

**REPORT TO GOVERNANCE COMMITTEE
MEETING OF WEDNESDAY, JULY 10, 2024**

SUBJECT **Creation of a Sub-regional Service for Expansion of the West Shore RCMP Detachment**

ISSUE SUMMARY

The communities of Colwood, Langford and View Royal are requesting CRD create a sub-regional service to expand the West Shore RCMP detachment.

BACKGROUND

The municipalities of Langford, Colwood and View Royal jointly own the West Shore RCMP building located at 698 Atkins Avenue in Langford. This facility was originally constructed in the 1960s, with an expansion built in 1999. The RCMP detachment serves the communities of Langford, Colwood, View Royal, Highlands and Metchosin, as well as the Songhees and Esquimalt reserve lands. The existing facility is nearing capacity and with current and projected growth in the West Shore communities, there is a need to construct a new facility with more space that will accommodate a larger staff contingent and modern facilities that will support specialized and diversified policing services.

In February of 2023, Colwood, Langford and View Royal created a Joint Police Facilities Steering Committee to define the scope of a new, expanded RCMP facility. Early estimates indicate the cost of a new detachment building will be approximately \$82 million, with a 25% contingency, bringing the potential total cost to \$103 million.

In order to finance the construction, Colwood, Langford and View Royal Councils have passed resolutions requesting CRD create a sub-regional service for the purpose of debt financing the West Shore RCMP Detachment Expansion, to a maximum of \$103 million. Correspondence from the three municipalities is attached to this staff report as Appendices A, B, and C. A memorandum containing detailed background information on the RCMP building and the current expansion plans is attached at Appendix D.

ALTERNATIVES

Alternative 1

The Governance Committee recommends to the Capital Regional District Board:

That CRD continue to engage in discussions with staff from the municipalities of Colwood, Langford and View Royal to explore the creation of a sub-regional service to expand the West Shore RCMP detachment.

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

Service Delivery Implications

Service Establishment and Loan Authorization bylaws are subject to elector approval and approval by the Provincial Inspector of Municipalities. Staff have undertaken some preliminary discussions with policy and finance staff at the Ministry of Municipal Affairs to determine the feasibility of CRD creating the service. Initial feedback from the Ministry is that it is not possible for the service to exist simply for the purpose of debt financing, however, CRD could create a sub-regional service for the construction, operation and maintenance of the RCMP detachment building, with the three municipalities as service participants.

Neither CRD or the municipalities have any interest in CRD leading the design, construction, operation and maintenance of the building. This can be overcome by CRD's ability to enter into comprehensive legal agreements to assign the responsibilities of design, construction, operation and maintenance to the three municipalities. Those agreements would contain release and indemnity clauses to protect CRD for any potential liabilities arising from its ownership of the building and provide exclusive possession to the municipalities for the term of the debt, with a provision that the ownership of the building would transfer to the three municipalities once the debt was retired. Staff would seek to have these agreements negotiated prior to adoption of the service establishment and loan authorization bylaws and require these agreements be endorsed as a condition of creating the service.

Elector Approval Implications

To establish this service and to borrow for construction of the facility, participating area approval is required. This can be obtained by municipal consent on behalf, which must be unanimous; alternative approval process, whereby 10% of voters in the participating areas are not opposed; or elector assent, also known as referendum.

Given this is a service requested by councils, the recommended elector approval method is municipal consent on behalf. This will ensure the requirement for unanimity is met for this undertaking.

Financial Implications

The estimated borrowing for the project is \$82 million but the total cost could be up to \$103 million, to be debt serviced over the term of the loan by the municipalities of Colwood, Langford, and View Royal. Debt servicing would be based on a proportional cost share, to be determined between the three municipalities. The CRD understands that land acquisition costs will be addressed amongst the three municipalities.

A subregional service is not the only way to fund the expansion. Each of the three municipalities could pursue a proportional share of borrowing and undertake debt service individually, however, individual borrowing would require each municipality to conduct its own elector approval process and have the required borrowing capacity, whereas a subregional service approval can be obtained by one combined approval process which is more efficient and potentially more likely to achieve a unified result.

One important difference in funding the building through a sub-regional CRD service where CRD owns the building, as opposed to each of the municipalities securing their own borrowing, is that the municipalities are not able to create a development cost charge (DCC) program – i.e. those fees payable by developers of property within a specific area – if CRD owns the building. The three municipalities have expressed a desire to explore establishing a DCC program for this service. There is the potential for CRD to establish DCCs to fund the growth-related capital cost of construction of the building, however, administration of a development cost charge program on behalf of the municipalities would require CRD staff resources and is a higher level of CRD involvement than was initially anticipated. Staff will continue to engage in discussions with staff from the municipalities to further investigate this issue.

Alignment with Board & Corporate Priorities

A regional district provides those services which its constituent municipalities and electoral areas request it to provide, as approved by the Regional Board and the Province. The request to create a sub-regional service for constructing and debt servicing a building, paid for by those municipalities requesting the service, is consistent with the purpose and function of a regional district.

First Nations Implications

The detachment serves the Songhees and Esquimalt reserve lands through a combination of federal and provincial funding. An expanded West Shore RCMP building will provide more space for additional RCMP officers to address the current and future policing needs in those growing communities.

Climate Implications

Construction of the building, if built by CRD, would be subject to the CRD's Green Building Policy. Consultation will be required with the municipal participants if the standards set out in this policy would be applicable to the construction of this facility.

CONCLUSION

CRD has been asked to create a subregional service to provide financing for an expanded West Shore RCMP detachment. On the Province's advice, CRD is able to establish a subregional service for design, construction, operation, and maintenance of a new RCMP detachment, and may do so with consent of the participating municipalities. CRD would contract all responsibility for the design, construction, operation, and maintenance to the participating municipalities and enter into agreements that would ensure ownership of the building would transfer to the three municipalities on completion of the debt term.

RECOMMENDATION

The Governance Committee recommends to the Capital Regional District Board:
That CRD continue to engage in discussions with staff from the municipalities of Colwood, Langford and View Royal to explore the creation of a sub-regional service to expand the West Shore RCMP detachment.

Submitted by:	Kristen Morley, J.D., General Manager, Corporate Services and Corporate Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: November 23, 2023 Letter from View Royal

Appendix B: November 28, 2023 Letter from Langford

Appendix C: November 29, 2023 Letter from Colwood

Appendix D: Backgrounder on West Shore RCMP Building



TOWN OF VIEW ROYAL

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November 23, 2023

Capital Regional District
625 Fisgard Street
PO Box 1000
Victoria, BC
V8W 2S6

**Attention: Nelson Chan, Chief Financial Officer
Kristen Morley, General Manager, Corporate Services**

Dear Mr. Chan and Ms. Morley:

RE: West Shore RCMP Detachment Expansion Project Funding

At the November 21, 2023 Council meeting, Council was in receipt of a staff report regarding the West Shore RCMP Detachment Expansion Project funding, and passed the following resolution:

"THAT a letter be sent to the Capital Regional District (CRD) requesting that the CRD establish a subregional service for the purpose of funding a joint West Shore RCMP Detachment Expansion capital project up to \$103 million."

Also, please find attached a certified resolution.

If you have any questions regarding the above matter, please do not hesitate to contact this office.

Sincerely,
TOWN OF VIEW ROYAL

Elena Bolster
Deputy Corporate Officer

Attachment



2023/11/28

Kristen Morley
General Manager, Corporate Services
Capital Regional District
625 Fisgard Street
Victoria, BC V8W 1R7

Via email: kmorley@crd.bc.ca

Dear Ms. Morley

RE: Request for Capital Regional District Sub-Regional Service Establishment – Funding for a Joint Capital Project (RCMP Detachment Financing)

We are writing with respect to a joint sub-regional project to expand the current West Shore RCMP facility. As you know, the West Shore Detachment serves the municipalities of Langford, Colwood, View Royal, Highlands, Metchosin and the Songhees and Esquimalt First Nations out of an existing facility which is located in Langford. The original facility was constructed in the 1960s (the “Original Building”) and was subsequently expanded through the addition of a second separate but connected building in or about 1999 (the “Expansion”).

The municipalities of Langford, Colwood and View Royal (the “Owners”) jointly own the West Shore RCMP Detachment located at 698 Atkins Avenue in Langford. This existing detachment is nearing capacity and projections show as the communities grow, so too does the need for specialized and diversified policing services, increased use of technology, modern facilities, and a larger staff contingent to maintain the current policing level of service in the region. In order to meet these needs, the Owners are seeking to expand the existing facility through removal of the Original Building and construction of a new building in its location while maintaining the Expansion.

The municipalities of Langford, Colwood and View Royal formed a Joint Police Facilities Steering Committee in February 2023 and have been working to further define the scope of the project. Early estimates indicate that the cost will be approximately \$82 million, with a 25% contingency bringing the estimated total cost to \$103 million.

One of the many complex factors associated with a capital project of this size, especially given the number of municipalities involved, is how to best debt finance the project.

Through discussions internally with the three communities, in addition to discussions with the Municipal Finance Authority, the option of a sub-regional CRD service was brought forward as a possibility. As a result, at its meeting held November 20, 2023, the City of Langford Council passed the following resolution:

THAT Council direct staff to write a letter to the Capital Regional District (CRD) requesting that the CRD establish a subregional service for the purposes of funding a joint capital project up to \$103M.

I understand that both Colwood and View Royal have approved a resolution seeking the same as above. Therefore, the City of Langford requests that the Capital Regional District establish a sub-regional service as outlined above to allow the communities of Langford, Colwood, and View Royal to support the West Shore RCMP Facility Expansion Project. This will allow the important work and community support undertaken by the West Shore RCMP to continue, grow, and evolve. The City looks forward to a response on this matter, including a proposed timeline for establishing the service, from the CRD.

Sincerely,

Marie Watmough
Corporate Officer
Deputy Director of Corporate Services
City of Langford

CC: City of Colwood
Town of View Royal
Nelson Chan, CRD Chief Financial Officer



File: 0400-50

Date: November 29, 2023

Capital Regional District
Corporate Services
625 Fisgard Street
Victoria, BC V8W 2S6

ATTENTION: Kristen Morley, Corporate Officer and General Manager, Corporate Services

Dear Ms. Morley,

**RE: Request for Capital Regional District Sub-Regional Service Establishment
– Funding for a Joint Capital Project (RCMP Detachment Financing)**

We are writing with respect to a joint sub-regional project to expand the current West Shore RCMP facility. As you know, the West Shore Detachment serves the municipalities of Langford, Colwood, View Royal, Highlands, Metchosin and the Songhees and Esquimalt First Nations out of an existing facility which is located in Langford. The original facility was constructed in the 1960s (the “Original Building”) and was subsequently expanded through the addition of a second separate but connected building in or about 1999 (the “Expansion”).

The municipalities of Langford, Colwood and View Royal (the “Owners”) jointly own the West Shore RCMP Detachment located at 698 Atkins Avenue in Langford. This existing detachment is nearing capacity and projections show as the communities grow, so too does the need for specialized and diversified policing services, increased use of technology, modern facilities, and a larger staff contingent to maintain the current policing level of service in the region. To meet these needs, the Owners are seeking to expand the existing facility through removal of the Original Building and construction of a new building in its location while maintaining the expansion.

The municipalities of Langford, Colwood and View Royal formed a Joint Police Facilities Steering Committee in February 2023 and have been working to further define the scope of the project. Early estimates indicate that the cost will be approximately \$82 million, with a 25% contingency bringing the estimated total cost to \$103 million.

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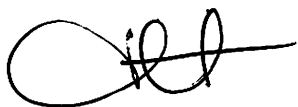
One of the many complex factors associated with a capital project of this size, especially given the number of municipalities involved, is how to best debt finance the project.

