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**TO:** GENERAL COMMITTEE

**SUBJECT:** BARRIE COLLINGWOOD RAILWAY (BCRY) – PLANNING APPROVALS IN TOWNSHIP OF ESSA TO FACILITATE BUSINESS OPPORTUNITIES

**WARD:** N/A

**PREPARED BY AND KEY CONTACT:** C. MORTON, MANAGER OF ROADS, STORMWATER, AND RAIL OPERATIONS, X4910  
M. BALOGUN, BUSINESS DEVELOPMENT OFFICER, X5035

**SUBMITTED BY:** D. FRIARY, DIRECTOR OF ROADS, PARKS AND FLEET  
S.SCHLICHTER, DIRECTOR OF BUSINESS DEVELOPMENT

**GENERAL MANAGER APPROVAL:** R. FORWARD, GENERAL MANAGER OF INFRASTRUCTURE & GROWTH MANAGEMENT  
Z. LIFSHIZ, EXECUTIVE DIRECTOR INVEST BARRIE

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

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**RECOMMENDED MOTION**

1. That in order to facilitate new business opportunities for the Barrie Collingwood Railway (BCRY) and to bring the Utopia Rail Yard into legal conformance with the Township of Essa's Zoning By-law, CANDO Rail Services (CANDO Rail) be authorized to submit the required planning applications to obtain the necessary approvals for the lands located at 8716 Simcoe Road #56 (Concession 6, E Pt Lot 30, 51R-27836, Parts 1 and 2) to be changed to a 'General Industrial' use that would include a bulk fuel transfer facility under the Township's By-law, and any requests for site specific provisions to the satisfaction of the Director of Roads, Parks and Fleet and Director of Business Development.
2. That the City of Barrie contribute a maximum of \$50,000 towards the cost of the planning application(s), to be 50% funded from the existing operating budget for the rail operations and 50% from the industrial land reserve.
3. That the Director of Roads, Parks and Fleet and Director of Business Development be authorized to sign on behalf of the City of Barrie, as a co-owner of the lands, the planning application(s) and ancillary document(s) associated with CANDO Rail Services' submission for planning approvals.
4. That the City of Barrie be authorized to enter into negotiations with CANDO Fuels and the County of Simcoe, where required, to lease a portion of the Utopia Rail Yard to CANDO Fuels to facilitate a business opportunity for a bulk fuel transfer facility and report back to General Committee for approval of any lease agreement/with the results of the negotiations.
5. That the City of Barrie be authorized to enter into discussions with the County of Simcoe to determine the County's interest in retaining its portion of the jointly owned Utopia Rail Yard and report back to General Committee for the approvals as required.

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## **PURPOSE & BACKGROUND**

### Report Overview

4. The purpose of this staff report is to obtain Council approval to allow staff:
  - a) to authorize the operator of the Barrie Collingwood Railway (BCRY), CANDO Rail Services (CANDO), to seek various planning approvals from the Township of Essa that will bring the BCRY rail yard into legal zoning conformance as a General Industrial use that would include a bulk fuel transfer facility;
  - b) to enter into negotiations with CANDO Fuels regarding a leasing arrangement for a new business opportunity; and
  - c) to enter into discussions with the County of Simcoe regarding their interest in retaining their portion of the jointly owned Utopia Rail Yard.
5. The ability to pursue the business opportunity is dependent upon an approval of the re-zoning of the property and, as such, Staff are requesting authorization to sign the documents required to facilitate the planning approval applications as the first step and to report back to General Committee for final approvals related to the business opportunity.

### BCRY Background & Ownership

6. The Utopia Rail Yard is a 10.95 acre site jointly owned by the City of Barrie and the Town of Collingwood. The rail service facilitates the transporting of goods across Canada and the United States by seamlessly feeding into the trunk networks of the major railway, Canadian Pacific (CP).

