
Subject: Agreement of Purchase and Sale for part of Merritt Island Park, Welland

Report to: Regional Council

Report date: Thursday, March 20, 2025

Recommendations

1. That Staff **BE AUTHORIZED** to acquire a portion of Merritt Island Park in the City of Welland more particularly described in Schedule “A” of the Agreement of Purchase and Sale attached as Appendix 1 to Report PW 14-2025; and
2. That the CAO **BE AUTHORIZED** to execute the Agreement of Purchase and Sale attached as Appendix 1 to Report PW 14-2025 that includes payment to the City of Welland for an amount not to exceed \$7,718,204 (excluding HST), for the Merritt Island Park Renewal.

Key Facts

- The Welland Water Treatment Plant (WTP) was originally constructed in 1911 and now urgently requires replacement and upgrades. Phase 1 of the WTP renewal project was completed in 2017 and Phase 2 requires additional lands from the City of Welland’s Merritt Island Park to build the necessary infrastructure.
- For the past 7 years, the City and Region have collaborated on transferring land for the Phase 2 Welland WTP project. They have agreed that the City will convey the lands outlined in Schedule "A" of the Agreement (Appendix 1) to the Region for nominal consideration. In exchange, the Region will cover the City's actual costs for the Merritt Island Park Renewal project instead of paying for the land conveyance.
- The Merritt Island Renewal Project will be managed by the City of Welland and paid for by the Region according to the terms of the agreement, based on the actual costs, to a maximum of \$7,718,204 (excluding HST).
- On February 4, 2025, the City of Welland Council approved a report to authorize City staff to enter into the agreement of purchase and sale with the Niagara Region (Appendix 2).

Financial Considerations

Phase 2 of the Welland WTP Project (project 20000466) was initiated in the 2017 capital budget with \$5 Million approved for design of the replacement of pre-treatment, tanks, filters, low lift pump station, chemical building, administration building, instrumentation and controls.

Property Transfer Critical to Welland WTP Project

The 2025 capital budget request includes an additional \$10 million for the design, construction, and relocation of Merritt Island Park and other amenities, as well as funds for urgently required reliability upgrades to process piping, electrical systems, instrumentation, and limited structural rehabilitation.

These upgrades are critical to bridging the gap before the commissioning of the new Welland WTP. Immediate action on this replacement project is essential, as the current assets are in poor condition, with aging equipment requiring costly repairs and expensive custom-made parts.

The total current approved capital budget for Phase 2 work is \$15 million. A total of \$4.027 million has been spent and committed on Phase 2 of the project as of February 10, 2025, prior to the agreement terms referenced in Appendix 1. There are sufficient budget funds (approximately \$10.973 million in uncommitted funds) to support the cost of the Merritt Island Park Renewal project at the agreed upon maximum amount of \$7,718,204 (excluding HST) as provided in the agreement, including any non-recoverable HST and land transfer tax, if applicable to this transaction. It is important to note that this phase of the project is 50% recoverable from Development Charges and will support growth. It is anticipated that the City will complete the detailed design in 2025 and construction in 2026 for the Merritt Island Renewal Project.

There will be ongoing operating costs associated with the acquired land such as property maintenance and property taxes (not quantifiable at this time) which will be incorporated as part of future Water operating budgets.

Funding Strategy Required for Phase 2 Welland WTP Project

The Welland WTP is over 100 years old and needs to be replaced and upgraded without delay. Construction for Phase 2 Welland WTP project is estimated at \$160 million (funded 50%/50% by Development Charge and Water rates) and the significant scale of investment required is beyond that which can be accommodated with the

current annual budgets. Since the project's cost exceeds the available funding from annual rate revenue, a separate funding strategy for the construction of Phase 2 Welland WTP Project will be developed and presented to the Committee/Council at a later date. External funding opportunities applicable to this project are being explored in parallel.

Analysis

Background

The existing Welland WTP is located on the southern point of Merritt Island, between the Welland Recreational Canal and the Welland River. The original WTP was constructed in 1911, with periodic expansions to the WTP as late as 1957. The plant draws raw water from the Welland Recreational Canal and feeds treated water to the water distribution systems of Welland, Pelham, and parts of Thorold.

Given the age and condition of the Welland WTP, along with concerns about regulatory compliance, equipment reliability, capacity limits, and operational inefficiencies, an Environmental Assessment (EA) was conducted in 2012 to determine the next steps. The recommended solution was to replace the existing WTP within expanded property limits, with the anticipation the property located immediately adjacent to the north of the existing WTP would be obtained by the Region from the City of Welland.

Phase 1 of the new Plant was completed in 2017 within the Region's existing property consisting of essential pumping and appurtenances as well as reservoir storage after the treatment process.

Phase 2 Urgently Required to Support Existing Users and Growth

The Phase 2 Welland WTP Project is crucial to protect current water users and ensure a reliable water service and supply for Welland, Pelham, and parts of Thorold. Additionally, the project will increase capacity providing support for the anticipated future growth beyond 2051.

The design for Phase 2 of the Welland WTP consists of the treatment process and is almost 90% complete and confirms the need for this property. The proposed sections of the Welland WTP to be replaced are 65 to 100 years old. These aged assets cannot be refurbished effectively and are in dire need of replacement. Phase 2 of the Welland WTP will be constructed to a capacity of 73 million liters per day (ML/d) to accommodate existing users and funded 50% by Development Charges. Based on

recent design estimate, Phase 2 of the Welland WTP is anticipated to cost in the order of \$160 Million.

Welland Supports Transfer of Land

Recent discussions regarding the land needed for the new Welland WTP have resulted in an agreement favorable to both parties.

On February 4, 2025, the City of Welland Council approved a report to authorize City staff to enter into the agreement of purchase and sale with the Niagara Region (Appendix 2). The Agreement of Purchase and Sale (Appendix 1) must be executed promptly to allow the City of Welland to complete the detailed park design in 2025, enabling construction at the new location to begin in 2026 and freeing the land for the Region's expansion of the Welland WTP.

The Merritt Island Renewal Project will be managed by the City of Welland and paid for by the Region according to the terms of the agreement, based on the actual costs, to a maximum of \$7,718,204 (excluding HST).

Since the cost of Phase 2 of the Welland WTP significantly exceeds available funding, a separate funding strategy will be developed and presented to the Committee/Council. External funding options will also be explored, with the project subject to the capital budget approval process.

Alternatives Reviewed

Council could decline to approve this Agreement of Purchase and Sale; however, that is not recommended noting the pressing need to replace the aging water treatment plant. There is no further room on the site to build. The additional lands will allow the Region to build the new plant and still have room to expand capacity in the future as needed.

Relationship to Council Strategic Priorities

Effective Region: the Welland Water Treatment Plant provides potable water to Welland, Pelham, and parts of Thorold. Many residents, businesses, institutions, and industry rely on safe, clean and potable water produced at this plant. The recommendation in this report is intended to allow for continued provision of that sustainable core service.

Green and Resilient Region: the new, up to current standards Treatment Plant will support growth in the area and prepare us for impacts of climate change.

Other Pertinent Reports

None

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Appendices

Appendix 1 Agreement of Purchase and Sale

Appendix 2 City of Welland Report Potential Transfer of Land