Minutes - Executive Policy Committee – November 9, 2011

Minute No. 22
Report - Standing Policy Committee on Property and Development – November 1, 2011

Item No. 14 Public Works East Yard Complex - Award of Contract and Funding Strategy

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submits the following to Council:

1. That a new 2012 capital project entitled East Yard Complex Development for $45,185,000 be approved for inclusion in the 2012 Capital Budget, to be consolidated with $4,335,000 in existing Council-approved capital projects (total estimated project cost of $49,520,000), and financed by external debt in an amount of up to $41,414,000 and proceeds from disposition of vacated properties of $3,771,000.

2. That borrowing in an amount of up to $41,414,000 be approved for this project and that the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-law to Council.

3. That interim financing for this project of $3,771,000 be approved from the Land Operating Reserve until proceeds from disposition of vacated properties are realized.

4. That a first charge against the 2012 Capital Budget be authorized in accordance with Subsection 288(2) of The City of Winnipeg Charter, and expenditures of up to $5,000,000 in 2011 and 2012 prior to the adoption of the 2012 Capital Budget, to allow timely award of contracts and payment of related invoices.

5. That Proposal Option 4 submitted by Ernst Hansch Construction Ltd. be determined non-responsive.

6. That the award be approved to Ernst Hansch Construction Ltd. for its “Proposal Option 2 - Compliant with Alternate Floor Design” in the amount of $40,333,892.00 plus GST for Design and Construction of the Public Works East Yard Complex at the Former Elmwood Nairn Landfill Site pursuant to RFP No. 429-2011.

Report - Standing Policy Committee on Property and Development – November 1, 2011

7. That the Chief Administrative Officer be directed to negotiate with Ernst Hansch Construction Ltd. for amendments to the Contract, including performance security requirements, to achieve increased value for money for the City and further that the Chief Administrative Officer be delegated authority to finalize and approve the terms and conditions of the Contract for RFP No. 429-2011 to achieve the intent of Council.

8. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Policy Committee on Property and Development – November 1, 2011

DECISION MAKING HISTORY:

Moved by Councillor Wyatt,

That the recommendation of the Standing Policy Committee on Property and Development be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On November 1, 2011, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Consolidated Public Works Department & WFMA East Yard Complex - RFP No. 429-2011: Design and Construction of the Public Works East Yard Complex at the Former Elmwood Nairn Landfill Site - Award of Contract and Funding Strategy

Critical Path: Standing Policy Committee on Property and Development
Executive Policy Committee
Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Evenson	H. Hajer B. Thorgrimson B. Sacher	M. Ruta	P. Sheegl

RECOMMENDATIONS

1. That Council approve a new 2012 capital project entitled East Yard Complex Development for $45,185,000 for inclusion in the 2012 Capital Budget, to be consolidated with $4,335,000 in existing Council-approved capital projects (total estimated project cost of $49,520,000), and financed by external debt in an amount of up to $41,414,000 and proceeds from disposition of vacated properties of $3,771,000.

2. That Council approve borrowing in an amount of up to $41,414,000 for this project and that the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-law to Council.

3. That Council approve interim financing for this project of $3,771,000 from the Land Operating Reserve until proceeds from disposition of vacated properties are realized.

4. That Council authorizes a first charge against the 2012 Capital Budget in accordance with Subsection 288(2) of the City of Winnipeg Charter, and expenditures of up to $5,000,000 in 2011 and 2012 prior to the adoption of the 2012 Capital Budget, to allow timely award of contracts and payment of related invoices.

5. That Proposal Option 4 submitted by Ernst Hansch Construction Ltd. be determined non-responsive.

6. That Council approve the award to Ernst Hansch Construction Ltd. for its “Proposal Option 2 - Compliant with Alternate Floor Design” in the amount of $40,333,892.00 plus GST for Design and Construction of the Public Works East Yard Complex at the Former Elmwood Nairn Landfill Site pursuant to RFP No. 429-2011.

7. That the Chief Administrative Officer be directed to negotiate with Ernst Hansch Construction Ltd. for amendments to the Contract, including performance security requirements, to achieve increased value for money for the City and further that the CAO be delegated authority to finalize and approve the terms and conditions of the Contract for RFP No. 429-2011 to achieve the intent of Council.

8. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required for a new capital project, associated borrowing authority, and for a first charge for an expenditure of capital funds prior to adoption of the 2012 capital budget.

