

## **BUILDING CANADA FUND - NATIONAL INFRASTRUCTURE COMPONENT APPLICATIONS**

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### **EXECUTIVE SUMMARY**

The intake process for the new Building Canada Fund (BCF) Federal grant program commenced on 2014 April 01. The program has two distinct arms. At this time, The City is able to apply to the BCF National Infrastructure Component, which will allocate \$4 billion across Canada. Allocation of the Provincial-Territorial Infrastructure Component will be determined by the Province of Alberta at a later date.

BCF is a 'matching' grant program that provides up to one-third of the necessary funding for most capital projects. This requires The City to have already allocated the remaining two-thirds matching funds in order to make an application for BCF funding. Projects estimated to be greater than \$100 million will be screened by PPP Canada for public-private-partnership (P3) suitability.

Administration recommends that The City apply for BCF funding for the Green Line Transitway Program, a Goods Movement Package and a Disaster Resiliency Package. Each of these projects / packages meets the Federal objectives and guidelines for BCF submissions. Administration considered other possible projects or packages, but concluded that they would not meet Federal objectives or guidelines.

### **ADMINISTRATION RECOMMENDATION(S)**

Administration recommends that the Priorities and Finance Committee recommend that Council, direct Administration to apply for matching funding from the National Infrastructure Component of the Building Canada Fund for the following capital projects:

- Green Line Transitway Program
- Goods Movement Package
- Disaster Resiliency Package

### **PREVIOUS COUNCIL DIRECTION / POLICY**

At the 2014 January 31 Special Strategic Planning Meeting of Council, the following direction was moved by Councillor Keating, Seconded by Councillor Carra:

That Council rank the Green Line Transitway as the highest transportation priority for potential Building Canada Fund (BCF) funding, and report back to the SPC on Transportation and Transit in Q3 2014 as part of the Green Line Fund detailed workplan report.

### **BACKGROUND**

Application guidelines for the new BCF were made available by the Federal Government on 2014 March 28. Applications could be submitted starting 2014 April 01. Although no closing date has been set for final submission of applications, higher orders of government have recommended that applications be submitted in a timely fashion to maximize opportunities for funding.

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There are two separate BCF components, which are as follows:

- National Infrastructure Component
  - \$4 billion across Canada
  - Desired minimum project size of \$100 million
  - Program administered by the Federal government
  - Eligible City projects include public transit, major roads, disaster resiliency and intelligent transportation systems
- Provincial – Territorial Infrastructure Component
  - \$942 million allocated to Alberta
  - No minimum project size
  - Program administered through the Provincial government
  - Eligible City projects and funding allocation timeframes to be determined after National Infrastructure Component applications have been resolved

This report identifies candidate projects for application to the BCF National Infrastructure Component only since the Province is not accepting applications for the Provincial-Territorial Infrastructure component at this time.

BCF is a 'matching' grant program that provides up to one-third of the necessary funding for most capital projects. This requires The City to have already allocated the remaining two-thirds matching funds in order to make an application for BCF funding. Public transit projects built, operated and maintained exclusively by The City can receive up to half of the necessary funding.

Any projects that are identified by PPP Canada as being suitable for public-private partnership (P3) project delivery, based on the initial P3 screen included in the BCF application guidelines, are eligible for only up to one-quarter of the necessary funding (including public transit). Total Federal funding, from all sources, cannot exceed one-quarter of necessary funds for P3 projects.

In all cases, expenditures incurred prior to receiving an 'approval in principle' from the Federal government, land purchases, financing charges and overhead costs are not eligible for BCF funding. Projects cannot have been tendered for construction in order to be eligible.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Based on the Federal Business Case Guidelines for the BCF National Infrastructure Component, Administration is recommending The City apply for the following three candidate projects or packages of capital infrastructure that meet the requirements of the program:

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PROJECT :	<b>Green Line Transitway Program</b>		
DESCRIPTION:	<p>Construction of dedicated bus-only lanes, stations and transit priority between 78 Avenue N and Douglas Glen, which will improve travel time reliability and reduce travel times for transit users in North Central and Southeast Calgary. This infrastructure will eventually be upgraded to provide LRT service when sufficient capital funding becomes available.</p> <p>Construction of this project is expected to begin within three years.</p>		
ELIGIBLE COSTS:	\$670 million	CURRENT FUNDING:	\$520 million (less borrowing)
INITIAL P3 SCREEN:	<p>The initial P3 screening for the Green Line Program suggests that the use of a public-private-partnership to deliver this capital project may be appropriate. However, the potentially short lifespan of the bus-only transitway before upgrading to LRT, and current uncertainty as to when sufficient capital funding will be available for that upgrade, may make this project unattractive to private industry as a long term operating opportunity.</p>		

PROJECT:	<b>Goods Movement Package</b>		
DESCRIPTION:	<p>Construction of new interchanges and/or roadways on key parts of the Primary Goods Movement Network (as per the Calgary Transportation Plan). This includes:</p> <ul style="list-style-type: none"> <li>• TransCanada Highway and Bowfort Road Interchange</li> <li>• Glenmore Trail and Ogden Road Interchange crossing the CPR, CNR railways and the Western Irrigation District (WID) canal</li> <li>• Airport Trail Phase 2 (interchanges at Barlow Trail and 19 Street NE, extension of Airport Trail to 60 Street NE)</li> </ul> <p>The first two of these projects are 'shovel ready', and construction of the Airport Trail Phase 2 roadway east of 36 Street N.E. could proceed in 2015 upon award of BCF funding.</p>		
ELIGIBLE COSTS:	\$246 million	CURRENT FUNDING:	\$168 million (2014 estimated expenditures removed)
INITIAL P3 SCREEN:	<p>The initial P3 screening for the Goods Movement Package suggests that the use of a public-private-partnership to deliver this set of capital projects may be appropriate. However, limited scope for an ongoing private maintenance contract may limit the attractiveness of this package to private industry.</p>		

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PROJECT:	<b>Disaster Resiliency Package</b>		
DESCRIPTION:	The Community Drainage Improvement (CDI) program aligns with the BCF criteria for disaster resiliency projects. The CDI program delivers stormwater infrastructure upgrades in older communities that were built before the use of modern drainage techniques and standards. This includes sewer upgrades and storage facilities to reduce or eliminate surface flooding and associated damage to public and private property.		
ELIGIBLE COSTS:	\$204 million	CURRENT FUNDING:	\$136 million (over 10 years)
INITIAL P3 SCREEN:	At the time of writing this report, the P3 screen for this project was in progress. The information will be available at the 2014 June 17 Priorities and Finance Committee meeting.		

In developing these candidate projects, Administration reviewed other projects from relevant City infrastructure investment plans. Two other projects were initially considered for BCF applications, but are not included in the final recommendations since it would be more difficult to establish a strong enough economic rationale to align with the BCF guidelines:

Project:	RouteAhead Rapid Transit Corridors
Description:	Free-up matching funds for the four currently funded RouteAhead Corridors (17 Avenue SE Transitway, Southwest Transitway, North Crosstown BRT and South Crosstown BRT) to enable funding for NW-HUB and supporting bus purchases.
Not included because:	Although any of these transit corridors can act as a catalyst for land use redevelopment, the Green Line Transitway Program is anticipated to have the most significant benefit for planned and potential redevelopment in the short-to-medium term. In addition, the transitways in this package are not 'shovel ready'.

Project:	LRV Purchases
Description:	Increase funding for LRV growth and replacement purchases (from \$344 million over the next 10 years to \$424 million) to further increase capacity of LRT service.
Not included because:	The need for these additional train cars will be later in BCF's 10-year funding window. The City will be able to replace all original U2 train cars and introduce four-car service with current funding levels, and therefore the program is not seen to have high urgency.