The Barrie portion of the line runs from the Utopia Rail Yard through Barrie and terminates at the Innisfil industrial area with several spurs to service specific businesses. Currently, the line services three companies full-time, who are dependent upon the rail service for their business operations, and a small number of companies on an as-needed basis.
7. In June 2017, Council at the County of Simcoe adopted the recommendation to purchase Collingwood's interest in the BCRY. As purchaser of Collingwood's rail interests, the County of Simcoe will become the shared property owner of a portion of the Utopia Rail Yard along with the City of Barrie and will be required to sign off on any planning applications for the property. The transaction is expected to close in early fall.
8. Current annual car volumes for the Barrie portion of the BCRY are approximately 200, leaving substantial opportunity to grow the number of carloads on the line. Invest Barrie continues to promote the line in its investment attraction activities and with existing Barrie companies along with the rail operator, CANDO.
9. The BCRY has been running at a deficit for the past five years, as revenues from car volumes have diminished while operating costs have remained relatively consistent. The following table shows the budget and actual costs over the past 5 years with notations explaining the reasons for the more favourable performance in 2016 and 2013.

Year	Budget	Actual	Notes				
2016	\$867,053	\$138,493	Increase in revenues from car storage (not sustainable)				
2015	\$577,974	\$401,006					
2014	\$394,964	\$580,038					
2013	\$376,633	\$117,494	Reduced cost of signal upgrade/maintenance				
2012	\$360,867	\$420,744					

Planning Approvals - Utopia Rail Yard

10. Rail operations at the rail yard pre-date the Township of Essa's existing Official Plan and Zoning By-Law. The Utopia Rail Yard is currently designated as Agricultural according to both the Township of Essa's Official Plan (2001) and Zoning By-Law (2003-50), making the rail yard use legal, but non-conforming.
11. A legal non-conforming use is one that was lawfully in existence before new zoning. However, in the Ontario Planning system, legal non-conforming uses are intended to cease to exist in the long run and eventually be replaced with uses that conform to current standards as set out in the Municipal Zoning By-law and Official Plan.
12. Neighbouring industrial properties are zoned as M1/General Industrial. New planning approvals are required for any expansion of use that may occur at the yard to facilitate business opportunities as the current zoning designation at the Utopia Rail Yard is restrictive.

Railway Operator

13. The operation of the BCRY has been contracted to CANDO since 1997 through several competitive bid processes.
14. The City of Barrie is currently in the second year of a 5-year service agreement with CANDO, with an option to renew for an additional five years.
15. As the operator of BCRY, CANDO is guaranteed a base annual revenue from the railway operation consisting of day to day operation of the railyard, running of the locomotive, track and rail corridor maintenance and carload switch fees, car storage fees, and signal/crossing maintenance fees. CANDO also assists in managing regulatory, safety management and insurance costs for BCRY. Revenue earned beyond the annual threshold is equally shared between CANDO and the City of Barrie on a per car revenue basis.
16. Both CANDO and the Business Development Department continually promote the BCRY as an avenue for businesses to transport their goods (year-round or ad-hoc) in a cost-effective and environmentally sustainable manner.

Bulk Fuel Transfer Facility Opportunity

17. CANDO Rail approached City staff on behalf of CANDO Fuels, an affiliated entity, about a business opportunity involving the transfer of fuel (gasoline, diesel, ethanol, biodiesel, and ethanol blended gasoline) at the Utopia Rail Yard from railcar to truck (transloading) using state of the art fuel handling equipment and containment systems, where it would then be delivered to gas stations across the Barrie and Simcoe County area. The same type of operation successfully exists at the Port of Hamilton.

18. The fuel that CANDO is interested in transloading is already being brought to this region via trucks on the highway. Changing the mode of transport to rail will improve transportation safety, security of supply during challenging winter road conditions, and will help alleviate road deterioration and slow-downs caused by large trucks on highway routes.
19. CANDO Fuels requires three (3) to five (5) acres of the 10.95 acre yard to operate the terminal. The area of the yard to be occupied by CANDO Fuels will not impede the regular day to day operations of BCRY. CANDO Fuels is seeking to lease the land required for the bulk fuel transfer facility from the City of Barrie and County of Simcoe for a 15 year period with future renewal opportunity.
20. In order for the fuel transfer terminal to be located at the Utopia Rail Yard, the property will be required to be re-zoned to conform to the Township of Essa's Zoning By-Law. The feasibility of pursuing this business opportunity is dependent on obtaining the appropriate re-zoning approvals, and, as such is the primary step in the process.