Council approval is required for award of contract for a supply to the City where the value of the contract exceeds $10,000,000 and for which no Council-approved funding source exists for the difference between the budgetary provision and the consideration to be paid by the City pursuant to the proposed contract.

To provide Council with the evaluated results of RFP No. 429-2011 and business case supporting the request to fund development of the East Yard Complex.

IMPLICATIONS OF THE RECOMMENDATIONS

1. Three (3) Bidders submitted Proposals by the submission deadline in response to RFP No. 429-2011. Proposal Option 2 received from Ernst Hansch Construction Ltd. received the highest Total Proposal Score and is recommended for award as the most advantageous offer.

2. Having identified the recommended Bidder, two (2) further decisions are required prior to award of any Design and Construction Contract.

   (A) Public Works Eastern Operations: Whether to proceed with (i) development of the East Yard Complex at the former Elmwood Nairn Landfill site or (ii) with renewal of the eastern property portfolio presently serving as Public Works facilities.
   (B) WFMA Eastern Operations: If proceeding with development of the East Yard Complex, whether to develop (i) a WFMA satellite (3 bay) repair facility to perform light duty maintenance services to east area Public Works Department vehicles or (ii) an expanded WFMA eastern repair/maintenance facility to comprehensively service all WFMA eastern operations.

   Analysis of these two requirements resulted in the following:

A. Public Works Eastern Operations:
Renewal (Code Compliance) vs. East Yard Complex Development

3. The total estimated 30 year cost savings benefit associated with Public Works Department East Yard Complex development (incorporating a WFMA satellite repair facility to perform light duty maintenance services to east area Public Works Department vehicles) is approximately $10,000,000.

   In addition to the financial (quantifiable) benefit identified above, the following qualitative benefits are associated with East Yard Complex development:

   a) Public Works operational efficiencies. Examples include improved Public Works service delivery logistics, operational synergies, and a value-engineered facility designed to

minimize development and operating costs. Note that it is not possible at this time to quantify with reasonable certainty such benefits.
However, the East Yard Complex cost/benefit analysis was favourable even without quantification of such operational efficiencies.

b) Area enhancement and developmental catalyst. Re-use of the former Elmwood/Nairn Landfill site on Foster (see Appendix A) for the East Yard Complex results in brownfield remediation of lands centrally situated. Further, the Public Service is not aware of any proposals for redevelopment of the Foster site. In effect, such re-use results in more economically viable lands in the region becoming available for future development.

c) Sustainable development. Replacement of existing inefficient east yard properties with a single complex which incorporates environmental sustainable technologies represents responsible, prudent asset management.

d) Catalyst for a major redevelopment site. Consistent with the Complete Communities Direction Strategy, Plessis and Ravelston have been identified as a Major Redevelopment Site providing a transformative opportunity for the development of a complete community with significant residential and employment densities and attractive urban design on an underutilized site within the existing urban fabric of Winnipeg.

4. The Public Service prepared a net present value cost/benefit analysis as at October 11, 2011, which investigated two (2) options for review and consideration:

a) Code Compliance - Abandon consolidation strategy and proceed with renewal of existing facilities (status quo); and,

b) East Yard Complex - Design/Build Procurement Strategy incorporating (i) an expanded WFMA eastern repair/maintenance facility to comprehensively service all WFMA eastern operations and (ii) value engineered life cycle cost minimization strategies.

The following chart summarizes comparison of the two options considered:

Public Works & WFMA Eastern Operations
Code Compliance vs. East Yard Complex: Options Analysis
Comparative Financial Cost/Benefit Analysis Summary[1,2]
As at October 26, 2011

Net Present Value (NPV)	Code Compliance	East Yard Complex
30 Year Term @ 5.00%		
Development Cost	($19,019,000)	($47,176,000)
Replacement Cost	($15,092,000)	$0
Operating Cost[3]	($9,375,000)	($7,219,000)
Technical Maintenance	($2,396,000)	($2,557,000)
Proceeds from Disposition - Vacated Properties	$0	$6,639,000
Incremental Property Taxes (Municipal)[4]	$0	$6,732,000
Incremental WFMA Service Delivery Operating Costs	$0	($2,673,000)
Incremental WFMA Outsourced Recoveries[5]	$0	$17,544,000
Economic Value[6]	$6,639,000	$4,042,000
Total NPV (Cost)/Benefit	**($39,243,000)**	**($24,668,000)**
Financial Risk[7]		
Development Risk - EYC	$0	($8,704,000)
Development Risk - Existing Properties	($9,509,000)	$0
Adjusted Total NPV (Cost)/Benefit	**($48,752,000)**	**($33,372,000)**

Note 1: The "Notes to Accompany the Comparative Financial Cost/Benefit Analysis" are an integral part of this analysis.

