

# Urban Gondola - Working Relationship Framework

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## Recommendation

That Urban Planning Committee recommend to City Council:

That the Agreement Framework between the City of Edmonton and Prairie Sky Gondola Inc., as set out in Attachment 1 of the February 16, 2021, Financial and Corporate Services report CR\_8033, be approved.

## Previous Council/Committee Action

At the February 3, 2020, City Council meeting, the following motion was passed:

That Administration continue to work with Prairie Sky Gondola to determine the feasibility of a gondola in the River Valley, with the work to be guided by:

1. the following governing principles:
  - a. No public funding requested and all financial risk borne by proponents
  - b. Open books to the city for validation on a confidential and proprietary basis
  - c. A robust engagement plan for community and Indigenous stakeholders
  - d. Mutually beneficial integration with public transit
  - e. Minimized ecological footprint
  - f. Providing surety, including monetary security, with respect to service continuity or demobilization
2. an examination of the implications of using air rights and of an emergency response plan for first responders.

## Executive Summary

Prairie Sky Gondola Inc. (Prairie Sky) is a private entity that proposes to construct an urban gondola in Edmonton between Downtown and Whyte Avenue. In fall 2020, Prairie Sky provided City Administration with its confidential business case and technical assessments.

This report provides a status update on each of the principles outlined in Council's February 3, 2020 motion, speaks to the technical and financial feasibility of Prairie Sky's proposal, and considers how the project may advance if the proposed Agreement Framework is supported by Council.

At a conceptual level, the proposed gondola aligns with the goals and objectives outlined in key City of Edmonton strategic planning documents, including ConnectEdmonton and the City Plan, and is supportive of the City's objectives as defined in Reimagine, River Crossing Business Plan, Breathe, and Plan Whyte.

The project would be funded, constructed, operated and maintained by Prairie Sky. Administration has assessed the project to be technically viable, though more comprehensive assessments would be required in the next phase. If Council wishes to proceed with the project, Administration recommends approval of the Agreement Framework and advancement of Phase Three: Detailed Design & Regulatory Approvals.

### **Report**

Prairie Sky is not requesting any funding from the City in its urban gondola proposal, which includes five stations at the following locations: Downtown, Ortona Armoury, Rosedale, End of Steel Park, and Whyte Avenue through the river valley. The City's role at this stage is as the landowner.

Based on the technical assessments, private sector funding, and support of Edmonton's strategic plans, Administration recommends that further planning proceed. Should Council approve the recommendation, Administration would return to Council for approval of land agreements outlined in the proposed Agreement Framework (Attachment 1). Administration would continue work to fulfil Council's February 3, 2020 motion (Attachment 2), and Prairie Sky would complete all requirements to advance through the necessary regulatory processes.

Administration defines the Phases of this project as follows, with current state being Phase 2:

- Phase 1: Preliminary Economic & Technical Assessment (completed Q1 2020)
- Phase 2: Business Case (completed Q1 2021)
- Phase 3: Detailed Design & Regulatory Approvals
- Phase 4: Construction
- Phase 5: Operations

Phase 2: Business Case for the Gondola generally aligns with the City's Project Development and Delivery Model (PDDM) definition of strategy and initiation of

concept development, which requires a business case and readiness package to proceed to Checkpoint 1 (authorization for project initiation and to begin design).

Prairie Sky proposes the alignment for the gondola reflected in Attachment 3; preliminary concept designs are included in Attachment 4 for information. Three of the five stations, and 13 of the 20 towers, would be located within the river valley (as defined by the North Saskatchewan River Valley Area Redevelopment Plan Bylaw 7188, as amended).

Prairie Sky estimates the cost of construction between \$132 million and \$155 million, with infrastructure costs to be funded by the private sector. Annual operating costs are estimated between \$12-\$13 million. Based on possible construction costs, Administration estimates that the direct stimulus to the transportation engineering construction sector could add between \$101.2 million and \$118.9 million to Edmonton's gross domestic product with full-time equivalent job creation between 780 and 920 over the course of construction<sup>1</sup>. Prairie Sky Gondola estimates approximately 80 full-time equivalent positions during normal operations.

### **Framework**

To continue responding to Council's key principles, this report recommends approval of the Agreement Framework for the gondola. While the Framework describes the next steps, given the complexity and early stage of design, Administration expects that additional terms and conditions will arise as the project advances.

### **Real Estate Proposal**

The majority of the land required for project construction is City owned. The Framework recommends the City lease the station locations to Prairie Sky, and provide access for tower locations and the ropeline through licenses, easements or consent and access agreements.

City appraisal of the impacted lands suggests that these agreements would provide an annual lease obligation to the City of approximately \$1.2 million. The final terms of the agreement will be confirmed and legal survey of impacted lands completed in the next phase of work.

Council approval of this proposal in the Framework would direct Administration to advance negotiations for the proposed land agreements, which will be brought to Council for approval, as appropriate.

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<sup>1</sup> Source: Statistics Canada Table 36-10-0595-01; estimates are total multiplier effects which include direct, indirect and induced effects and gross domestic product estimate is at basic prices.

