GENSTAR
BRINGING LAND TO LIFE

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City of Winnipeg
Executive Policy Committee
Attention: Mayor Sam Katz and Committee Members

Re: January 15th, 2014 Executive Policy Committee Meeting Agenda item # 2:
Front Ending Agreement for the Extension of Kildare Avenue West pursuant to the July 17, 2013 Council Decision - File DASZ 10/2013

I am writing you with respect to the above noted agenda item. As you are aware the approval of the above referenced infrastructure and corresponding agreement is a critical condition of approval by City Council for the commencement of the above noted project, which is as well a Joint venture with the City of Winnipeg and Genstar. Without approval and proceeding with construction of this major collector road, it will prevent moving forward with the project and as a result prevent commencement of DASZ 11/2013; DASZ12/2013; DASZ 15/2013(Waterside Developments); DASZ 33/2013(Shindico) and DASZ 11/2011 (Starlite).

In essence this critical piece of road network is the key to seeing approximately 500 acres of long awaited residential and commercial development in the Transcona west area. The benefit to the City of Winnipeg, by allowing this much needed development at this location to proceed is obvious. This new east-west route from Plessis Road through to Peguis, will allow for the further extension of Reenders and ultimately a second route to Lagimodiere which will provide relief from existing traffic congestion on Regent Ave.; Almey Ave. and allow the closing of Almey at Lagimodiere; and will benefit the City in moving forward its planned development of the Public Works Yard at 1500 Plessis Road. These are important issues locally and for the City at large.

I am now concerned that the projected cost estimate (budget) prepared by Public Works presents an overstatement of costs of investment in infrastructure to the members of the committee. With all due respect to Public Works Department, I am confident that its budget is substantially more than what the actual infrastructure will cost. Our consultants Stantec have prepared a comparative "Class C" cost estimate for the proposed work and are now conservatively estimating that the hard construction costs for the project are closer to **$10.8M** (including a contingency of 25%) as opposed to the **$14.6M** that Public works is contemplating. Again, with all due respect, I further believe that the Public Works estimate is likely a "worst case scenario" budget as opposed to "an opinion of probable costs" which is what our consultants have based their estimates on.

So in that respect we may not be comparing apples to apples, however a proper decision must be based on what is probable as opposed to what could happen if for example something unexpected occurs!

Also the provision of the infrastructure should provide an opportunity for the City to recover a significant portion of the costs of the infrastructure through the enhanced sale value of the Plessis Road site which has not been factored into the budget.

With respect to the estimates for inflation, City overheads and calculation for accrued interest, it is my opinion that these projections are as well inflated beyond what is reasonable. If approved the project will commence immediately and hopefully be completed in 2014, so a factor of 9.5% for inflation is not reasonable as construction prices are not expected to increase significantly in 2014.

I respectfully request that you receive my letter as information when making your decision to approve the capital expenditure and Front Ending Agreement for this necessary and critical infrastructure.

Yours truly,

GENSTAR DEVELOPMENT COMPANY

Jerry C. Klein
Vice President
Winnipeg Region

JCK/cm