Note 2: The purpose of the Comparative Financial Cost/Benefit Analysis is to estimate the net present value difference between the Alternatives presented. Readers' are cautioned that the information may not be appropriate for other purposes.

Note 3: Operating costs for the eastern property portfolio presently serving as Public Works facilities are estimated at $475,000/year. The annual East Yard Complex Public Works facility operating cost is estimated at $300,000. Therefore, $175,000 represents the cost recovery per annum and is estimated to increase 2%/year.

Note 4: This analysis includes projected future property tax revenues resulting from sale of existing properties made available for disposition from East Yard Complex development. Such future revenues have been estimated using assumptions that reflect the Public Service's judgment as to probable subject property development and future economic conditions.

Note 5: WFMA Outsourced Recoveries represents the present value to the City of third party payments for repairs and manufacturing foregone during the period under study (30 years).

Note 6: Economic (Residual) Value represents the present value to the City of the remaining useful life of an asset at the end of the period under study (30 years). Although economic value does not represent a cash inflow or cash liquidation value, asset value to the City remains in 30 years if the subject asset(s) have not reached the end of their useful lives.

Note 7: Financial risk has been estimated based on potential quantifiable civic financial exposure to account for associated project alternative uncertainty. Other risks presently not quantifiable associated with alternatives presented may exist. However, such risks cannot be reasonably estimated and, therefore, have not been included in this analysis.

- Based on the total estimated 30 year cost savings benefit of $15,000,000, it is recommended the City proceed with development of the East Yard Complex.

5. East Yard Complex Funding Requirements:

   - Public Works requires functional facilities on the east side of the Red River to provide effective and efficient services to the public.

   - Council previously approved development of a consolidated east yard (East Yard Complex) for Public Works and the disposal of associated surplus properties. However, an estimated budget shortfall of $45,185,000 exists as at the date of this report, as shown below:

East Yard Complex - Capital Budget Shortfall

Approved Capital Budget Available as at August 29, 2011		$ 4,335,000
Estimated Total Budget Requirement		49,520,000
Estimated Capital Budget Shortfall		$ 45,185,000
Recommended Financing Sources:		
External Debt	$ 41,414,000	
Proceeds of Disposition of Surplus Properties	3,771,000	$ 45,185,000
(not yet included in a Council approved Capital Budget)		

Note the $3,771,000 in proceeds of disposition is to be interim financed by internal cash flow from the Land Operating Reserve Fund until the related sales are realized.

Note any external borrowing will require approval by the Minister of Finance and a borrowing by-law will have to be approved by Council. In addition, application for Federation of Canadian Municipalities (FCM) grant/financing is contemplated for East Yard Complex development.

Debt Strategy Impact and Borrowing Authority

On June 22, 2011, Council adopted the Debt Strategy report for tax supported, utilities and total City borrowing. The project requires an incremental $41,414,000 in long-term debt financing.

The impact of this debt financing falls within the City debt limits established in the Council report as outlined in the table below.

Debt Financing Impact

- Total City net debt as a percentage of revenue maximum of 85%
- Forecasted peak rate including proposed debt from this report 79.9%

- Tax Supported net debt as a percentage of revenue maximum of 60.0%
- Forecasted peak rate including proposed debt from this report 59.4%

- Total City debt servicing as a percent of revenue maximum of 11%
- Forecasted peak rate including proposed debt from this report 9.3%

- Tax Supported debt servicing as a percent of revenue maximum of 10%
- Forecasted peak rate including proposed debt from this report 8.3%

6. East Yard Complex Development Project Factors/Requirements:

   - Included in Public Works administrative forecast for 2013 (as contained in the Department's 2012 to 2014 operating budget submission) are annual accommodation costs of $3,430,000 for the East Yard Complex. This is premised upon a January 1, 2013 occupancy date when the accommodations budget estimates were prepared (April 2011), since revised to July 1, 2013. Accommodation costs include direct costs beginning in 2013 associated with East Yard Complex development and operation. Specifically, costs include principal & interest payments on the external debt-financed capital expenditures as well as facility operating costs e.g., utilities, maintenance, etc. The operating budget impact of the proposed new facility would be a decrease of approximately $1,180,000[1] to Public Works' 2013 current budget based on the revised project completion date of July 1, 2013. In addition, there would be a reduction of approximately $80,000 in "moth-ball" costs in Municipal Accommodations' 2013 current budget[2] for a net decrease in 2013 of $1,259,000.