## **ANALYSIS**

### **Planning Approvals - Utopia Rail Yard**

21. It is prudent that the Utopia Yard be re-zoned to reflect a General Industrial use of the property and to conform to the Township of Essa's zoning standard. A General Industrial use reflects the rail operation and ensures that industrial uses that may be associated with a rail operation are included in order to pursue further opportunities for the line.
22. As owner of the line, it is in the City's best interests to re-zone the property to a zone that reflects a General Industrial use, including a fuel transfer terminal, and to share in costs associated with the re-zoning.
23. CANDO Rail is pursuing the re-zoning designation on behalf of the City and the County in order to determine the feasibility of bringing the fuel terminal operation to the Utopia Rail Yard. If a re-zoning cannot be achieved, CANDO Fuels would need to look at locating the fuel terminal operation at a location outside of BCRY. CANDO Rail has retained a planning consultant to initiate the process.
24. Any planning applications will be subject to the Township of Essa's planning process and assessed in accordance with the Township's planning policies.

### **Bulk Fuel Transfer Facility Opportunity**

25. The fuel terminal opportunity has the potential to increase the carload volume to 1,000 to 2,500 carloads per year, up from the 200-300 carloads that are currently being moved on the line annually. Moreover this opportunity has the potential to:
  - a) increase revenues for BCRY by approximately \$285,500 to \$517,000 per annum, making the operation break-even or better;
  - b) increase the frequency of rail service on the line from 2 days/week to a 7-days/week rail operation, which increases the potential for greater frequency of CP rail service, which can increase the likelihood of attracting additional business users that may not have considered moving goods via BCRY due to the limited service.

26. CANDO Fuels projected that the capital investment into the yard would range from \$6M to \$8M, as they will build additional tracks, gantry, fire suppression, and other infrastructure necessary to support a fuel transfer terminal.
27. The capital improvements will be assessed in detail as part of the development and lease negotiations, as complete property design will not be completed until the re-zoning application is considered by Essa Township.
28. The City of Barrie has been asked to contribute capital improvements to track and switching equipment, which is needed to support the increased car load volumes as the existing infrastructure is not robust enough to effectively handle the higher traffic levels. As the lifespan of the capital improvements required would extend beyond the life of any contract negotiated, it is anticipated that the City will be asked to contribute a portion (1/4 to 1/3 of the total cost or approximately \$2 million of the capital improvements). An option that will be explored is for CANDO Fuels to make the \$2 million investment upfront, while the City repays this amount by way of a lease reduction or reduction in the City's portion of the carload revenue until such a time that the amount is repaid in full, thereby reducing the financial risk assumed by the City.
29. Fuel terminal operations will not impact the existing BCRY service, or any additional businesses that may want to use the rail line in the future. It would support the attraction of more business to the line, as having a high-volume anchor customer with a 15-year commitment demonstrates to other high-volume users that there is long-term viability for the rail.
30. Growth of daily interchange with CP rail from 3 to 4 cars per week, to 45 to 50 cars per week, will improve the overall reliability of the CP rail service to the Utopia interchange.

#### Lease Agreement for the Utopia Rail Yard

31. CANDO Fuels requires three (3) to five (5) acres of the 10.95 acre yard to operate the terminal. CANDO Fuels is seeking to lease the land required for the Bulk Fuel Transfer Facility for a 15 year period with future renewal opportunity.
32. Currently, the County of Simcoe is co-owner of a portion of the Utopia Rail Yard and would be party to the lease of the land along with the City of Barrie and CANDO Fuels, should the County of Simcoe choose to retain their interests in the property.
33. Specific terms of the lease are to be negotiated and would include achieving fair market rates for the lease fee, renewal terms, early termination protection, insurance and environmental requirements amongst other terms.

