

Building Canada Fund Projects

Yellowhead Trail Improvements Funding and Advocacy Strategy

Recommendation:

That Executive Committee recommend to City Council:

That the following motions, passed at the November 5, 2014, City Council meeting:

- That Attachment 1 to the October 28, 2014, Financial Services and Utilities report CR_1676, City of Edmonton Priority Projects for the Federal Building Canada Fund, be approved, with the following amendment:
Under the **National Infrastructure Component**, replace Part 3 "Rail/Roadway Bridges", with "Other Key Grade Separations".
- That Administration prepare high-level business cases, including analyses of economic impact, for support of the items listed in Attachment 1 of the October 29, 2014, Financial Services and Utilities report CR_1676, as amended, for Council's consideration in future advocacy with the provincial and federal government.

be amended by substituting the following motion:

1. That the designation of Yellowhead Trail Improvements (Stages 1-5) as the City's priority project under the National Infrastructure Component of the new Building Canada Fund, be approved.
2. That the designation of the following projects as the City's priority projects under the Provincial-Territorial Infrastructure Component of the new Building Canada Fund, be approved:
 - a) LRT Expansion
 - b) Key Grade Separations, including 50 Street and 75 Street CPR Underpasses and the Manning/Meridian Interchange
 - c) Neighbourhood Flood Mitigation Program
 - d) Fort Edmonton Park Utility Infrastructure Upgrades
 - e) Edmonton Energy and Technology Park
3. That Administration provide a report to Committee with an analysis of the economic impact, eligibility and relative priority of the projects designated as the City's priority projects under the Provincial-Territorial Infrastructure Component of the new Building Canada Fund.

Report Summary

This report provides a high-level assessment of profiles connected with potential applications to the federal government under the new Building Canada Fund.

Previous Council/Committee Action

At the January 12, Agenda Review Committee meeting, the Financial Services and Utilities report CR_1916rev was postponed to the February 3, 2015, Executive Committee meeting.

At the November 26, 2014, City Council Budget meeting, the following motion was passed:

That the November 26, 2014, Financial Services and Utilities report CR_1916, be referred back to Administration to prepare a funding and advocacy strategy with respect to the proposed Yellowhead Trail improvements and the key grade separations, to return to Council through Committee, along with the following Capital Profiles:

- a) 15-66-2224 - \$31.4 million – Yellowhead Trail – Stage 1 Improvements
- b) 17-66-2216 - \$26.5 million – Yellowhead Trail (50 st – Victoria Trail)
- c) 17-66-2307 - \$237.4 million – Yellowhead Trail (Stage 2) 149st
- d) 22-66-2314 - \$267.8 million Yellowhead Trail (Stage 3) 127st
- e) 23-66-2317 – \$213.5 million – Yellowhead Trail (Stage 4) 121st
- f) 23-66-2318 – \$96.6 million - Yellowhead Trail (Stage 5) Fort Road
- g) 15-66-2190 – \$85.1 million – 50 Street CPR Underpass
- h) 18-66-2190 – \$66.9 million – 75th Street CPR Underpass
- i) Manning and Meridian interchanges

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Under the **National Infrastructure Component**, replace Part 3 "Rail/Roadway Bridges", with "Other Key Grade Separations".

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Report

Overview

The Financial Services and Utilities report CR_1676 provided an overview of the new Building Canada Fund and the evaluation criteria under both the National Infrastructure Component and the Provincial-Territorial Infrastructure Component.

To summarize, the ten year, \$4 billion National Infrastructure Component supports projects of national significance that will contribute to Canada's long-term growth and prosperity. Eligible projects are assessed on merit with no pre-determined geographical allocations, and are limited to those that provide the greatest economic impact. Project applications are also expected to be larger in scope (\$100 million or more in total eligible costs).

The \$10 billion Provincial-Territorial Infrastructure Component provides funding support for predominately medium and large scale projects of national, regional and local significance. Funding is allocated to the provinces and territories on a population plus basis, with projects jointly identified and negotiated between Canada and its provincial and territorial partners. Over the ten-year life of the program, Alberta's allocation is projected to be \$942 million, of which \$250 million is the province's base funding, and \$97 million is designated for small communities. With \$150 million already earmarked for Edmonton and assuming a comparable amount will flow to Calgary, there would be approximately \$295 million available for distribution. With no formal provincial intake process in place, it is not known how Alberta's remaining pool of available funding will be allocated.