### **Next Steps**

If Council approves the proposed Agreement Framework, negotiations would begin as outlined above. Next steps would also include Prairie Sky completing the following regulatory requirements:

- Transportation Impact Assessment
- Submission of Environmental Impact Assessment (EIA) and Council-approved Site Location Study (SLS) for selected sites within the River Valley, in fulfilment of River Valley Area Redevelopment Plan requirements
- Geotechnical Assessments
- Rezoning applications

City Administration would continue to work with Prairie Sky to seek alignment between City initiatives and projects with the proposed gondola. Connectivity between projects would support the creation of positive, highly usable public spaces. Projects in proximity to the proposed gondola route are included in the proposed Agreement Framework in Attachment 1.

### **Legal Implications**

As reflected in the proposed Framework and Attachment 2, several key terms, including the types and level of insurance and security; the term length, capital maintenance and rehabilitation obligations; and whether Prairie Sky will be obligated to remove the stations in the event of termination of the station leases during the economic life of the buildings, will be negotiated as part of the land agreements. The level of liability and risk to the City will be dependent on the final negotiated terms and conditions of the land agreements and corresponding mitigations.

The risk assessment below is preliminary and assumes that the key mitigations identified will be feasible and effective. If Council approves the recommendation, Administration will provide a comprehensive risk analysis when the land agreements are advanced for approval.

### **Public Engagement**

Under the proposed Framework, Prairie Sky Gondola would be required to implement the public and Indigenous engagement as a condition precedent to the land agreements. Administration has reviewed the plan submitted to the City in fulfilment of Council's February 3, 2020 motion, and would support implementation of the plan through feedback and guidance as appropriate.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): The City of Edmonton has a resilient financial position</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
The City of Edmonton has a resilient financial position	Amount of City funding for gondola project	TBD	Private sector contributes 100% of construction and operating costs of gondola
Edmonton has a globally competitive and entrepreneurial business climate	Edmonton Region Economic Diversity Index (Source: Conference Board of Canada)	2019: 0.90 2020: TBD	N/A - This measure does not have a specific target
Ensure protection, enhancement and opportunities for access to open space and the river valley and ravine system	Space required in river valley for gondola construction	TBD	Minimize gondola's negative impact to river valley natural areas

**Risk Assessment**

<b>Risk Element</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Score (with current mitigations)</b>	<b>Current Mitigations</b>	<b>Potential Future Mitigations</b>
Financial	While the proposed gondola would be privately funded, there is a risk to the City should the project fail.	3 - possible	2 - moderate	6 - low	Requirements for financial risk mitigation are captured in the proposed Framework, for inclusion in future agreements.  Should the project fail in advance of construction the risk facing the City is low.	Detailed financial review (open books review).  Requirement for sufficient security tools to be in place prior to execution of agreements, construction.  Exit provisions incorporated into future agreements (leases, licences).

Public Liability	While the proposed gondola would be privately funded and operated, risk of liability to the City as the land owner must be mitigated.	3 - possible	2 - moderate	6 - low	Requirements for mitigation of liability resulting from the City's continuing role as landowner are captured in the proposed Framework, for inclusion in future agreements.	Mitigated through lease and license agreements as reflected in the proposed Framework that include the proper indemnities, security and insurance requirements.
Public Liability	Prairie Sky Gondola's ability to secure insurance and performance securities during both design/construction and operations are key for the financial viability of the project.	3 - possible	1 - moderate	6 - low	As is captured in the proposed Framework, requirements for insurance/security tools will be required prior to execution of agreements.	Land agreements (lease and license) to include the insurance and security requirements, and proof of insurability and bondability early on in the process. Proforma to include the cost of security (for decommissioning etc).
Public Perception, Reputation al Risk	Integration of the transportation system and gondola may create a perception that the gondola is part of the public system. Service delivery challenges in one system would have a reputational impact on the other, as could a lack of integration between various mobility modes.	3 - possible	2 - moderate	6 - low	Appropriate integration of the systems to achieve benefits to users will mitigate this risk.	As is reflected in the proposed Framework, the City and Prairie Sky will continue work to define mutually beneficial integration of the Project with the City's public transit system, and transportation network more broadly.
Public Perception, Reputation al Risk	This project poses some reputational risk to the City - whether the project is successful or not.	3 - possible	2 - moderate	6 - low	Differentiation between the project and the City will need to be ongoing. The City's role as the regulator and land owner will be clearly defined, and provide an opportunity to reflect the City's openness to responsible and creative business development.	Brand differentiation even in the context of integration would be an ongoing consideration; clear communication that articulates the gondola as a private business.

Environmental	Potential for environmental/ecological impacts is a risk of development, especially in the context of development in the river valley.	2 - unlikely	2 - moderate	4 - low	Regulatory processes, permitting and approval processes.	Regulatory requirements, including fulfilment of requirements under the River Valley Bylaw; requirement for tree protection plan condition precedent within proposed Framework.
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**Attachments**

1. Gondola Agreement Framework
2. Section by Section Motion Response
3. Prairie Sky Gondola Letter & Alignment Map
4. Station Concept Designs

**Others Reviewing this Report**

- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- R. Smyth, Deputy City Manager, Citizen Services
- B. Andriachuk, City Solicitor