Market Update
Spring 2015

Dear colleagues,

The Government of Ontario is committed to investing more than $130 billion in infrastructure over ten years, including $11.9 billion planned in 2015-16. This strong commitment is leading to the renewal and expansion of transit, transportation and other public infrastructure. Investments in infrastructure are positioning Ontario to better compete in the 21st century economy.

The 2015 Infrastructure Ontario (IO) Market Update confirms a robust pipeline of social and civil infrastructure projects using Alternative Financing and Procurement. In addition, the Market Update shows the Government of Ontario is investing in new direct delivery projects and new real estate capital repair initiatives. IO will continue to apply best practices and tailor AFP and traditional project delivery models to protect the public interest and meet client needs.

Building on our Strong Track Record

The AFP project pipeline includes projects with a total capital value estimated at $7.55 billion.

This includes social infrastructure projects such as a new courthouse in Toronto in cooperation with the Ministry of the Attorney General and new Ontario Provincial Police detachments in various locations in cooperation with the Ministry of Community Safety and Correctional Services. New health care facilities will move forward in cooperation with the Ministry of Health and Long-Term Care, including the Mackenzie Health facility in Vaughan.

Transit and transportation projects are a priority for the Ontario government and IO is well positioned to assist clients like the Ministry of Transportation and Metrolinx to deliver major projects such as the Highway 427 expansion, Highway 401 High Occupancy Vehicle lanes, and Hurontario and Finch LRTs. Eglinton Crosstown continues in the procurement phase and is progressing towards the potential start of construction in 2015.

Building on our strong relationships with municipalities such as the Region of Waterloo and City of Ottawa, IO has been engaged by the City of Toronto to develop business cases and procurement options for the Gardiner Expressway Rehabilitation and Scarborough Subway projects for City Council's consideration.

Transit-oriented development initiatives, such as the GO Port Credit station redevelopment and the Waterloo Region transit hub, are opportunities for IO to work with clients to leverage the benefits of new transit and transportation investments.

In addition, IO continues to collaborate with PPP Canada to demonstrate the business cases for future AFP projects. The recently announced federal transit fund focuses on partnerships with the private sector to deliver public infrastructure and could be an opportunity to advance AFP transit projects over the long term.

IO’s approach is informed by the 2014 AFP Track Record Report which shows that 36 of 37 projects that reached substantial completion of construction were on budget and the majority were on time. In 2014-15, nine AFP projects reached substantial completion of construction and procurements were completed and construction started on fourteen projects. As a result, new hospitals, court facilities, children’s treatment centres, highways, transit systems, and sports facilities for the TORONTO 2015 Pan Am / Parapan Am Games are available for the use and enjoyment of Ontarians.

Refining AFP

Enhancements and refinements to AFP have been introduced including local knowledge, health and safety requirements with the Certificate of Recognition Program, and a pilot project approach to encourage apprentices on projects. In addition, IO will release a new Value for Money Guide that reflects the professional advice of external advisors, best practices, and IO’s ten years of experience using AFP. Based on direction from the Minister of Economic Development, Employment and Infrastructure (MEDEI), a new $100 million threshold will be used by Ministries and IO to assess new projects not yet assigned for AFP delivery, although the government will maintain flexibility to assess complex projects under $100 million on a case by case basis. Furthermore, IO, directed by MEDEI, will make prudent adjustments to progress and substantial completion payments in order to reduce long-term financing costs without reducing the transfer of risks to the private sector. IO and MEDEI are working to implement all recommendations from the Auditor General’s 2014 annual report and will continue to strike a balance in determining which complex projects are suited for AFP and how much private finance is required to protect the government from risks.

Championing our Infrastructure Industry

Infrastructure Ontario continues to be the world-leading government agency that uses AFP to partner with the private sector in order to deliver publicly-owned infrastructure. AFP transfers risks to the private sector, protects taxpayers from cost overruns, and has produced a net benefit to the government of over $6 billion.