   - The present eastern properties serving as Public Works facilities and Yard are beyond their useful life. An order of magnitude estimated cost of upgrading the existing properties is $20,400,000 and will require immediate implementation to remedy building system, code requirement, and health and safety deficiencies as well as service delivery adjustments should the East Yard Complex not proceed in 2011.

   - Note the order of magnitude estimated cost of upgrading the existing properties ($20,400,000) is based on a 2001 analysis which identified the minimum financial investment required to maintain the existing Public Works facilities. Specifically, the analysis performed by GBR Architects revealed numerous required improvements to the facilities to comply with building code and workplace standards as of 2001. As such, building code, workplace standards, and environmental legislative requirement revisions subsequent to 2001 have not been assessed or cost estimated. Finally, risks associated with required facility renewal and/or remediation due to unknown current conditions in facilities may result in additional capital budget requirements.

   - A Preliminary Site Condition Assessment Report related to development of the former Elmwood/Nairn Landfill Site for the East Yard Complex recommends utilization of the site for the East Yard Complex. A supplementary report related to potential development of the site recommends against any residential development due to environmental, health and safety risks, and construction related concerns, as well as the low potential interest in marketability of the site for residential use and potential associated remediation costs.

   - A Traffic Impact Analysis report concluded the traffic impact on the existing road network resulting from East Yard Complex development would be minimal with no upgrades forecasted.

   - Based on submissions in response to RFP No. 429-2011, the total estimated East Yard Complex project funding requirement incorporating (i) an expanded WFMA eastern repair/maintenance facility to comprehensively service all WFMA eastern operations and (ii) value engineered life cycle cost minimization strategies is estimated to be $49,520,000.

   - The total current remaining and approved Capital Budget for this project is $4,335,000. As such, to proceed with development it would be necessary for the existing Capital Budget to be adjusted to include an additional $45,185,000.

[1] Budget of $3,430,000 less estimated accommodation charges of $2,138,000 plus operating costs of $112,500 on facilities operated by Public Works.
[2] Budget includes 105,000 sq. ft. x $4.50 x 1.02 inflation factor / 3 = $161,000 while projected actual is half this amount due to revised project completion date (i.e. July, 2013 vs. January 1, 2013).

- Note the existing 2012 to 2014 Current Budget estimates contain provision for an alternate procurement strategy payment stream i.e., lease payments, which would now be utilized to fund principal & interest payments. Given the July 1, 2013 estimated occupancy date for Public Works at the East Yard Complex, the existing administrative forecast for 2013 could be decreased approximately $1,259,000. In addition, Current Budgets beyond 2013 would be prepared to reflect annual debt servicing costs commensurate with the term of the related debt issuance selected (e.g., 30 years).

- Note the financial terms and conditions as may be contained in any proposal(s) received in response to an RFQ/RFP could result in additional Capital Budget requirements prior to any project award. In addition, any variation between forecasted and actual proceeds from disposition realized from sale of vacated properties could result in additional Capital Budget requirements.

7. Appendix C contains "Detailed History and Report Discussion & Analysis".

B. WFMA Eastern Operations:
East Yard Complex Satellite Repair Facility vs. Comprehensive Eastern Repair & Maintenance Facility

8. The WFMA East Yard Complex development scope contemplated in RFP No. 429-2011 consisted of a satellite (3 bay) repair facility required to perform light duty maintenance services to east area Public Works Department vehicles.

   The WFMA has more recently prepared a business case to assess, comprehensively, total WFMA Eastern Operations inclusive of repair/maintenance service facility requirements. The project award contemplated in this report represents development of a WFMA eastern repair/maintenance facility (approximately 20,500 square feet).

9. Given the comprehensive review completed by WFMA noted above, recommendation(s) pertaining to WFMA East Yards Complex development scope will be included under separate report(s) to Council and/or Committees thereof in advance of amendments to the terms and conditions of the Contract for RFP No. 429-2011 as contemplated in this report.

HISTORY

On March 21, 2001, Council approved the Public Works/Water & Waste Facilities Master Plan which called for consolidation of staff and operations from various locations throughout the City and the divestiture of related surplus properties.

