

ADDITIONAL AGENDA

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FOR THE REGULAR MEETING OF RED DEER
CITY COUNCIL TO BE HELD ON MONDAY, APRIL 2, 1990,
AT 4:30 P.M., IN THE COUNCIL CHAMBERS OF
CITY HALL, RED DEER

- 1) Manager Economic Development - Re: Relocation
Negotiations with Downtown Rail Users .. 1

DATE: March 13, 1990

TO: Mayor and Members of Council

FROM: Alan Scott
Manager Economic Development

RE: RELOCATION NEGOTIATIONS WITH DOWNTOWN RAIL USERS

The City of Red Deer has now negotiated settlements with the remaining three CP Rail users located in the downtown area. The agreements are subject to final approval from the City of Red Deer, Alberta Transportation and CP Rail. Should the negotiations receive the approval of these three organizations, it would permit the removal of the existing CP main line, which presently runs from north to south through the city, allowing the elimination of all rail crossings and make the land available for other uses.

The three rail users involved are Alberta Wheat Pool, Cargill Limited and Harper's Metals Ltd. If the necessary approvals are received the Wheat Pool would relocate to the new CP main line west of the city; Cargill plan on servicing their customer from alternate sites; and Harper's Metals would relocate to Edgar Industrial Park, adjacent to the new CP main line. The tentative agreements negotiated with these three rail users would result in the elimination of service on the existing main line no later than December 31, 1991. As soon as possible after that date, the track material would be removed and the right of way turned over to the City of Red Deer.

Following is a report on the negotiations:

History

The original Railway Relocation Project contemplated the construction of a main industrial lead track, which would follow the existing main line from its northern entry to the city, into the existing yard to serve those rail customers who remained after the yards have been relocated. Subsequent to agreement being reached between Alberta Transportation, CP Rail and the City of Red Deer, it was determined that a number of rail customers were no longer using the service or were prepared to continue functioning without the service following rail relocation.

CP Rail at this point agreed that if the City of Red Deer could reach agreement with the remaining rail customers to no longer require service following relocation, then that portion of the rail relocation cost required to construct a new industrial lead would be refunded to the City. The amount involved was \$644,000, plus interest accruing from June 15, 1988.

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The agreement between the City and CP Rail also stipulated that if the new industrial lead spur was constructed it would become the property of the City of Red Deer, and the City would be responsible for all maintenance and upkeep as long as the spur was required. Estimates obtained from CP Rail have indicated that annual maintenance is approximately 4% of capital costs, which would result in an annual expenditure by the City of approximately \$25,000 on maintenance. With the continued expansion of the city, and the required arterial road construction at 64th Avenue, 77th Street and Taylor Drive, the installation of new crossings and signals at a cost of approximately \$343,000 would be required in the future.

In summary then, the elimination of rail service to the downtown and the subsequent removal of the CP main line, without the necessity of constructing a new industrial lead, would result in the following funds being available either as a rebate on the overall rail project, or as future construction and maintenance savings in our arterial road program.

Funds available as a rebate for not building the industrial lead, including all interest accruing to the City from June 15, 1988	\$ 748,143
Construction saving associated with crossing and signals on arterial road system	\$ 343,000
	<hr/>
Total Saving	\$1,091,143*

- * To this can be added between \$14,000 and \$25,000 annually for maintenance and upkeep of the rail line - a portion of which may or may not be recoverable from the remaining rail users.

Negotiated Settlement

With these potential savings in mind, the City of Red Deer entered into negotiations with the Alberta Wheat Pool, Cargill Limited and Harper's Metals Ltd. Tentative agreement has been reached with all three, with the proposed settlement as follows:

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Alberta Wheat Pool

The Wheat Pool will relocate all of its downtown facility at their expense no later than December 31, 1991. Demolition of the existing facility will be at the Wheat Pool expense with the City providing free access to an approved landfill site. The City of Red Deer will compensate Alberta Wheat Pool with a one time up-front payment of \$321,849 with interest being added at 12% annually from August 1, 1989.