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Other disaster resiliency projects were also considered from across the corporation. This included IT and communications improvements, stormwater and sanitary upgrades, raising several bridges across the Elbow River, business continuity upgrades and support for corporate partners. Insufficient City matching funds were available to proceed with an application to the BCF program however. Once allocation of Flood Mitigation Funding from the Province has been determined, The City will review whether an additional disaster resiliency application to BCF is appropriate.

### **Stakeholder Engagement, Research and Communication**

In development of this report, Transportation worked with internal stakeholders from business units across the corporation, including the Recovery Operations Centre, to develop the Disaster Resiliency Package.

### **Strategic Alignment**

The Green Line Transitway Program and Goods Movement Package align with Council-approved projects identified in Investing in Mobility, Transportation's 10-year infrastructure investment plan. They are also consistent with the land use patterns, transportation networks and growth priorities identified in the Municipal Development Plan, Calgary Transportation Plan and Corporate Growth Management Framework. The Disaster Resiliency Package aligns with projects that Administration have previously identified to minimize impacts from future flood events.

### **Social, Environmental, Economic (External)**

Consistent with Federal application guidelines, the recommended projects support Calgary and Canada's economy by achieving one or more of the following goals:

- Generating or facilitating incremental economic activity;
- Reducing potential economic disruptions or forgone economic activity;
- Generating productivity gains for the Canadian economy; or,
- Providing benefits that extend beyond the provinces or territories where the project would be located.

The Green Line Program also supports The City's social and environmental goals by providing affordable travel options to citizens, and reducing greenhouse gas emissions by increasing the use of public transit.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

New infrastructure projects will generate associated operating costs. Work on Action Plan 2015-2018 is showing that funding the operating cost of all new projects across The City is very difficult within the indicative tax rate guidelines. Analysis is underway to refine these future operating cost projections and will be reported as part of the Action Plan 2015-2018 updates to Council.

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For the Green Line Transitway Program, gross operating cost increases are estimated at \$6.125 million for the complete 78 Avenue N to Douglas Glen section. Operating costs would be partially offset by new fare revenue generation. Total ridership will be a combination of existing riders and new riders to varying degrees on the north and southeast segments. The net operating cost will also be offset by discontinuing or truncating routes such as the 302 BRT and optimising service allocation to match demand on a year-by-year basis. The estimated net operating cost is \$325 thousand.

For the Goods Movement Package, operating cost increases are estimated at \$165 thousand annually. Operating budget impacts for Community Drainage Improvements (under the Disaster Resiliency Package) would increase by \$120 thousand to a total of \$360 thousand per year on average. Specific operating cost impacts by year would depend on the timing of the receipt of BCF funds by The City.

### **Current and Future Capital Budget:**

The strength of the recommended projects and consolidated packages is that sufficient matching funds have already been identified by Administration through either previously approved budgets (such as the Green Line Fund) or in departmental 10-year infrastructure investment plans.

### **Risk Assessment**

The inability to secure BCF funding for the candidate projects would mean that elements of these capital investments would continue to be unfunded. This includes portions of the dedicated transitway for the Green Line Transitway Program. Construction of the Green Line Transitway needs to be fully funded to be delivered as a cohesive system. Construction of Airport Trail Phase 2 to provide connectivity east of 36 Street SE will eliminate the underutilization of the Tunnel asset. Finally, some older communities will not have their drainage systems upgraded within the 10-year timeframe unless new funding is secured.

If PPP Canada, as part of their review of The City's initial applications, determines that one or more projects should be evaluated for consideration as a P3 project, The City would need to invest significant time, budget and resources to undertake the necessary analysis. This would likely delay implementation of the project or package by 12 to 18 months. In this event, Administration will bring forward a follow-up report to Council to determine whether or not to proceed with affected applications.

### **REASON(S) FOR RECOMMENDATION(S):**

The recommended capital projects meet Federal objectives and guidelines to apply for funding under the National Infrastructure Component of the Building Canada Fund.

### **ATTACHMENTS:**

None.