Through discussions internally with the three communities, in addition to discussions with the Municipal Finance Authority, the option of a sub-regional CRD service was brought forward as a possibility. As a result, at its meeting held November 27, 2023, the City of Colwood Council passed the following resolution:

THAT the City of Colwood issue a letter to the Capital Regional District (CRD) requesting that the CRD establish a sub-regional service for the purpose of debt financing the West Shore RCMP Detachment Expansion, to a maximum of \$103M.

I understand that both Langford and View Royal have approved a resolution seeking the same as above. Therefore, the City of Colwood requests that the Capital Regional District establish a sub-regional service as outlined above to allow the communities of Colwood, Langford and View Royal to support the West Shore RCMP Facility Expansion Project. This will allow the important work and community support undertaken by the West Shore RCMP to continue, grow, and evolve. The City looks forward to a response on this matter, including a proposed timeline for establishing the service, from the CRD.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jenn Hepting', with a large circular flourish on the left side.

Jenn Hepting
Chief Financial Officer
City of Colwood

CC. City of Langford
Town of View Royal



WEST SHORE RCMP DETACHMENT BACKGROUNDER

Jointly owned by the City of Langford, the City of Colwood, and the Town of View Royal (“the Communities”), the West Shore RCMP Detachment is located at 698 Atkins Avenue in Langford. The West Shore detachment also serves the District of Metchosin, the District of Highlands, Songhees Nation, and Xwsepsum Nation. The existing detachment is approximately 37,000 ft², comprised of two largely separate facilities: one built in the 1960s (approx. 10,600 ft²), and a newer structure built in 1999 (approx. 26,400 ft²). Investments have been made to the current detachment, but the facility is nearing capacity. Projections by the RCMP show an immediate need for increased space. As each of the communities continue to grow, so too does the need for specialized and diversified policing services, increased use of technology, modernized facilities, and a larger staff contingent to maintain the current level of service. Preliminary work to define an option for redevelopment of the existing site was completed by WA Architects in November 2020, in the form of a concept site and building plan, based on a preliminary site survey completed in June 2020. An updated version of WA Architect’s conceptual design, entitled Feasibility Study 9, was completed in November 2021. A preliminary space needs analysis was also completed by the RCMP in July 2019 and updated in December 2020. In early 2021, Colliers Project Leaders was engaged to prepare an options analysis report that explored redevelopment of the existing site versus options to relocate elsewhere within the Communities. A recommendation was returned to remain at, and redevelop, the existing location on Atkins Avenue, as it was deemed to be more appropriate than relocating and building new. It was noted to be the preferred site over alternative options due to its central location and ease of access to major transportation routes. The feasibility study also returned a recommendation to redevelop to a 20-year planning horizon that would meet West Shore RCMP staffing and space needs to 2045.

Project Requirements, Goals & Constraints

The objectives of the Project are to:

- Provide a detachment that will meet RCMP accommodation needs to effectively service current and future growth of the communities to the year 2045.
- Redevelop the existing site at 698 Atkins Avenue and incorporate four adjacent residential properties.
- Enable demolition and new construction to take place in such a way as to allow the West Shore RCMP Detachment to remain fully operational for the duration of construction.
- Renovate and seismically upgrade the existing 1999 structure to meet the need for increased use of technology, up-to-date facilities, and a larger staff contingent.
- Replace the obsolete 1960s structure with net-new space, integrated with the existing 1999 structure, to provide efficient, flexible, and modern facilities that meet the demands of 21st century policing.

The project's requirements, goals, and constraints are:

- To achieve project completion an owners' budget of \$90M-\$103M has been identified as a result of a 2022 Class D cost estimate that has been updated to reflect current conditions. (While it is understood that Class D estimates typically have a +/-25% accuracy, this updated estimate will be used as the entry point for the IPD team to evaluate and validate as part of the IPD [Integrated Project Delivery] process.)
- To achieve occupancy in Q1 2027.
- To minimize disruption to neighboring residents throughout construction.
- To minimize future operating costs through construction of energy efficient, durable, and sustainable spaces.
- Phasing of demolition and construction work on site allowing for uninterrupted operation of the RCMP Detachment for the duration of construction, including secure parking for police vehicles with two means of vehicular egress.

