions and allow the remaining phases of work (traditional storm sewer and remaining ditch improvements) to be completed in the regular construction season of May to October 2024. The improved drainage system along Melville Street and Portage Avenue needs this upgraded storm outlet pipe to reduce flooding during rain events and spring melt. A contractor has been selected for the project to complete the work starting in February 2024 through the City's public procurement process.

The City has been working towards obtaining an easement for the pipe connection from Melville Street to the storm pond south of the CN Rail line for over a year with various property owners along Melville Street. Given existing infrastructure and area elevations, routing options for the pipe connection are limited. While considering the limited pipe connection locations, Administration had negotiated with all the owners of the potential connecting locations and a pipe connection through the 302 Melville Street property (as shown on Appendix 1) has been deemed to be most beneficial, financially, and logistically.

Although an easement was the preferred option of Administration as it would relieve the City of long-term maintenance and ownership considerations, the property owner of 302 Melville Street was not supportive of the City obtaining an easement and instructed that a sale of the 12-metre-wide easement area could occur. Given the project requirements and the willingness of the property owner to sell a portion of their property, Administration deemed the purchase option acceptable.

The 302 Melville Street property owners were willing to work with the City on an agreement that would allow for the pipe connection to occur.

Through negotiations with the property owner, a conditional purchase agreement has been reached, notable terms of the agreement include:

- Purchase price of \$486,000, less applicable adjustments on the closing date,
- A \$50,000.00 refundable deposit.
- Conditional upon approval of City Council (Council) on or before February 28, 2024.
- City obtaining possession of the land upon Council approval.

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- Seller granting City use of the “Shared Access Area” as shown on Appendix 1 for the construction purposes related to the project.
- City paying the Seller \$30,000 for the Seller to relocate a building, trailer and all other items located on the land within 15 days of Council approval.
- City responsible for the:
 - relocation of the Seller’s gate so that it does not extend into the Melville frontage of the land;
 - relocation of the Seller’s existing driveway so it does not extend into the Melville frontage of the land;
 - installation of a 6’ chain link fence along the westerly portion of the land; and
 - subdivision of the land before November 30, 2024.
- Closing date would be the sooner of 30 days following the completion of the subdivision or November 30, 2024, or a date as agreed upon by the parties.

As part of the negotiations, the City commissioned a third-party appraisal to provide an opinion of value for both a 12-metre-wide easement and purchase scenario. The appraisal concluded an opinion of value for the purchase based upon a land value of \$1.45M per acre and an easement impact to value of roughly half of that amount.

Given the tight project timelines and the willingness of the property owner to sell, Administration deemed the purchase option acceptable and chose to not pursue obtaining an easement. Obtaining an easement would have added time to the process and jeopardized the City’s ability to complete the project and corresponding NIF funding.

Based upon the market value appraisal, a negotiated value of \$1.35M per acre was agreed to with the City also being responsible for the items listed above as the notable terms of the agreement. Including the \$30,000.00 for the trailer/building/other relocation payment, it is anticipated that the other City commitments as part of the agreement would cost \$60,000 to satisfy resulting in total cost to project of \$546,000.00 for the acquisition.

FINANCIAL IMPLICATIONS

Funds for this purchase and agreement related costs are available in Capital Project P.01619.06.005 Storm Sewer Trunk and Collection Capacity Improvements – CN Industrial Drainage.

The land acquisition costs are not considered eligible costs through the NIF program. However, this land purchase is required for most of the project (\$4.3 million) to proceed which is eligible under the NIF program. Not acquiring this land would place the larger project at risk of not being able to be completed within the required timelines and not receiving the \$2.6 million in NIF funding to complete this important project.

OTHER IMPLICATIONS

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The typical process for an acquisition of this type would be for a report to first go to Committee for consideration and then Committee would make a recommendation to Council on how to proceed. Given the tight project timelines, a report directly to Council was deemed necessary.

NEXT STEPS

If approved, the proposed acquisitions would proceed to close and title to the lands would be transferred to the City. Once the land has been subdivided, the City would explore options to recapture some of the acquisition costs.

APPENDICES

1. Land for Acquisition from 302 Melville Street

REPORT APPROVAL

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Approved by: Clae Hack, Chief Financial Officer

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