#### **ENVIRONMENTAL MATTERS**

34. As part of the planning approvals application, the Township of Essa and/or Nottawasaga Valley Conservation Authority may require environmental studies that would be undertaken accordingly. The City of Barrie will contribute costs to the re-zoning process to include the cost of background studies and application fees to a maximum of \$50,000.
35. Appropriate clauses related to environmental matters would also be contemplated under the lease terms for the property.

#### **ALTERNATIVES**

36. The following alternatives are available for consideration by General Committee:

**Alternative #1**

General Committee could choose to not authorize CANDO to submit planning approvals for the Utopia Rail Yard in favour of leaving the rail use at the yard as a legal, non-conforming use.

Staff does not recommend this option as re-zoning the property supports the BCRY in being investment ready in order to pursue business opportunities for the line. Having an appropriately zoned property for uses that are suitable for a rail operation provides greater opportunities to attract rail users to the City and surrounding municipalities. CANDO Rail is also making a contribution to the costs associated with the re-zoning, making it cost effective for the City. Therefore, it is recommended that General Committee approve the authorization of CANDO to seek planning approvals to change the Utopia Rail Yard's zoning designation from Agricultural to Industrial.

**Alternative #2**

General Committee could choose not to authorize negotiations with CANDO Fuel regarding the business opportunity in favour of waiting for another business opportunity to be brought forward.

Staff does not recommend this option as the fuel terminal option has the opportunity to increase railcar revenue for the City, improve rail service for our current customers while attracting more users to the rail line.

**FINANCIAL CONSIDERATIONS**

Planning Approvals - Utopia Rail Yard

37. Currently the Planning applications are estimated at approximately \$100,000 with several contingencies. The City will share in the costs of the background studies and application fees to a maximum of \$50,000 with CANDO Rail.
38. Half (50%) of the City's contribution to the Planning applications will be accommodated from within the existing operating budget for the rail operations, and the other half (50%) from the industrial land reserve, since this opportunity is spurring economic activity in support of industrial growth.

Fuel Terminal Opportunity – Capital Costs

39. The City of Barrie has been asked to contribute approximately \$2 million in capital improvements to track and switching equipment to support the increased car load volumes as the existing infrastructure is not robust enough to effectively handle the increased traffic levels. Specifically, benefits to upgrading the infrastructure would:
  - a) Improve capacity and long-term reliability of the infrastructure
  - b) reduce the risk of unplanned track failures and ensure service reliability
  - c) support all BCRY customers, and protect capacity for future traffic growth
40. The capital improvement asks will be reviewed as part of the overall assessment of the business opportunity and incorporated into the City's capital budgeting process for the rail line if necessary. Approaches to funding the capital request through the City's portion of the incremental rail and lease revenues will also be explored along with revenue certainties under the lease agreement to further protect the City's investment.

41. Should the County of Simcoe choose to remain as co-owner of a portion of the Utopia Rail Yard, the City would explore a cost sharing of the capital expenditure.

Lease Agreement for the Utopia Rail Yard

42. Currently, the County of Simcoe is co-owner of a portion of the Utopia Rail Yard and would be party to the lease of the land, together with the City of Barrie and CANDO Fuels, should the County of Simcoe choose to retain their interests in the property.
43. Specific terms of the lease are to be negotiated and would include achieving fair market rates for the lease fee, renewal terms, early termination protection, insurance and environmental requirements amongst other terms and would be brought back to General Committee for consideration.

**LINKAGE TO 2014-2018 STRATEGIC PLAN**

44. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:
- Vibrant Business Environment
45. The re-zoning of the Utopia Yard promotes the Barrie Collingwood Railway as being an investment-ready amenity for businesses interested in transporting their goods in a cost-effective manner. The BCRY has running a deficit historically, and seeking additional business opportunities for the yard would be beneficial, and may create an opportunity to generate revenues for the City.