The purpose of the Public Works component of the East Yard Complex is to combine operations on the east side of the Red River to provide more efficient and cost effective service delivery and vacate/dispose of such properties which are beyond their useful life.

On July 22, 2009, Council approved the Public Works East Yard Consolidation Project be located at the former Elmwood/Nairn Landfill Site; the Traffic Signals Branch (TSB) and components (3 bays) of Winnipeg Fleet Management Agency (WFMA) be relocated from Tecumseh and Elgin to the Public Works Campus at Pacific Avenue; and the relocation of the WFMA from Tecumseh and Elgin to the Public Works East Yard be approved.

FINANCIAL IMPACT

Financial Impact Statement

Date: October 26, 2011

Project Name: PUBLIC WORKS DEPARTMENT CONSOLIDATED EAST YARD COMPLEX: PROJECT PROCUREMENT & FUNDING STRATEGY

First Year of Program 2012

	2012	2013	2014	2015	2016
Capital					
Capital Expenditures Required	$ 33,046,500	$ 16,473,500	$ -	$ -	$ -
Less: Existing Budgeted Costs	4,335,000	-	-	-	-
Additional Capital Budget Required	$ 28,711,500	$ 16,473,500	$ -	$ -	$ -
Funding Sources:					
Interim Financing - Internal	$ 3,771,000	$ -	$ (3,321,000)	$ -	$ (450,000)
Debt - External	24,940,500	16,473,500		-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	3,321,000	-	450,000
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 28,711,500	$ 16,473,500	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 45,185,000				
Total Additional Debt Required	$ 41,414,000				
Current Expenditures/Revenues					
Direct Costs	$ 690,000	$ 2,333,000	$ 3,975,000	$ 4,054,000	$ 4,135,000
Less: Incremental Revenue/Recovery	746,000	323,000	53,000	471,000	471,000
Net Cost/(Benefit)	$ (56,000)	$ 2,010,000	$ 3,922,000	$ 3,583,000	$ 3,664,000
Less: Existing Budget Amounts	(56,000)	3,269,000	3,595,000	3,668,000	3,741,000
Net Budget Adjustment Required	$ -	$ (1,259,000)	$ 327,000	$ (85,000)	$ (77,000)

Additional Comments: Capital expenditures in 2012 & 2013 represent the estimated construction cost of the East Yards Complex of $49,520,000 inclusive of short-term financing costs of $969,000 + corporate admin fees of $100,000; the latter two amounts being offset by recoveries in the Corporate Finance Department 2012 & 2013 current budgets. Direct costs in 2012 consist of $465,000 in accommodation charges (for Plessis / Ravelston) & $225,000 in operating costs for the remaining Public Works eastern yards. The 2013 amount includes these same costs + accommodation charges for the new East Yards Complex (EYC), both prorated for 6 months, + "mothball" costs on all vacated facilities. From 2014 onward, they consist of Public Works accommodation charges for the EYC + cost to mothball existing facilities until they are sold. Incremental revenues in 2012 consist of $646,000 in short-term interest recoveries + $100,000 in corporate admin fees while 2013 consists of short-term interest recoveries of $323,000. Revenues from 2014 onward represent estimated municipal realty tax revenues resulting from sale of existing properties made available for disposition by the EYC development. Existing budget amounts include operating and/or accommodations costs in Public Works' current budget and corporate recoveries as noted above. Note: Any incremental expenditure budget requirements by WFMA are assumed to be offset by other WFMA operating expense reductions; therefore, no amounts are included in this current budget analysis for WFMA. ***See Appendix B for additional detail on amounts presented above in the "Current Expenditures/Revenues" section.***

"Original signed by"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this Report there was consultation with:

1. Public Works Department
2. Winnipeg Fleet Management Agency
3. Corporate Finance Department
4. Legal Services Department (as to legal issues)
5. Materials Management Division, Corporate Finance Department

SUBMITTED BY

Department:	Planning, Property and Development
Division:	Municipal Accommodations
Prepared by:	Brad Erickson, Portfolio Strategies Coordinator Mike McGinn, Manager of Finance
Date:	October 26, 2011
File No.	O:\Reports Directive\Municipal Accommodations\General Communication\2011\MA2011-110 - East Yards Complex - WFMA Repair Facility - Oct 26 2011.doc

