

**Township of Southgate****Administration Office**

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**Phone:** 519-923-2110**Toll Free:** 1-888-560-6607**Fax:** 519-923-9262**Web:** [www.southgate.ca](http://www.southgate.ca)**Staff Report CAO2021-054****Title of Report:** Flato East Pre-Servicing Agreement for Phase 7, 8 & 10**Department:** Administration**Council Date:** July 7, 2021**Council Recommendation:****Be it resolved that** Council receive staff report CAO2021-054 as information; and

**That** Council approve the Flato Dundalk Meadows Inc. project known as Flato East Phase 7, 8 & 10 for a Pre-servicing Agreement with the appropriate Schedules reflecting the necessary approved Engineered drawing, report information and approved securities for the project; and

**That** Council direct staff to work with Flato Developers to acquire securities to cover the condition for \$514,310.96 as a Letter of Credit or seek project completion security reductions to cover this amount prior to starting the pre-servicing work; and

**That** Council consider approving the Flato Dundalk Meadows Inc. project known as Flato East Phase 7, 8 & 10 Pre-servicing Agreement by Municipal By-law 2021-101 at the July 7, 2021 meeting.

**Background:**

Flato Developers Inc. presently has Draft Plan Subdivision approval for the Flato Dundalk Meadows Inc. project known as Flato East Phase 7, 8 & 10 residential development. They also have a Site Alteration Agreement approved by the Township of Southgate to complete earth works, to bring in granular and soils as fill materials to the Flato East site. The Pre-Servicing Agreement is now the next step in the process that will allow the developer to start the site work for the installation of servicing infrastructure and construction of the roadway, based on the approved servicing drawings.

Flato Developers Inc. have requested a Pre-Servicing Agreement in advance of the Subdivision Agreement. What this agreement will allow is the installation by the developer of on-site and off-site infrastructure such as water, sewers, stormwater drains, curbs & gutter, and roadway construction with base course asphalt, while the Subdivision Agreement is going through the approval process. During the pre-servicing phase of the project, without a subdivision agreement in place, the Township has minimal liability as the lot fabric has not been approved or registered with title, therefore Southgate would have no responsibility to finish the lot servicing. The responsibility the Township would have with a pre-servicing

agreement would be to make the development site safe by filling in holes and leveling the soil on the property, if there was a failure to complete the project.

The Pre-Servicing Agreement will allow the developer to start the work based on approved servicing drawings and posted securities. By the developer undertaking the work prior to Subdivision Agreement approval, they take on more risk and the municipality has considerably less. Therefore, the required posted securities in favour of the municipality, by the developer, is less because the Township has not committed to an approved Subdivision Agreement. When the Subdivision Agreement is approved, the required securities will be reviewed and posted at the required levels based on the amount of servicing work that has been completed and accepted. The developer securities presently required for a Pre-Servicing Agreement is 5% for on-site and 100% for off-site works. In a Subdivision Agreement, the developer securities required is 100% for on-site and 100% for off-site works because the lots have been created and likely presold. The major cost of servicing of a residential development is the installation of infrastructure during the pre-servicing agreement phase. When it comes to Subdivision Agreement approval, the amount of securities required is considerably less as it only covers sidewalks, street lighting, street signage, lot grading, sodding, fencing, tree planting, final asphalt placement, etc., if all the pre-servicing work has been completed.

### **Staff Comments:**

The Township approval process of this Pre-servicing agreement is the following steps:

1. Triton Engineering reviewed drawings and report documents are listed in the "Schedule B" of the agreement;
2. Triton has also reviewed and calculated amount of securities necessary to support the Flato East Phase 7, 8 & 10 project work onsite and offsite for infrastructure servicing costs that have been included in the Pre-servicing Agreement Schedule C, that is included with By-law 2021-101;
3. Council approval of Flato East Phase 7, 8 & 10 Pre-servicing Agreement and by municipal By-law 2021-101 for approval at this same meeting; and

### **Financial Impact or Long Term Implications**

There is no financial impact as a result of this report as the developer will be paying for engineering and legal costs related to the creation of this agreement.

