

Downtown District Energy Initiative

Winspear Agreement

Recommendation

That a construction funding agreement between the City of Edmonton and the Francis Winspear Centre for Music, for the construction of the district energy shell building for the Downtown District Energy Centre, for an amount not to exceed \$7,126,908, excluding GST, as outlined in Attachment 1 of the August 31, 2020, Integrated Infrastructure Services report CR_8368, be approved, and that the agreement be in form and content acceptable to the City Manager.

Executive Summary

The Downtown District Energy project involves the construction of the district energy shell building on city lands currently leased to the Francis Winspear Centre for Music. The shell building structure is integrated into the building that is currently under construction as part of the Winspear Centre expansion project. The City and the Winspear Centre have agreed to a number of terms that would form the basis of a construction funding agreement to have this work undertaken by Winspear Centre's construction contractor. The construction costs are estimated to be \$7,126,908. Currently, construction is anticipated to start in October 2020, with a tentative completion date of March 2021.

This project supports the ConnectEdmonton goal of Climate Resilience.

Report

The Downtown District Energy project involves the construction of the district energy shell building on city lands that are leased to the Winspear Centre. The shell building structure is integrated into the building that is currently under construction as part of the Winspear expansion project. Given this situation, it will be most practical, cost-effective and efficient for the Winspear Centre's construction contractor to construct the shell building for the energy center.

The City and the Winspear have agreed to terms that would form the basis of a construction funding agreement (Attachment 1). The district energy shell building will house the central district energy plant infrastructure and serve as the host of the first stage of the Downtown District Energy Initiative. The building has been designed and will be constructed by the Winspear Centre project team and a budget for the district energy shell building was prepared by their contractor and reviewed by Administration.

The cost to build the district energy shell building is estimated to be \$7.1 million. Construction is expected to start in October 2020, with a tentative completion date of March 2021.

The building design and construction will be led by the Winspear project team. It would be impractical and more costly for the City to manage its own contract for the shell building given the oversight and the integration requirements with the balance of the building structure and systems. Administration reviewed the construction tasks and estimate provided by the Winspear's project team and found the work and costing to be reasonable and appropriate. Based on this review, Administration recommends that Council approve the funding required for the Winspear Centre. The Winspear will manage the project and complete the work, in accordance with the agreed-upon conditions outlined in Attachment 1.

Financial / Budget Implications

Capital Profile 20-83-9001, Downtown District Energy Initiative, includes \$27.9 million in approved funding to allow for executing the Agreement.

Legal Implications

Administration is agreeing to provide funding via monthly progress payments. The City and Winspear will be including an agreed-upon Project Cost and Schedule Breakdown and Administration will be monitoring the progress of the project to verify that the progress reported is accurate and representative of the true progress at that time and that such progress is also in line with the Project Cost and Schedule Breakdown.

To coordinate with the Winspear construction schedule and meet Project timelines, the construction funding agreement will be executed prior to determining the City's approach to acquire the appropriate interest in the building either by sublease or subdivision. To address this issue, the City's requirement for access and use of the building will be included in the agreement and the City will be reserving its right to determine the approach.

If the City terminates the construction funding agreement with Winspear, or if the Downtown District Energy Plant is shut down prior to becoming operational, the City will be liable to the Winspear for an amount to be agreed upon by the parties.

Public Engagement

Public engagement was not undertaken for this report. Administration has been in ongoing communications with Winspear about the integration of the Downtown District Energy Initiative into their completion project.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is an Environmentally Sustainable and Resilient City			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton is an environmentally sustainable and resilient City	Community Greenhouse Gas Emissions (million tonnes of carbon dioxide equivalents)	19.4 (2017)	11.0 by 2035 (35% below 2005 levels by 2035)
Corporate Outcome(s): The City of Edmonton has a Resilient Financial Position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
The City of Edmonton has a resilient financial position	City Asset Sustainability (actual expenditure on capital infrastructure divided by required expenditure)	0.94 (2017)	1.00 (2018)

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Financial	Budget overruns throughout the tender and construction process	3 Possible	2 Moderate	6 Low	Proper project management processes in place, the contractor is familiar with the Winspear and District Energy project.	
Project Management	Project delays as a result of a schedule change	2 Unlikely	1 Minor	2 Low	Proper project management and schedule control processes in place.	
Legal	Final agreements with Winspear are not in place	1 Rare	2 Moderate	2 Low	A long-standing relationship with the Winspear, agreed-upon term sheet.	

Attachment

1. Term Sheet

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- R. Smyth, Deputy City Manager, Citizen Services
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor