

NO: **R025**

COUNCIL DATE: **February 6, 2012**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **February 2, 2012**

FROM: **General Manager, Engineering
General Manager, Finance and Technology**

FILE: **8710-20(heritage)**

SUBJECT: **Heritage Rail Demonstration Project – Additional Funding**

RECOMMENDATION

The Engineering Department recommends that Council:

1. approve the allocation of an additional \$1.175 million to Heritage Rail Demonstration Project (“the Project”) to enable the completion of the relocation of the Sullivan car barn to Cloverdale and all related work to allow for the implementation of a heritage passenger rail demonstration project between Cloverdale and Sullivan on the Southern Railway within the limitations identified in this report; and
2. instruct staff to advise the Fraser Valley Heritage Railway Society (“the Society”) that it must focus its efforts on raising funds from sources other than the City of Surrey for any further changes or enhancements to the scope of the Project.

INTENT

The purpose of this report is to provide an update on the progress of the Project being undertaken by the Society and to obtain Council approval for additional funding to complete the Project.

BACKGROUND

At its regular meeting on January 10, 2011, Council approved the recommendations of Corporate Report R007;2011 (copy attached as Appendix A) for the construction of a new Heritage Rail car barn in Cloverdale to allow relocation of the Society’s rail cars and other assets from their current car barn in Sullivan Park. The purpose of the relocation is to enable the Society to implement the Project. Funding for the Project was allocated as part of the Build Surrey Program.

An agreement will be executed between the City and the Society whereby the City will take ownership of the Society’s assets should the Society cease to exist or suspend its operation at any time.

The Project budget of \$2.9 million was established to purchase land on 176 Street in Cloverdale, to construct the car barn and related site facilities, to provide a diesel generator unit to power the

heritage rail car and to purchase insurance in relation to running the heritage rail car on the Southern Rail tracks.

DISCUSSION

To date, significant progress has been made on the Project as follows:

- A site has been purchased at 5554-176 Street for the new car barn in Cloverdale;
- A lease agreement between the City and the Society for the site has been drafted;
- A Development Permit has been issued for the car barn;
- Site preparation work and on-site servicing work at 5554-176 Street has commenced;
- The Building permit application process for the car barn has commenced; and
- Negotiations with Southern Railway related to an operating agreement for the demonstration project are well underway.

A letter from the Society to the City outlining the work to date and expected success of the Project is attached as Appendix B.

As the Project has evolved over the last year, a number of matters have arisen that were not anticipated when the Project was originally scoped. The following describes these matters:

Development Permit, Off-site Improvements – The original proposal did not include roadworks. It has been concluded that a sidewalk, curb and gutter and street lighting are preferable to properly integrate the proposed car barn with the surrounding development.

Development Permit, On-site Improvements – Preparing the site for construction has resulted in the removal of more topsoil than was originally anticipated. This has also necessitated additional fill material. The original estimates also did not include on-site landscaping and fencing, which are considered necessary for the proper integration of the car barn in the area. There is also a need for additional on-site drainage improvements that were not anticipated originally. In the spring of 2011, shortly after the start of the Project, contaminants were discovered at the new car barn site. A remedial process was carried out to clean up the site for the car barn construction. Costs were incurred for the clean-up and disposal of the contaminated soil, material testing and consultant's fee. The remedial process resulted in a considerable delay of the Project. Staff is working towards recovering as much of the remediation cost as possible from the vendor of the land to offset the overall project cost.

Refurbishment of BCER 1225 – The Society has identified a need for some additional funding to complete the refurbishment of rail car 1225, which is the car that will be used for the demonstration service between Cloverdale and Sullivan.

Legal Fees for the Operating Agreement with Southern Rail – Southern Railway has stipulated that the Society must reimburse all legal costs that Southern Rail incurs in reviewing and executing the Operating Agreement.

Car Barn Re-design and Construction – The original estimate for the car barn was based on a proprietary post and beam construction method. It has been determined that such construction will not be possible as the original contractor is no longer available to do the work and as a result

the design of the car barn has been modified to conventional timber construction, which is more expensive.

