

MAR 20 2017

Transportation Department Report to Council
2017 March 20

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Distribution
CITY CLERK'S DEPARTMENT

DEERFOOT TRAIL AND 212 AVENUE SOUTHEAST INTERCHANGE FUNDING REQUEST

EXECUTIVE SUMMARY

The Province of Alberta announced a commitment for funding the construction of the Deerfoot Trail and 212 Avenue Southeast interchange in their March 2017 budget, released 2017 March 16. In addition to the Provincial commitment, Brookfield Residential Properties has agreed to contribute funds towards the interchange construction in order that the project proceeds in 2017. As part of Investing in Mobility, The City of Calgary is planning to spend \$16M for 2023-2024 to complete the construction of the ramps to and from the Deerfoot Trail and 212 Avenue Southeast interchange. Administration is finalizing an agreement with the Province of Alberta and Brookfield Residential Properties which will accelerate construction of the interchange at Deerfoot Trail and 212 Avenue Southeast, with construction likely starting in the summer of 2017 and being completed by the winter of 2018. The City of Calgary will front end the cost of construction of the interchange, and will be repaid 2/3 of the final interchange cost by 2024. The interchange is required to allow final development of the Community of Cranston and to support the ongoing development of Seton, Rangeview and other communities in the southeast. The investment supports adjacent commercial and residential development, providing improved connectivity between community's major destinations such as the South Health Campus, the Seton recreation facility currently under construction and the new High School.

ADMINISTRATION RECOMMENDATION(S)

Approve a capital budget increase of \$39M in 2017-2018 for Deerfoot Trail and 212 Avenue Southeast interchange as per the implementation plan in Attachment 1.

PREVIOUS COUNCIL DIRECTION / POLICY

At its 2017 March 06 Strategic meeting, Council adopted report C2017-0214 which included the following direction:

"That Council:

1. Approve, in principle, the recommendations in Attachment 3;
2. Direct Administration to return with implementation plans, including refined capital estimates, public consultation plans and financing strategies, to the Priorities and Finance Committee or the appropriate Standing Policy Committee as soon as possible for final approval by Council;
3. Reserve additional funds as discussed In Camera for emergent priorities, reporting back to Council no later than Q1 2018;
4. Update the Capital Infrastructure Investment Strategy as part of the capital planning for the 2018 Budget Process; and

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5. Request that Attachment 3, and Revised Attachments 4 and 5, remain confidential pursuant to Sections 23(1)(b), 24(1)(a) and 24(1)(g) of the *Freedom of Information and Protection of Privacy Act*, until all implementation plans are approved.”

Prior to receiving the direction above, as part of the Action Plan Mid Cycle Adjustments report to Council on 21 November 2016, Council approved the Capital Investment Plan and authorized the Deputy City Manager, working with Infrastructure Calgary, to continue to identify capital funding sources, including allocations and efficiencies from existing capital budgets and to transfer funds to the Budget Savings Account. The Deputy City Manager was directed to return to Council no later than Q2 2017 with recommendations for new, or currently unfunded investment projects.

BACKGROUND

Infrastructure Calgary is a corporate program created to align and optimize capital investments and strengthen investment decision making and the processes involved in capital planning management.

In response to Council direction, Infrastructure Calgary established a Director led sub-committee of the Steering Committee to lead the identification, evaluation and selection of potential projects. The sub-committee looked at funding sources identified through a corporate capacity review to determine the best alignment based on funding restrictions and guidelines.

Projects were assessed according to four key filters determined by the sub-committee: Strategic Alignment, Project Readiness, Project Financials and Project Value and Benefit. After application of these filters, a peer review process looked at a project’s ability to provide short term economic stimulus, add resilience in the community, including flood protection, maintain and preserve The City’s existing infrastructure and community assets through lifecycle funding, build a great community through legacy investments, and leverage public and private investment.

As a result of this work, Infrastructure Calgary recommended twenty-one programs/projects to Council and received approval in principle. Individual implementation plans require Council approval.

The Deerfoot and 212 Avenue Southeast interchange was not one of the projects shortlisted in the March 6 report, however, it was identified as a candidate project pending a decision by the Provincial government. The Province announced a commitment of funding for the interchange as part of their budget on March 16, 2017. Administration is returning to Council to request a capital budget increase and funding allocation, as per Recommendation 3, “Reserve additional funds as discussed In Camera for emergent priorities, reporting back to Council no later than Q1 2018”.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

Deerfoot Trail is a provincially owned highway and construction and maintenance of the interchange will be the Province's responsibility. This section of Deerfoot Trail is anticipated to remain under Alberta Transportation ownership into the future.

The City of Calgary's 10 year capital plan for transportation's infrastructure, Investing in Mobility, identified the construction of the Deerfoot Trail and 212 Avenue Southeast ramps as a funded project in 2023-2024 for \$16M. Construction of the ramps were to represent the first phase of the full interchange that would be built later. The interchange is currently tender ready, and with the Province's recent announcement, construction of the full interchange can be accelerated.