Infrastructure Ontario's AFP model is a homegrown Ontario success. As a result, Ontario companies are well positioned to compete for business in other countries and export their expertise. Infrastructure Ontario, in cooperation with MEDEI and Ontario's representative in Washington, DC, will continue to assist companies to target new markets, particularly in the United States. Collaboration with the National Governors Association, National Council for Public-Private Partnerships, World Bank, Inter-American Development Bank and International Monetary Fund will assist Ontario companies to be infrastructure leaders around the world. Over 40 jurisdictions have already visited Ontario to understand how our approach to infrastructure investments can be exported.

Managing and Renewing Real Estate Assets

The Ontario Government, through MEDEI, holds Canada's second largest real estate portfolio. Like many public sector realty assets, the portfolio is large, diverse and includes assets that are aging. IO is mandated to maintain the portfolio in a state of good repair with the resources available, right size and rationalize the portfolio, maximize the value of assets during the disposition process, and provide real estate services that support public service program needs.

IO is advancing the Ontario Place Urban Park and Waterfront Trail project as part of the long-term vision for Ontario Place and is cooperating with the City of Mississauga regarding the OPG Lakeview site. Also, consistent with broader efforts regarding assets, IO will continue to implement the Government of Ontario's vision for the Seaton Lands in Durham Region and pursue transactions that maximize the return on high value assets such as the OPG Headquarters. The LCBO Headquarters land disposition continues on track and will deliver positive returns to the government.

In 2014, IO made significant advances in how it partners with the private sector to manage and maintain the portfolio of government assets through a new Project Management Service Provider contract. Capital repair projects are now being implemented in partnership with our real estate Vendor of Record members that are across all regions and various specializations. IO will put out an estimated $70 million in new capital repair projects this year as part of the estimated $250 million worth of projects managed each year.

IO's real estate expertise has created the potential for direct delivery projects using traditional methods. Through competitive procurements, IO anticipates bringing to market an estimated six direct delivery projects this year. All of these projects are opportunities for companies of various sizes from across the province to partner with IO.

Attached is the new project status chart that includes updated information on infrastructure and real estate projects. Please note that the dates, models and cost ranges indicated for each project are our current best estimates and are subject to change and government approvals.

In closing, on behalf of the dedicated team at Infrastructure Ontario, I look forward to working with all of our public sector clients and private sector partners to continue to deliver modern, reliable infrastructure to the Government of Ontario and Ontarians.

Sincerely,

Bert Clark

Bert Clark
President and CEO
Infrastructure Ontario

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Government of Ontario Major Projects and Transactions

Project**	Model	Issue RFQ	Issue RFP	Location	$[x]
LCBO Headquarters Land Disposition	D/R	N/A	September 2014	Toronto	C*
St. Thomas Elgin General Hospital – Emergency, Ambulatory and Mental Health Project	BF	August 2014	March 2015	St. Thomas	F*
Mackenzie Health – New Vaughan Hospital	DBFM	March 2014	Summer 2015*	Vaughan	B*
Seneca College – King Campus Expansion	DBF	April 2014	Summer 2015*	King City	E*
William Osler Health System – Etobicoke General Hospital – Phase 1 Patient Tower	DBFM	October 2014	May 2015	Etobicoke	D*
GO Port Credit Station Re-development	TOD	March 2015	September 2015*	Mississauga	G*
Highway 427 Expansion	DBFM	June 2015*	October 2015*	York Region	C*
Centre for Addiction and Mental Health – Phase 1C	DBFM	March 2015	Fall 2015*	Toronto	C*
Brockville General Hospital Mental Health, Complex Continuing Care and Rehabilitation – Phase 2	BF	June 2015 *	March 2016*	Brockville	E*
Mount Sinai Hospital – Surgery / Critical Care / Emergency Room Redevelopment – Phase 3A	BF	July 2015*	January 2016*	Toronto	C*
OPG Headquarters**	D/R*	N/A*	Summer 2015*	Toronto	C*
Groves Memorial Community Hospital – Replacement Hospital Project	DBF*	September 2015*	May 2016*	Fergus	E*
Toronto East General Hospital – Phase 1 New Patient Care Tower	DBF	October 2015*	April 2016*	Toronto	C*
Finch LRT**	DBFM*	Fall 2015*	Spring 2016*	Toronto	A*
OPP Modernization Phase 2	DBF*	Winter 2016*	Summer 2016*	Multiple locations	E*
West Park Healthcare Centre – Replacement Patient Care Building and Renovation of Main Building	DBFM*	February 2016*	August 2016*	Toronto	C*
Toronto Regional Courthouse	DBFM*	April 2016*	October 2016*	Toronto	B*
Highway 401 High Occupancy Vehicle Lanes**	TBD*	TBD*	TBD*	Greater Toronto Area	C*
Highway 7**	TBD*	TBD*	TBD*	Kitchener to Guelph	I*
Hurontario LRT**	TBD*	TBD*	TBD*	Mississauga	A*
Northwest Transmission Line**	TBD*	TBD*	TBD*	North	I*
Hotel Dieu Grace Hospital, Windsor, Angioplasty and Ambulatory Care Expansion	BF	TBD*	TBD*	Windsor	F*
Orleans Family Health Hub**	BF*	TBD*	TBD*	Ottawa	F*