Under both components, the maximum federal contribution from all sources is typically one-third of the total eligible costs of a project (with the the municipality and province each providing a matching one-third), with no grant stacking allowed beyond the specified cap. Projects with total eligible costs of over \$100 million are required to undergo a Public-Private Partnership (P3) Screen, which is administered by PPP Canada. If the Screen determines project delivery would generate better value for money as a Public-Private-Partnership, federal funding will be contingent on procuring the project in this manner. The maximum federal contribution for projects that are procured as a Public-Private-Partnership is 25 percent.

Administration's Assessment

Administration has undertaken a high-level review of the eligibility and evaluation criteria under the new Building Canada Fund's National Infrastructure Component to assess program alignment with projects contemplated within City Council's motion of November 26, 2014, which included: Yellowhead Trail (Stages 1-5), Grade Separations at 50 Street and 75 Street, and the Manning/Meridian Interchange. The profiles for the above-mentioned projects are included as Attachment 1.

1.) Yellowhead Trail (Stages 1-5)

It is Administration's view that Yellowhead Trail is a strong candidate under the National Infrastructure Component. As part of the national highway network and as a major goods movement corridor, the project supports the Building Canada Fund objective of contributing to the country's economic growth and productivity. The project also meets program eligibility requirements under the "Highways and Major Roads" category and

supports most category outcomes, such as increasing efficiency and mobility, reducing travel times, and improving safety. More detail on the project's suitability relative to the National Infrastructure Component's objectives and criteria is provided in Attachment 2.

To make an application under the National Infrastructure Component, proponents are required to submit a comprehensive business case that demonstrates how the project meets program objectives, as well as category specific criteria. The business case must also address how one or more of the following federal objectives will be achieved:

- Generate positive economic activity
- Reduce potential economic disruptions or foregone economic activity
- Generate productivity gains for the Canadian economy, or
- Provide benefits that extend beyond the provinces or territories where the project would be located.

At a minimum, the submission business case must provide information that includes: project timelines and milestones; status of land acquisition, benefits and outcomes that can be reported and measured upon project completion; financial breakdown of costs, expenditures and contingencies; P3 assessment; and identification of funding sources to provide assurance funding will be in place to undertake and complete the project.

As Yellowhead Trail is largely unfunded, the project is still in the planning phase with most of the stages requiring conceptual design. Therefore, should Council decide to pursue project funding under the National Infrastructure Component, and recognizing it is premature to develop a comprehensive business case without undertaking further engineering work for which there is no approved budget, it would be Administration's suggestion that a high level business case be developed at this time. To undertake this work, Administration would still need adequate time to ensure the submission contains a sufficient level of detail for funding consideration and that there is a level of confidence and degree of accuracy in the information we submit.

In the short-term, costing and traffic analysis is required, and is currently underway; a comprehensive economic impact assessment is also necessary to demonstrate the Yellowhead Trail's national significance and to confirm and quantify the project's economic benefits and outcomes. These are key inputs to developing the business case and necessary to inform the advocacy plan that would also need to be prepared to effectively advance the project at the political level in support of an application. This analysis could be completed within existing budgets. In the more medium to longer term, engineering work on the project would continue to proceed and a more detailed business case could then be developed as funding becomes available.

In light of the competitiveness of the National Infrastructure Component funding pool, actively championing the Yellowhead Trail as a priority candidate for funding will require targeted advocacy at the federal and provincial level, as well as stakeholder engagement. A strong supporter of the project is the TransCanada Yellowhead Highway

Association, a inter-provincial organization that is prepared to advocate for federal and provincial funding for the Yellowhead Highway, and specifically the Yellowhead Trail through Edmonton, which they consider the route's highest demand corridor.

Government and stakeholder outreach at the local and national level could include activities such as meetings, letters, speaking engagements, attendance at key social and business events and various media opportunities like interviews, editorial boards and opinion-editorial (op-ed) articles. Linking with ongoing initiatives such as the New West Partnership may also assist in garnering provincial and federal support for the Yellowhead project. Created by Alberta, Saskatchewan and British Columbia, the Partnership aims to pursue funding for key projects to improve the long-term competitiveness of western Canada's transportation system to ensure it is equipped to support growth, aid trade and maximize export capacity to global markets.

Council's confirmation of Yellowhead Trail as the City's priority project under the National Infrastructure Component would give Administration direction to deploy the necessary resources to assemble the information for the City's funding application, as well as the advocacy strategy needed to support the application. Declaring the project a priority is also the first step to actively advancing the project's merits with government and stakeholders at both the political and administrative level to ensure that its importance is known and understood with key audiences.