MA2011-110



Appendix "A" Site Plan

APPENDIX B: ADDITIONAL DETAIL TO THE FINANCIAL IMPACT STATEMENT

Current Expenditures/Revenues

	($ Thousands)					
Direct Costs:	**2012**	**2013**	**2014**	**2015**	**2016**	
Market Rents on Facilities Occupied by Public Works	465	2,138	3,810	3,886	3,964	*a*
Operating Costs - Vacated Facilities	225	195	165	168	171	*b*
	690	2,333	3,975	4,054	4,135	
Existing Budget Amounts:						
Market Rents on Facilities Occupied by Public Works	465	3,430	3,430	3,499	3,569	*c*
Operating Costs - Vacated Facilities	225	162	165	169	172	*d*
Short-term Financing/Admin Costs - Recovered from Capital	(746)	(323)	0	0	0	
	(56)	3,269	3,595	3,668	3,741	
Incremental Revenue/Recovery:						
Municipal Property Taxes - Surplus Properties	0	0	(53)	(471)	(471)	*e*
Short-term Financing/Admin Costs - Recovered from Capital	(746)	(323)	0	0	0	
	(746)	(323)	(53)	(471)	(471)	
Net Budget Adjustment Required:	**0**	**(1,259)**	**327**	**(85)**	**(77)**	

a In 2012, represents market rents on existing facilities occupied by Public Works. In 2013, includes market rents on existing facilities up to June 30 ($233,000) plus market rent on new East Yards Complex from the assumed occupancy date of July 1 ($1,905,000). In 2014, represents market rent for just the new East Yards Complex. A 2% inflation factor is assumed in each of 2015 and 2016.

b The $225,000 in 2012 represents estimated annual costs for the 50,000 sq. ft. eastern properties portfolio "owned" by Public Works @ $4.50 per sq. ft. The $195,000 in 2013 consists of those same operating costs to June 30 + "moth ball" costs for the entire 105,000 sq. ft. eastern properties portfolio. The rate / sq. ft. for moth-balled facilities, which are applicable until such time as they are sold, is one-third the normal operating rate (i.e. $4.50 / 3 = $1.50). Projected actuals from 2014 onward are calculated on 105,000 sq. ft. @ one-third the rate. An annual 2% inflation factor has been applied.
Note: "moth ball" costs are carried through to 2016, the year in which it is forecast the last of the surplus properties will be sold.

c Existing budget amounts in 2013 and 2014 represent accommodation charges in Public Works' budget for the new East Yards Complex based on an estimated $39.9 million cost for the facility (i.e. budget has yet to be updated to reflect revised cost estimates). Amounts for 2015 and 2016 have been increased by an annual inflation factor of 2%.

d Budget from 2013 onward based on one-third of the $475,000 2012 operating cost inflated by a factor of 2%.

e Municipal tax revenues based on 2011 assessment data (i.e. 2008 market values) and a constant mill rate of 0.015295. Properties are assumed to be added to the tax roll the year following the year of anticipated sale.

APPENDIX C: DETAILED HISTORY AND REPORT DISCUSSION & ANALYSIS

DETAILED HISTORY:

On September 29, 1998, Council adopted the Strategic Facilities Master Plan. The Council disposition included the following:

> "…The plan for office space development for Public Works consolidation at 1155 Pacific Avenue be referred to the Standing Committee on Public Works to review the development needs and timing in conjunction with the Central Yard project, Water & Waste consolidation, and divestiture timing for properties which presently house Public Works."

In April 1999, the Standing Policy Committee on Public Works authorized the Public Service to develop a Public Works/Water & Waste Facilities Master Plan including engaging a consultant to work in co-operation with and assist civic staff.

In October 1999, the City engaged a consultant consortium (KPMG, GBR Networx and UMA Engineering) to assist in development of a Public Works/Water & Waste Facilities Master Plan.

On March 21, 2001, Council approved the Public Works/Water & Waste Facilities Master Plan which called for consolidation of staff and operations from various locations throughout the City and the divestiture of related surplus properties.

On March 22, 2006, Council approved a motion that the East Yard Complex be located in the St. Boniface Industrial Park, and that any Council/Standing Policy Committee decisions which are inconsistent with this motion be rescinded.

On July 17, 2006, the Director of Planning, Property and Development approved the recommendation to appoint UMA Engineering Ltd. to provide professional consulting services for the design and construction of the East Yard Complex in the St. Boniface Industrial Park.

In November, 2007, a financial status report was presented which identified the following:

- The total estimated development cost for the East Yard Complex was $16.9 million.
- A funding shortfall of approximately $5.5 million existed. This amount included a recovery for the sale of surplus properties estimated to be valued at $5.3 million.
- Project cost had escalated due to inflation and an increase in space requirements.
- A recommendation that Deloitte Consulting be engaged to review the East Yard Complex to assess its suitability as a Public-Private Partnership (P3) project.