Estimated cost of Wheat Pool settlement	\$ 352,597
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Cargill Limited

Cargill Limited is responsible for the demolition and removal of the existing facility from the downtown rail yards. The City of Red Deer will provide free access to Cargill Limited to an acceptable landfill site for the disposition of materials from the demolished facility. The City of Red Deer will pay to Cargill Limited a one time up-front payment of \$100,000.

Estimated cost of Cargill settlement	\$ 102,500
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Harper's Metals Ltd.

The City of Red Deer will provide Harper's Metals Ltd. with clear title to a three acre site in Edgar Industrial Park, serviced with a rail siding and standard water, sanitary sewer and storm drainage connections to the property line. The City will pay to Harper's Metals Ltd. total monetary compensation for the elimination of rail service and business interruption, \$327,250.

Total cost of Harper's Metals settlement	\$ 564,125
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Total cost of settlements	<u>\$1,019,222</u>
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In the case of both Alberta Wheat Pool and Cargill Limited, these companies were operating on leased land, which would have allowed the City of Red Deer to terminate the leases in August 1993. However, it would have been difficult to maintain rail service into the downtown until that date and realize any saving on the future elimination of the spur line. The settlement with both of these companies was arrived at after extensive negotiations, and in the case of the Wheat Pool, represents a very small portion of their total relocation costs.

The Cargill settlement was reduced somewhat from that of the Wheat Pool for two reasons:

1. The Wheat Pool had three facilities, while Cargill had only one.
2. The Wheat Pool is relocating in the Red Deer area, while Cargill is closing down.

The Harper's Metals Ltd. settlement was based on a confirmed estimate of the total costs attached to his relocation, less the appraised value of his existing site. The amount agreed to in the settlement, combining the land value and the cash amount, represents the difference between the cost of the relocation and the appraisal.

Recommendation

I would recommend that Council approve the settlements as outlined with the three rail users. The cost of the settlements would result in a saving to the City over construction of a new industrial lead track. In addition, costs associated with the maintenance of an industrial lead would mount up over a period of time, and it is questionable whether they would be fully recoverable from rail users. Apart from the sheer financial advantages to the settlement, the elimination of the rail line north of the river will result in future development opportunities utilizing the rail right of way, and the elimination of at least four level crossings. The removal of the existing main line throughout the city will result in a much cleaner project, providing much greater flexibility for the City's future development.

Respectfully submitted,



Alan V. Scott
MANAGER ECONOMIC DEVELOPMENT

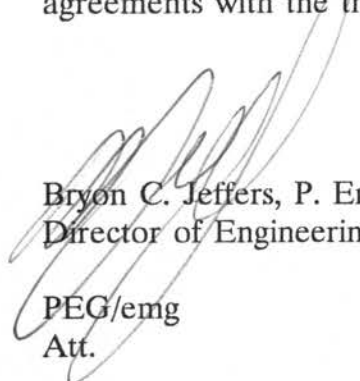
AVS/mm

680-641

DATE: April 2, 1990
TO: City Clerk
FROM: Director of Engineering Services
RE: MAJOR CONTINUOUS CORRIDOR
HARPER'S METALS' PROPERTY

Alberta Transportation and Utilities has agreed (see attached letter) to the terms of purchase of the Harper's Metals' property as outlined in the report dated March 13, 1990 to City Council on March 19, 1990 by Mr. A. Scott, Economic Development Manager. The Engineering Department advises that the successful negotiations with Harper's Metal ensures total relocation of the CP Rail main line within the City limits, which will allow for orderly development of the northwest quadrant and unobstructed extensions of arterial roadways such as 64 Avenue and 77 Street.

The Engineering Department respectfully recommends that Council approve the proposed agreements with the three rail users as outlined by Mr. Scott.