Provincial Direct Delivery Projects

Project**	Issue RFQ	Issue RFP	Location	$[x]
Community Health Centre: Pilot Program*	N/A	March 2015	GTA/SW Ontario	H*
Fire Management Headquarters*	April 2015	July 2015	Thunder Bay	G*
Public Health Ontario Lab*	October 2015	January 2016	London	H*
Adjunctive Tribunals - 25 Grosvenor (Phase 1)*	N/A	September 2015	Toronto	G*
Brampton Courthouse*	January 2016	May 2016	Brampton	G*
Adjunctive Tribunals - 25 Grosvenor (Phase 2)*	Summer 2016	Fall 2016	Toronto	G*

Potential Provincial Real Estate Capital Repair Projects by Region in Cooperation with the Project Management Service Providers and Vendor of Record Participants

Projects/Grouping	Estimated Number of New Projects in each Region			
	South	**Central**	**East**	**North**
Foundations/Structural	11		2	13
Cladding/ Fenestration	31	3	8	42
Electrical Systems	11	4	3	9
Elevator Systems		1	2	
Life-Safety Systems	10	1	3	2
Roof Systems	13		3	16
Others such as above ground storage tanks, landscaping, retaining walls, parking lots washroom retrofits, etc	23	7	20	57
Piping Systems	3		3	9
Boilers/HVAC	9	8	8	23
Total	**111**	**24**	**52**	**171**

References

Notes
* Model types, dates and costs are subject to final approvals
** Projects and/or IO/AFP delivery subject to approval by Treasury Board / Management Board of Cabinet

Model Definition
BF – Alternative Financing and Procurement Build Finance
DBB – Design Bid Build
DBF – Alternative Financing and Procurement Design Build Finance
DBFM – Alternative Financing and Procurement Design Build Finance Maintain
D/R – Disposition / Redevelopment
DRF(M) – Design Retrofit Finance (Maintenance to be determine)
TOD – Transit-Oriented Development
MSS – Modified Stipulated Sum
SO – Services Outsourcing
TBD – To be determined

Estimated Project Cost Order of Magnitude Definition

For DBB model projects, the estimate is based on construction costs.

For AFP projects, the estimate is based on construction costs for BF models and estimated design and construction costs for DBF and DBFM models.

For D/R and SO models, the estimate is based on transaction value.

A – Greater than $1B	F – Between $50M and $100M
B – Between $500M and $1B	G – Between $20M and $50M
C – Between $200M and $499M	H – Less than $20M
D – Between $150M and $199M	I – To be determined
E – Between $100M and $149M	