A significant developer for the area adjacent to the interchange is Brookfield Residential Properties. Brookfield has agreed to contribute a portion of the design and construction cost to the Province in order to advance the construction of the full interchange.

A tri-party agreement is currently being finalized between Brookfield Residential Properties, the Province of Alberta and The City of Calgary, outlining a one third funding arrangement between the Province, City and Brookfield Residential Properties. In advance of the interchange construction the Province has agreed to allow The City to begin grading for the interchange at Deerfoot Trail and 212 Avenue Southeast and export the surplus material to The City's 194 Avenue South extension project. The 194 Avenue South project is currently being tendered and it is expected that the grading work will begin in the Q2 of 2017. As The City's grading work will reduce the construction cost of the Deerfoot Trail and 212 Avenue Southeast interchange an appropriate credit to The City's contribution to the interchange cost will need to be agreed to with the Province.

A Project implementation plan has been included in Attachment 1.

Stakeholder Engagement, Research and Communication

Adjacent developers and the Province have been consulted.

Strategic Alignment

The interchange is required to allow final development of the Community of Cranston and to support the ongoing development of Seton, Rangeview and other communities in the southeast.

Social, Environmental, Economic (External)

The investment supports adjacent commercial and residential development in the vicinity of the new interchange. Improved connectivity between the community's major destinations such as the South Health Campus, the Seton recreation facility currently under construction and the new High School, will reduce travel length and Green House Gas (GHG) emissions.

Financial Capacity

Current and Future Operating Budget:

There are no substantial operating budget impacts for this project as the maintenance and lifecycle management of the interchange will be the shared responsibility of Alberta Transportation and The City of Calgary.

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Current and Future Capital Budget:

The estimated cost of the interchange is \$39M. The City of Calgary will front end the cost of construction of the interchange, and will be repaid 2/3 of the final interchange cost from the Province of Alberta and Brookfield Residential Properties by 2024.

Risk Assessment

A tri-party legal agreement is required to confirm the details of the funding arrangement. Additionally the Province needs to finalize a land acquisition deal with Brookfield Residential Properties. These activities will need to be expedited to allow for tendering of the work to proceed.

REASON(S) FOR RECOMMENDATION(S):

The City had planned to construct the ramps for this interchange in 2023-2024. With the Province's recent funding announcement and contribution from the area developer, the interchange construction can be advanced and The City's contribution will be lower than was originally budgeted. Early approval of The City's contribution is required in order to allow tendering of the project to proceed.

Attachments:

1. Infrastructure Calgary Implementation Plan
2. Interchange Layout



1. OVERVIEW

Recommended Capital Project Description		Deerfoot Trail and 212 Avenue Southeast Interchange	
Executive summary <i>Provide a brief description of the project and what it is expected to deliver. Capture only the essential elements of the business case, including most pertinent facts, in a clear, concise and strategic manner.</i>		<p>This project is for the construction of an interchange at Deerfoot Trail and 212 Avenue Southeast. The interchange is on a section of Province owned roadway, and therefore a multi-party agreement is required for completion of the work. Administration identified the construction of the ramps for the interchange in Investing in Mobility as a funded project to be delivered in 2023-2024 at a cost of \$16M. At the time Investing in Mobility was approved it was anticipated that the interchange would be constructed by Alberta Transportation at or after 2024.</p> <p>The City is in a position to accelerate the interchange construction from beyond 2024 to 2017-2018, allowing additional investment in the Southeast quadrant of Calgary to proceed. On March 16, 2017 The Province committed to accelerating funding for the project based on a tri-party shared funding model with The City and Brookfield Residential Properties. The design of the interchange is tender ready, has been approved by Alberta Transportation, and will be delivered by Alberta Transportation.</p> <p>The construction will provide additional access to the new South Health Campus facility, the Seton Recreation Centre with the new Southeast Public High School, and connect the communities of Cranston and Seton. This project supports the ongoing development of the Southeast area including Seton, South Cranston, and Rangeview. This project is consistent with and supports growth management.</p> <p>The capital cost of the entire interchange is estimated (Class 2) at \$39M.</p>	
Expected Key Deliverables		This project involves the construction of a new interchange at Deerfoot Trail and 212 Avenue Southeast.	
Benefits <i>Describe and/or quantify value and outcomes of project</i>	Economic	Gross Output: \$66,164,208	
		Gross Domestic Product (GDP): \$41,298,193	
		Income: \$20,008,348	
		Employment: 283	
	Social	Community outcomes (e.g. safety, health, attractive and well-designed city, inclusion and diversity): The investment supports adjacent commercial and residential development in vicinity of new interchange.	
	Environmental	Improved connectivity between community's major destinations such as the South Health Campus, school and the recreation facility will reduce travel length and GHG emissions.	
Return on Investment <i>Describe short and long term investment returns including expected financial, social and environmental considerations, avoided costs etc. Include quantifiable and qualitative returns.</i>		Construction of the Deerfoot Trail and 212 Avenue Southeast Interchange will enable increased development in Seton and South Cranston communities and will provide access to the new South Health Campus facility, the Seton Recreation Centre with the new Southeast Public High School.	
Project location	Address, Ward/Catchment	City-wide, Ward 12	Project type (MUGS) G - Growth
Business Unit (BU)		Transportation Infrastructure	