BASE PROGRAM

The Validation phase of this procurement process will be focused on identifying and detailing all functional requirements. The program for this project includes three key elements:

- Site redevelopment of 698 Atkins Avenue and adjacent properties
- Renovation of existing 1999 structure
- Demolition and replacement of existing 1960s structure

Total gross space required for a redeveloped West Shore RCMP Detachment is approximately 92,000 ft², to accommodate an anticipated staffing contingent of 281 FTEs (210 RCMP members, 70 administrative support positions) by 2045. It is estimated, however, that approximately 25%-35% of the space could be leased to complementary tenants for 10- to 15-year terms, until such time as the full staffing contingent is reached and the space is required by the RCMP. Revenue from leased space is anticipated to help offset ongoing costs.

SCOPE OF WORK

Scope of work associated with the redevelopment of the Atkins Avenue site includes amalgamation of the following four adjacent, residential properties to provide sufficient land for increased surface parking requirements:

- 678 Atkins Avenue
- 674 Atkins Avenue
- 2788 Winster Road
- 2792 Winster Road

Re-zoning from an R2 zone (One- and Two-Family Residential) to a P2 zone (Community Institutional) will be required for these four properties, along with demolition (already complete) of up to five (5) residential structures and several smaller outbuildings. Some hazardous materials abatement is assumed, given the relative ages of the residential buildings, and a hazardous materials assessment will be conducted. Site separation between the residential demolition work and the fully operational RCMP Detachment will be necessary. Site preparation and some upgrading of site services will also be required to allow for elements such as parking lot lighting, irrigation, and motorized, secured gates

and fencing, dependent upon final design. A topographical survey, geotechnical report, and environmental assessment will be required.

Future parking requirements include a total of 297 surface parking stalls, with an allowance of 370 ft² per stall, inclusive of drive aisles and entries/exits. Stalls reserved for police vehicles are expected to be larger than typically allowed for due to the specialized nature of these vehicles. Consideration will also be given for provision of accessible stalls and allowing for two means of vehicular egress from the secured police vehicle parking at all times. The parking lot surface is assumed to be standard asphalt with line painting and complementary landscaping features.

WA Architect's updated Feasibility Study 9 shows the potential for up to 125 stalls on the merged properties, which, along with approximately 120 leased stalls beside the adjacent railway line, provides for 245 of the required 297 stalls.

The shortfall of 52 stalls will need to be addressed through revisions to site design, additional leased land along the rail line, or additional land acquisition on the east side of Winster Road. A combination of the above three options may also satisfy the shortfall issues, along with consideration for future transport modal shifts which may reduce the total number of required stalls.

Scope of work associated with the existing 1999 RCMP building assumes a reconfiguration and retrofit of approximately 25% of the facility to meet future program requirements. The existing structure consists of three (3) levels, roughly 8,800 ft² each, for a total of approximately 26,400 ft². Exact measurements will be verified through a combination of site visits and a careful evaluation of existing floor plans. Retrofitting will be to a Class A Office standard with an allowance for some new furniture, fixtures, and equipment (FF&E). It is anticipated that some hazardous materials may be encountered during the renovation of this building and a hazardous materials assessment should be conducted.

This existing structure will also require seismic upgrading to enable useful life up to and beyond 2045, and allow for a physical connection to the proposed new building, as well as the desire for this RCMP complex to act as a post-disaster facility.

Scope of work associated with the existing 1960s facility includes demolition of the structure in its entirety. The facility is assumed to be approximately 10,667 ft², over one and a half floors. Exact sizing and dimensions will be verified by site visits and detailed review of existing floor plans. Given its age, hazardous materials are anticipated, and a hazardous materials assessment will be conducted prior to the start of any work. An updated topographical survey (following rezoning of the adjacent properties) and a geotechnical report and environmental assessment will also be required.