Subsequently, Public Works was directed to review its space requirements for the East Yard Complex and proceed with implementation within available budget.

DISCUSSION AND ANALYSIS:

EAST YARD COMPLEX: PROJECT DESCRIPTION

The purpose of the Public Works component of the East Yard Complex is to combine operations on the east side of the Red River to provide more efficient and cost effective service delivery and vacate/dispose of such properties which are beyond their useful life.

The initial Program of Requirements was developed between 2004 and 2006. At that time, all aspects of the operational requirements for east side operations were reviewed. UMA Engineering Ltd. was awarded a contract in July, 2006, to provide professional consulting services for design and construction. The East Yard Complex is to consist of field office, garage, shops, and storage facilities for various branches of the Public Works Department. Specifically, the Public Works operations included are Streets Maintenance East Area, Parks & Open Space East Area, Parks & Open Space Centralized Services, Bridge Operations, Equipment Operator Training, as well as the Safety Branch.

In addition, Parks & Open Space Centralized Services has recently undergone a service delivery consolidation with Landscape Development Services. Such consolidation has presented potential opportunities for alternate location consolidation. Public Works is investigating such alternatives and may propose adjustment to the existing Program of Requirements at a later date.

Development of the East Yard Complex will result in the following civic occupied properties becoming surplus and available for disposition:

1. 1500 Plessis/849 Ravelston
2. 590 St. Anne
3. 1201 Archibald
4. 565 Watt
5. 825 Tache (riverbank property)

Note Council's approval of the Public Works/Water & Waste Facilities Master Plan authorized the proceeds from disposition of vacated properties, inclusive of 100 Main, be applied against the capital implementation cost of the project. However, alternate disposition options for 100 Main have resulted in the estimated market value of $1,620,000 no longer available for this project.

Public Works had completed a review of their operational facilities and associated lands. Such review did not result in any additional surplus properties available to further offset the cost of the East Yard Complex. In addition, as directed in November 2007, Public Works reviewed various cost reduction strategies including reduced office, yard, storage, and parking requirements and the deletion of all unheated vehicle storage. The cost of such combined reduction strategies was estimated to be $3,300,000.

However, the proposed reductions do not provide Public Works with an effectively functioning yard and would require deferred capital expenditures to further upgrade the East Yard Complex for known future service delivery requirements. Therefore, it was not recommended that the identified cost reduction strategies be implemented as such strategies do not represent cost elimination/ avoidance but solely result in a deferral of costs which increases financial risk to the City.

Site Selection: Former Elmwood/Nairn Landfill Site

The Public Service has investigated alternative sites for availability and suitability to the East Yard Complex. Based on select site criteria, KGS Group were engaged and completed a preliminary Site Condition Assessment Report for the former Elmwood/Nairn Landfill Site. In addition, AECOM was engaged to prepare a Traffic Impact Analysis associated with the former Elmwood/Nairn Landfill Site.

The former Elmwood/Nairn Landfill Site (see Appendix A) is currently zoned M3 – Manufacturing Heavy District. Construction of the East Yard Complex is compliant with this zoning. Note any residential development would require rezoning and re-designation under Plan Winnipeg 2020 where it is identified as "Industrial Policy Area".

Land Use Considerations

Recent research and analysis on Winnipeg's Industrial Land Supply identifies maintaining the Tyne-Tees area an industrial area as it provides a needed land supply for those industrial users seeking relatively inexpensive redevelopment sites of a heavier industrial nature.

While certain industrial areas in the city may develop as mixed use areas and be compatible with residential development, the proximity of this site to well established heavy industry makes it unsuitable for conversion to residential. The production of noise and dust as well as the appearance of neighbouring properties would be detrimental to quality of life for residents. As well, the proximity to a major rail line adds to the undesirability of the property for residential purposes.

In addition to the limited marketability of the land for residential use, there would be increased costs to make the land suitable for habitation at increased densities. Specifically, costs would include remediation of the former landfill, combined sewer upgrades to handle the increased volume as well as potential transportation and access improvements. Given the cost of development and the low market potential for these lands it is highly unlikely that there would be any private sector interest in their development.

Surrounded on all sides by heavy industry, this site is isolated from other residential areas which results in the need to access community facilities north of Nairn Ave. by means of passing through the industrial/commercial area established on the south side of Nairn.