2.) Grade Separations and Manning/Meridian Interchange

Upon further review, it is Administration's opinion that the railway grade separations at 50 Street and 75 Street would not be eligible under the National Infrastructure Component, as they do not meet the criteria of the component's "Highways and Major Roads" category. In order for a road/rail grade separation project to be eligible it must be: a key inter-provincial or international corridor; a highway or road that provides access to border crossings or facilities such as ports, airports, and railway inter-modal yards or transfer stations; or a highway or road related to major natural resource development opportunities. The grade separations at 50 Street and 75 Street do not meet these criteria.

The Manning/Meridian Interchange would likewise be ineligible under the National Infrastructure Component. At present, existing daily two-way traffic volumes on Manning Drive west and south of the future Meridian Street Interchange are well below the prescribed average annual traffic values set for an urban road corridor within a Census Metropolitan Area, and are not expected to reach the minimum target until between 2035 and 2040.

All three projects could, however, be a potential fit under the "Highways and Major Roads" category of the Provincial-Territorial Infrastructure Component. Under this component the grade separations at both 50 Street and 75 Street would meet the required volume of daily freight and/or passenger traffic, and the Manning/Meridian

Interchange would meet the required daily vehicle traffic. The Manning/Meridian project, in particular, has strong national and regional benefits given its proximity to the future Edmonton Energy and Technology Park and Alberta's Industrial Heartland. Building an interchange at this location would provide a direct high capacity corridor to deal with urban growth pressures and industrial development in the area, and serve the resource sector in north-east Alberta and the Alberta Oilsands.

While the three locations identified in the preceding paragraph all have merit and are potential candidate projects under the Provincial-Territorial Infrastructure Component, they only comprise a small fraction of the interchange locations listed in the October 15, 2014, Transportation Committee Report CR_1331. Given City Council's direction to broaden the scope of this potential application to more than just railway grade separations, Administration requires additional time to bring forward a report on the project readiness and relative priorities of the locations identified in the October 15, 2014 report. This report would also assess the merits of these potential applications in relation to the other potential Building Canada Fund candidates (e.g. Neighbourhood Flood Mitigation Program, Fort Edmonton Park Utility Infrastructure Upgrades, and Edmonton Energy and Technology Park) described in the October 28, 2014, Financial Services and Utilities report CR_1676.

Corporate Outcomes

The recommendations in the report supports the Corporate Outcomes "Goods and Services Move Efficiently" and "Edmonton Region is a catalyst for industry and business growth" by committing to investments such as the Yellowhead Trail, a major City truck route that services key industries and transportation logistics.

Budget/Financial Implications

Tax-supported debt is contemplated to fund the City's portion of these project profiles. The number of projects and the level to which the federal and provincial governments contribute to them will impact the total amount of City debt and debt servicing. A high level analysis of these debt impacts is provided in Attachment 3. While the Building Canada Fund will contribute up to one-third of total eligible project costs, land acquisition is considered an ineligible expenditure. As land makes up a considerable amount (estimated to be in excess of \$200 million) of the overall project costs for the Yellowhead Trail, the gross federal contribution to the project could be less than one-third, requiring the province to make up any difference in order for the City to not exceed its one-third share.

Justification of Recommendation

1. Council's direction that Yellowhead Trail be Edmonton's priority under the National Infrastructure Component is foundational to the assembly of the information that is required to inform the preparation of a business case and effective advocacy strategy. The November 5, 2014, motion needs to be replaced in order to reflect this priority.
2. The Provincial-Territorial Infrastructure Component priorities need to be adjusted to include priorities formerly under the National Infrastructure Component.
3. Council has already directed Administration to prepare for its consideration high-level business cases, including analysis of economic impact to support the Building Canada Fund priority projects identified in the October 28, 2014, Financial Services and Utilities report CR_1676. Addressing new priorities in concert with the Building Canada Fund priority projects already identified allows Council to consider all the projects within the same context, as well as any other priority grade separation and interchange projects Council may want to advance under the Provincial-Territorial Infrastructure Component.

Attachments

1. Yellowhead Trail, 50 St & 75 St Grade Separations & Manning Meridian Interchange Project Profiles
2. Preliminary Assessment of Building Canada Fund Application
3. Debt funding Analysis

Others Reviewing this Report

- D. Wandzura, General Manager, Transportation Services