Strategic Alignment <i>IC has this information and will complete this section</i>	Council Priorities	A City that Moves, A prosperous City
	Capital Investment Plan	Transportation and Transit, Growth
	Calgary Economic Development (CED) 10 year Economic Strategy: Focus	Community
	CED 10 year Economic Strategy: Strategy	2
	CED 10 year Economic Strategy: Action	1

2. RESILIENCE

Project / Program Assumptions	Work with Alberta Transportation to issue tender in 2017.
Constraints	Alberta Transportation has not acquired all of the land for the project from Brookfield Residential Properties on the east side of Deerfoot Trail. Discussions between Brookfield and Alberta Transportation are underway.
Dependencies:	Coordination of pre-grading of the surplus soil excavation for use on the Cities 194 Ave. road extension project across the Priddis Slough.
Risk(s): <i>Describe any known risks</i>	Tri-party agreement between Alberta Transportation, Brookfield Residential Properties and the City is not completed. A heads of agreement has been prepared. The mitigation strategy for this risk is that the Tender cannot be released by Alberta Transportation until this agreement is in place. Regulatory approvals

3. IMPLEMENTATION PLAN

Operating Impact <i>Describe operating impact of investment. Where possible provide a precise financial and operating response identifying operating benefits of the investment. Operational efficiencies may also be identified.</i>	Minimal impact for the City of Calgary. The Province will operate and maintain the majority of the interchange infrastructure.
Public Consultation Plans	
<i>Provide a brief description of public consultation completed and the dates of consultation.</i>	The interchange location was identified in the Southeast Planning Area Regional Policy Plan (2004) and Rangeview Area Structure Plan (2014). Public consultation and a public hearing was held on these plans.
<i>Provide a brief description of public consultation outstanding and the dates of the planned consultation.</i>	Alberta Transportation is responsible for public consultation and information sessions, the City will liaise as required.

4. FINANCIALS

Approved Budget Request in Principle	Not applicable. This project was not part of report C2017-0214
Total Cost Estimate for Project	\$39M

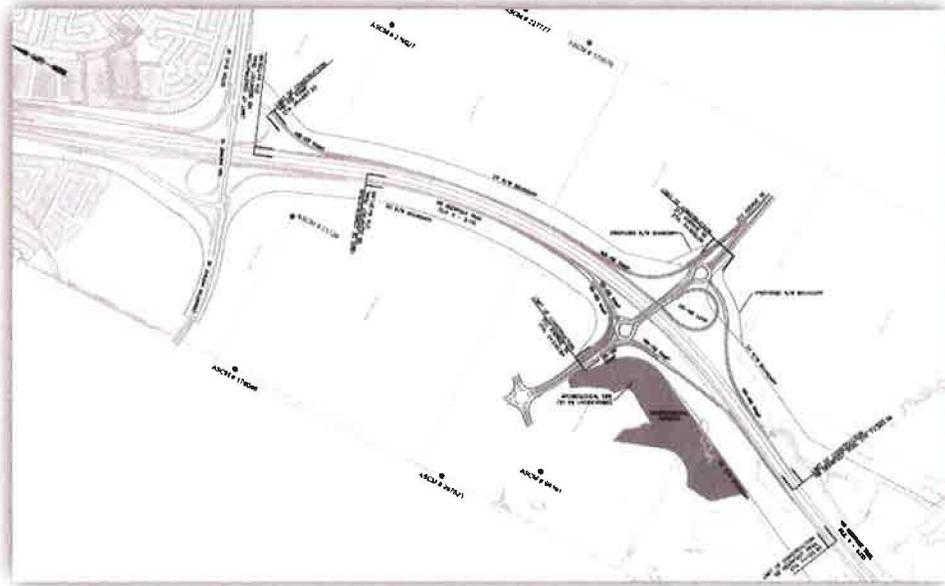


Estimate Class <i>Describe level of estimates (i.e. Class 5)</i>		Class 2						
External Funding (Anticipated / Received)		One third contribution by Province, City and developer						
Program-Project	Project Description	Type (MUGS)	Category (A/C)	New Budget Request (\$000's)	2017	2018	2019	2020
n/a	Deerfoot/212 Ave SE	G	C	39,000	11,700	27,300		

Explanation of budget requests and funding:

The project cost will be split one third by each party: Province, City and Brookfield. The City's share of the cost will be funded by offsite levies and The City will front end the entire project cost using internal financing sources. The Provincial reimbursement is proposed for 2024 and Brookfield's contribution will be received at completion of construction.

Deerfoot and 212 Ave SE Interchange Layout



Deerfoot and 212 Ave Interchange location