The current arrangement of land uses in this area has evolved over time and is essentially well-planned as the Talbot-Grey and East Elmwood neighbourhoods are buffered from the industrial uses in the Tyne-Tees area by the commercial frontage along the south side of Nairn Ave. It is recommended that the organization of land uses in the area remain relatively intact.

The introduction of residential uses onto this site could also threaten the viability of a fairly well functioning heavy industrial area as noise and air quality complaints could rise, disrupting the operations of established industries.

As noted above, a Preliminary Site Condition Assessment Report related to development of this site for the East Yard Complex was received in December 2008, from KGS Consulting Engineers. The report recommends utilization of the site for the East Yard Complex.

A supplementary report was received in October 2009, from KGS Consulting Engineers related to the potential for residential development of the site. The report recommends against any residential development on the site due to environmental, health and safety risks, and construction related concerns, as well as the low potential interest in marketability of the site for residential use and potential associated remediation costs.

A Traffic Impact Analysis related to the project was received in May 2009. The report concluded the traffic impact on the existing road network resulting from East Yard Complex development would be minimal with no upgrades required. The report identified existing problematic areas in the road network surrounding the site, which would appear to require significant intersection upgrades as a result of the increased traffic which would result from any high density residential development on the site.

The October, 2009 report from KGS Consulting Engineers further indicates the cost of site remediation associated with residential development would be estimated to range from $20,000,000 for single family dwellings to $10,000,000 for condominium or high rise residential development. These estimates do not include any costs related to off-site infrastructure upgrade requirements which could be associated with residential development.

EAST YARD COMPLEX: RFP 429-2011 PROPOSAL EVALUATION

Following a request for Expressions of Interest (EOI) for Cost Estimates for the Design and Construction of the Public Works East Yard/Winnipeg Fleet Management Agency Facilities (EOI 659-2009A), four (4) companies were invited to submit Proposals in response to RFP 429-2011.

Proposal Submissions

Three (3) Bidders submitted Proposals inclusive of Options resulting in a total of seven (7) Proposals received by the submission deadline (July 28, 2011).

Proposal Evaluation

Evaluation Committee

The Evaluation Committee members assembled to assess and evaluate Proposals received from this RFP were selected based on their training and experience related to the evaluation process and associated criteria.

Evaluation Process

Evaluation Committee members assessed each Proposal received for compliance with the proposal requirements contained in the RFP. Proposal Option 4 from Ernst Hansch Construction Ltd. should be considered to be non-responsive because mandatory requirements were not met.

Proposals were evaluated based on the Evaluation Criteria set out in the RFP. Specifically, the Evaluation Committee evaluated each Proposal, depending on the respective criterion, as follows:

Item	*Criterion Reference*	*Scoring Allocation*	*Evaluation Methodology/Description*
B22.1 (a) i.	***Mandatory Requirements***	**Pass/Fail**	Compliance by the Bidder with the requirements of the Request for Proposal or acceptable deviation therefrom.
(b) i.	***Mandatory Qualifications***	**Pass/Fail**	Qualifications of the Bidder and the Subcontractors, if any, pursuant to B13.
(c)	***RFP Section B***	**35%**	Evaluated Bid Brice.
(d)	***RFP Section C***	**20%**	Qualifications/Experience of Design Build Team
(e)	***RFP Section D***	**10%**	Methodology for Project Delivery
(f)	***RFP Section E***	**35%**	Facility Design
(g)	***RFP Section B***		Cost benefit analysis of any alternative pursuant to B8 or B15.

Evaluation Results

A maximum Total Proposal Score of 100 was available to Bidder Proposals. Ernst Hansch Construction Ltd. Proposal Option 2 received the highest Total Proposal Score. As such, Proposal Option 2 received from Ernst Hansch Construction Ltd. is recommended for award because it represents the most advantageous offer.

The Ernst Hansch Construction Ltd. Proposal Option 1 received the second highest score.

Proposals received from Ernst Hansch Construction Ltd. remain open for acceptance by the City until November 30, 2011.

The Planning, Property and Development Department is satisfied that the recommended Bidder has the necessary resources and experience to complete development in accordance with the requirements of the RFP.

The recommended Bidder is COR certified with Construction Safety Association of Manitoba # MH050726E.

The Manager of Materials has waived the requirement for bid security in accordance with the authority delegated pursuant to Administrative Standard FM-002.