The developer will maintain or increase the posted securities through an Irrevocable Letter of Credit (LC) to cover the estimated servicing costs determined by Flato's and Southgate's engineers. The detailed breakdown of the Crozier security calculations is included in this report as Attachment #2 and is also provided in totals required in Schedule "C" of this Pre-servicing Agreement in relation to the

Flato Glenelg Carriage House subdivision project's Pre-servicing agreement LC requirements.

Flato Development Total Posted Securities:

Meridian LC #1	\$ 675,000.00
Meridian LC #2	\$1,010,000.00
Meridian LC #3	\$ 720,531.47
New LC February, 2021	\$1,000,000.00
<b>Total</b>	<b>\$3,405,531.47</b>

**Flato Development Projects related to Securities:**

Flato Block 75 Internal Works costs (\$126,661.13)	\$ 0.00
<ul style="list-style-type: none"><li>This is not an LC requirement as Southgate has no responsibility past property line for this project like we do in a residential subdivision where property transfers to a homeowner.</li></ul>	
Flato Block 75 External	\$ 213,808.43
Flato East Phase 2B Internal (\$250,917.15)	\$ 200,917.15
<ul style="list-style-type: none"><li>This number can be reduced by \$50,000 because final paving and sidewalks is complete</li><li>All work completed &amp; in warranty period</li></ul>	
Flato North Phase 2A & 3 Internal & External (\$391,132.85)	\$ 191,132.85
<ul style="list-style-type: none"><li>This number can be reduced by \$200,000 because final paving and sidewalks is complete</li><li>All work completed &amp; in warranty period</li></ul>	
Flato North Phase 4, 5 & 6 Internal Asphalt & Sidewalk	\$ 581,077.02
<ul style="list-style-type: none"><li>Top asphalt &amp; sidewalk is the only remaining work.</li></ul>	
<b>Total LC requirement for present Projects</b>	<b>\$1,186,935.45</b>
Flato Glenelg Carriage House LC requirement for Pre-servicing on-site & off-site work.	\$2,434,080.15
<b>Total Calculated LC requirement at 5% For On-site and 100% for Off-Site Works</b>	<b>\$3,621,015.60</b>

The Staff reviewed the securities report with Triton and Flato and determine the reductions of \$126,661.670 for Flato Block 75 Senior project should not apply, that

there should be reduction for paving and sidewalk work completed in Flato East Phase 2B \$50,000 and Flato North Phase 2A & 3 for \$200,000.00.

Flato Developments present LC security in place at **\$3,405,531.47** is a significant amount of money and is an aggregate amount that can be used on any project requirement. Triton recommends 5% security for on-site works because saleable lots have not been created and 100% for off-site works because a municipality would need to reinstate their roadway to a useable condition if a developer leaves the municipal property in a state where municipal costs would be required to complete the work and draw on the posted securities.

Staff recommends that we approve the Flato East Phase 7, 8 & 10 Pre-servicing Agreement with the securities required for this project as approved by Triton Engineering. Flato will provide an addition LC posted as security being \$514,310.96 or they will request a reduction of securities for other completed project works so the aggregate amount will cover all outstanding projects.

### **Communications & Community Action Plan Impact:**

This report has been written and presented to Council to communicate accurate information to the public.

#### **Goal 3 - Promoting Health Services and Housing Choices**

**Action 3:** The residents and businesses of Southgate envision a caring community which meets the needs of all ages and incomes for a healthy and comfortable life, even as our population grows and changes.

**Strategic Initiatives 3-A (2019-2023):** By means of appropriate policies, incentives and development partners, the Township will facilitate a significant increase in the supply and variety of both rental and purchase housing/accommodation within Southgate.

### **Concluding Comments**

1. That Council receive this report as information.
2. That Council consider approval of Flato Dundalk Meadows Inc. project known as Flato East Phase 7, 8 & 10 for a Pre-servicing Agreement by Municipal By-law 2021-101 at the July 7, 2021 Council meeting.
3. That staff prior to Flato Developers starting the Flato East Phase 7, 8 & 10 pre-servicing project that they request security reductions in other projects or post the required security to cover the addition of \$514,310.96 in LC.

Respectfully Submitted,

#### **CAO approval: Original Signed By**

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- Attachment #1 – Triton email reporting on their review