New construction to replace this facility is anticipated to be approximately 66,000 ft² over multiple floor levels. When combined with the existing 1999 structure of approximately 26,400 ft², a total of 92,000 ft² will be provided on the newly redeveloped Atkins Avenue site. WA Architect's updated Feasibility Study 9 indicates conceptual design of a basement with four stories above; however, this requires review and possible redesign to align with the proposed square footage and to fit within the current Class D estimate of \$90M-\$103M.

It is assumed that some furniture, fixtures, and equipment (FF&E) can be re-used and/or re-purposed from this facility; however, allowance for some new FF&E will also be required.

An outline functional program for the newly constructed and newly renovated facilities includes general spaces for public access, vehicle bays, general duty offices, administrative and operational support, mail room, prisoner security, and volunteers and auxiliary staff. More specialized spaces include a Major/Serious Crimes unit (homicide, traffic, drugs, police dogs, Emergency Response Team/Gangs, crime prevention and reduction) and Special Unit (forensic identification suite, internet/cyber/tech crimes, sex crimes, enhanced exhibit suite). A detailed review and update of the functional program and space allocations will be undertaken during re-design.

The redeveloped RCMP complex on Atkins Avenue will be designated as a post-disaster facility and will require specialized design and/or modifications to accommodate this requirement. Consideration will also be given to achieving net zero carbon design, and options to reach this goal will be explored in greater detail.

Due to the need for the West Shore RCMP Detachment to remain fully operational throughout demolition and construction, phasing of work will be required. Secure police vehicle parking, complete with two means of vehicular egress, will need to be maintained at all times. Site safety for all RCMP and support personnel, as well as the public, will be of paramount importance.

The following items are considered not part of the base program of this project:

- Underground parking
- Site works above and beyond what has been identified above
- Outbuilding storage facilities on the site
- Mechanical or electrical upgrades to the 1999 building, other than re-design due to reconfiguration of spaces or designation as a post-disaster facility
- Owner-supplied items
- AV/IT equipment
- RCMP internal administrative costs
- Langford, Colwood and View Royal administrative costs

PROJECT BUDGET

A Class D cost estimate of \$82.4M was prepared in 2022 for the base program, which has been updated to current conditions of \$90M-\$103M. This will be termed the owners' initial 'Maximum Allowable Budget' for the IPD team to work within as they engage together in Validation phase work. The IPD team works towards collectively developing a project budget and corresponding execution strategy working within the owner's maximum allowable budget to achieve all requirements of the program. This is done by understanding both the market-typical estimated or expected costs and refining this to a base target cost. Once the team does this, it is captured in the Validation report. If the team is not able to validate this (including all variables), their results are also captured accordingly.

The base target cost breakdown and the corresponding execution plan is what provides certainty for the owner (given that IPD does not engage the typical change order processes unless the overarching functional, base project program is changed or pre-identified significant unforeseen events occur).

The base target cost, established from early collaboration (which may include additional conceptual design work), will include both hard and soft costs as well as contingency. Hard costs are the construction costs associated with both the site and the building, while soft costs include consulting fees (e.g., IPD advisor, architect, engineers, cost consultant, geotechnical reports, hazardous materials reports, land surveyor), as well as permitting fees, insurance, temporary owners relocation costs and administrative costs. These costs are organized for IPD team execution to support collaborative cluster working groups that are set up to further innovate, breakdown internal barriers between roles and remove wasteful activity for the project.

It is anticipated that approximately \$1,200,000 (1.5% of the cost estimate) will be required to complete the validation phase. This involves only the work is necessary to validate the project from the owners' perspective which often includes any early release of work plans, early construction operational execution planning, early logistical and supply chain planning as well as the early design concepts that encompass base program and support these other aspects holistically. This work is already contained in the 2024 Financial Plans of the Communities.

After approval, and during the remaining detailed design and construction documentation phase, the team will focus on collaborative cluster group delivery that innovatively focused on meeting program requirements and getting below the base target cost within the schedule expectations. A final target cost will be confirmed (below base target cost) at the conclusion of final procurement activities (when the contingency from these risk items is recovered).