Bryon C. Jeffers, P. Eng.
Director of Engineering Services

PEG/emg
Att.

c.c. Economic Development Manager



TRANSPORTATION
AND UTILITIES
Urban Transportation Branch

1st Floor, Twin Atria Building, 4999 - 98 Avenue, Edmonton, Alberta, Canada T6B 2X3 403/427-4575

File: RED/MCC-PROJECT

March 30, 1990

Mr. Pat Grainger, R.E.T.
Project Coordinator
Major Continuous Corridor
City of Red Deer
P.O. Box 5008
RED DEER, Alberta
T4N 3T4

Dear Mr. Pat Grainger:

RE: MCC PROJECT - RELOCATION NEGOTIATIONS WITH DOWNTOWN RAIL USERS

In response to your letter of March 20, 1990, and from the additional information conveyed to Mr. Bob Rebus on March 22nd, we are prepared to support the city's decisions in the negotiations with the Alberta Wheat Pool, Cargill and Harpers Metals. We concur with Mr. Al Scott's assessment of the negotiations and significance of arriving at a settlement as described in his report to the Mayor and City Council dated March 13, 1990.

Possession of the leased sites is to take place no later than December 31, 1991. We agree that Harpers Metals should retain possession of the property based on the information that Alberta Environment requires the site to be free of contamination. The credit to be received from C.P. Rail should be credited to the MCC Project and a copy of the transaction should be sent to our office.

We understand that the settlements were included in the budget and the related costs and credit to be received was part of the negotiated package with C.P. Rail. Please proceed.

Yours truly,

Brian Marcotte

Brian P. Marcotte, P.Eng.
Director of Engineering

RCR/7130MCC-.RED
cc. Bryon Jeffers

Commissioner's Comments

After a series of protracted negotiations, we have now been able to reach agreement with the three remaining downtown railway users for the elimination of rail service which will allow us to completely remove the existing main line and all associated trackage. We would recommend Council approve these agreements.

"M.C. DAY"
City Commissioner

DATE: March 20, 1990
TO: Economic Development Manager
FROM: City Clerk
RE: RELOCATION NEGOTIATIONS WITH DOWNTOWN RAIL USERS

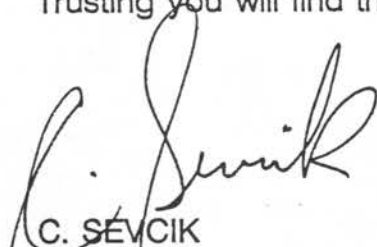
Your report dated March 13, 1990 pertaining to the above was submitted to the Committee of the Whole of Council March 19, 1990.

Council at the above noted meeting agreed in principle with the recommendations subject to confirmation from Alberta Transportation.

We look forward to a further report coming back to an open meeting of Council in due course following approval by Alberta Transportation.

By way of a copy of this memo we are requesting the Director of Engineering Services to take appropriate action.

Trusting you will find this satisfactory.



C. SEVCIK
City Clerk

CS/jt

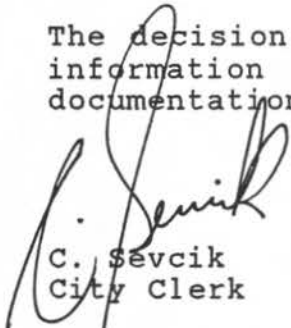
c.c. City Commissioners
Director of Engineering Services
M.C.C. Project Manager
City Assessor
City Solicitor
Urban Planner

DATE: April 4, 1990
TO: Economic Development Manager
FROM: City Clerk
RE: RELOCATION NEGOTIATIONS WITH DOWNTOWN RAIL USERS

Your report of March 13, 1990, pertaining to the above was considered at the Council meeting of April 2 and at which meeting Council passed the following motion.

"RESOLVED that Council of The City of Red Deer, having considered report dated March 13, 1990, from the Economic Development Manager re: Relocation Negotiations with downtown rail users, hereby approves the proposed agreements with Alberta Wheat Pool, Cargill Ltd., and Harper's Metals Ltd., as outlined in the above noted report and as presented to Council April 2, 1990."

The decision of Council in this instance is submitted for your information and I trust you will ensure appropriate legal documentation is prepared and executed by all parties.



C. Ševcik
City Clerk

CS/ds

c.c. City Commissioner
Dir. of Engineering Services
City Assessor
MCC Project Manager
City Solicitor