The City of Langford, City of Colwood and Town of View Royal have requested that the Capital Regional District (CRD) establish a subregional service to fund the capital costs of building the new RCMP facility. If established, the subregional service would requisition the debt servicing costs which would be recovered by a separate CRD property tax levy.

INTEGRATED PROJECT DELIVERY (IPD) PROJECT BUDGET

IPD is a shared risk/reward contract model and emerging project delivery approach. IPD brings all parties onto the project at the start in a single relational contractual agreement which has joint and transparent operating systems such as cost, planning and risk management.

It is important to note that IPD teams waive liability amongst the IPD signatories to avoid finger pointing and blame, which allows designer/consultants to talk about means and methods and allows constructors to provide detailed input to design. Throughout project execution, the owners and other IPD signatories agree to share all aspects of the project the risk and reward including design liability, design/construction interface, cost escalations and schedule delays.

The project has a single joint project management and governance structure for IPD that integrates all members of the signatory group including the owner. This includes a Senior Management Team (SMT), a Project Management Team (PMT) and multi-disciplinary work clusters called Project Implementation Teams (PITs).

This IPD team collective manages the contractual process and unique operating systems using the 'Lean' business approach that is focused on maximizing value, creating improved flows of value-

adding work, and minimizing waste. This means that the team uses all collective talents to innovate from beginning to completion and achieve what is 'Best for Project'. There are multiple standard IPD contracts in use in Canada, the contract used for this project will be CCDC 30-2018.

MANAGING SCOPE, COST, RISK AND SCHEDULE

Scope Management

IPD signatories (Who sign the single contract with the owner) will not be focused on individual scopes of work, individual profits, claims or liability between themselves. Their focus will be on 'Best for Project', with alignment with the owners' values. Their motivation will be on creating the most effective and optimized overall project design and delivery so that they meet owners value proposition, and everyone (including the owner) can mutually benefit from the shared profit pool.

The IPD team will manage the scope holistically by first focusing on the overarching project base program, developed by the owner either before and during Pre-Validation. In Validation, the team uses this base project program (project scope) to jointly develop the design, construction practices, schedule, costs, and risks as a holistic picture. This allows the team to innovate throughout the project and have flexibility to adapt the design-plan-construction work (including material supply chain availability) in an optimal way to address all challenges. Responsibilities for all work is clearly identified and assigned for execution.

The IPD singular contract is an intentional departure from today's methods that have bilateral and linear contracts and individual party scope tendering. In IPD, there are no typical change orders (unless base scope changes or contractually articulated unforeseen event). There is only a smaller percentage of the project costs that are managed through stipulated sum contracts (5-25%) by selected IPD Team members.

Cost Management

When IPD teams join the contract, they provide negotiated pricing terms that break out 'true' labor costs (salary and labor burden only), and calculated company overheads and profit expectations (as a percentage).

This pricing method is key to IPD, as all parties are expected to honestly put their profit at risk (no mark-ups or pricing buffers). IPD participants pricing will be audited by a 3rd party at the start of the project. This pricing is then carried into the cost modelling and iterative estimation process to determine the base Target Cost during Validation.

After Validation, the IPD team will jointly manage the budget and cost in a real-time and transparent manner to ensure the team is on track to meet or exceed the base Target cost using a Target Value Design and Delivery process. This will be occurring in concert with continual risk mitigation activities to protect the project and manage contingency (profit pool) wisely. Budget allocations will be manipulated fluidly to optimize the whole and deliver against what was committed in the Validation

report. The PMT will manage this process in entirety with support from the SMT who get regular updates on forecasted costs.

The IPD Team will be reimbursed direct costs throughout the project (no profit), using a streamlined invoicing and payment process that is integrated with the owners' process. Since profits are not part of any of the regular progress payments, there is a rapid turnaround of payment with no traditional Payment Certifier process. The IPD team will follow the IPD profit progress payment program that will be discussed during initial contract negotiations and finalized during the Validation process. Guidance for this entire process is provided by an IPD Advisor.