The above considerations will require an additional allocation to the Project budget including HST as follows:

Off-site improvements	\$ 332,000
On-site improvements	\$ 575,000
Refurbishment of BCER 1225	\$ 44,000
Legal fees for operation agreement with Southern Rail	\$ 56,000
Additional costs related to car barn re-design	<u>\$ 168,000</u>
TOTAL	\$1,175,000

With the addition of \$1.175 million to the previously approved budget of \$2.9 million, the Project budget will increase to \$4.075 million. With future recovery of soil remediation costs, we expect total City costs to be \$3.95 million.

The additional funds for the Project can be drawn from the Build Surrey Program, and are sufficient to build and operate the Project for the first year of operations in 2012. This includes insurance, training, and safety certification. If the revenue generated by the Society is not sufficient to fund the operation of the Heritage Rail Demonstration Project in subsequent years, they will have the opportunity to request additional operating funds through the City's Community Grants program (for example, the annual insurance costs are \$65,000).

The Society has identified other future needs for Heritage Rail. The recommendation of this report does not include any funding for these, including:

1. the restoration of a second heritage rail car (BCER 1304),
2. the acquisition of a replica baggage "power module" car,
3. the construction and related civil and Development Permit requirements of a replica Cloverdale station, or
4. the extension of the heritage rail demonstration project beyond Sullivan.

In relation to such further enhancements, it is recommended that Council instruct staff to advise the Society that it should focus its attention on obtaining funding from other sources for these enhancements.

ALTERNATIVE TO ADDITIONAL FUNDING

Alternatively, Council could direct that the Project be held in abeyance while the Society undertakes fundraising to achieve the additional funds needed to complete the Project.

SUSTAINABILITY CONSIDERATIONS

The construction of a new car barn and related facilities in Cloverdale will assist in achieving the objectives of the City's Sustainability Charter, including:

- developing a sense of place and belonging for the community through the introduction of heritage rail facilities into Cloverdale;
- preserving significant heritage assets;
- educating the public about the City's history; and
- encouraging tourism and economic development opportunities.

The Project addresses the following Sustainability Charter action items:

- SC10 - Historical and Heritage Assets
- EC1 - Corporate Economic Sustainability

CONCLUSION

Based on the above discussion, it is recommended that Council:

- approve the allocation of an additional \$1.175 million to the Project to enable the completion of the relocation of the Sullivan car barn to Cloverdale and all related work to allow for the implementation of a heritage passenger rail demonstration project between Cloverdale and Sullivan on the Southern Railway with the limitations as identified in this report; and
- instruct staff to advise the Society that it must focus its efforts on raising funds from sources other than the City of Surrey for any further changes or enhancements to the scope of the Project.

Vincent Lalonde, P. Eng
General Manager, Engineering

Vivienne Wilke, CGA
General Manager,
Finance and Technology

VL/JB/PL:kd/am/brb

Appendix "A": Corporate Report No. R007;2011 titled "Heritage Rail Car Barn Location Alternatives – Request from the Fraser Valley Heritage Rail Society"

Appendix "B": Letter from Society to City dated January 26, 2012 outlining the expected success of the Project



Fraser Valley Heritage Railway Society 1045 165 St, Surrey, B.C., Canada, V4A 9A2

Ph: 604-538-9611 e-mail: allenaubert@shaw.ca

January 26th, 2012

Mr. Vince Lalonde. P.Eng
General Manager Engineering
City of Surrey
14245-56 Avenue
Surrey
BC
V3X 3A2

Dear Vince,

Re: FVHRS Heritage Railway Society HRDP

This will confirm that the FVHRS remains committed to the success of the heritage rail demonstration project (HRDP). The FVHRS has, as you know worked diligently since 2001 to acquire the two remaining historic BCER interurbans 1225 and 1304. Repatriation of these artifacts from their US rail museum owners was only possible due to the FVHRS assurance that every effort would be made to restore both cars and bring them back if possible, to operating condition.

BCER 1225, following 17,000 hours of volunteer effort by over 20 skilled community workers, is now virtually ready to operate again. The FVHRS has a community membership in exceeding 300 individuals and 19 corporations. Over 250 companies and individuals have become donors to assist in the restoration work. The FVHRS web site www.fvhrs.org has a list of corporate members and donors. Our latest newsletter, now on line, contains our progress and a list of donors. A hard copy of this newsletter was delivered to you previously.

The FVHRS looks forward to the next phase of the heritage rail endeavor, being able to finally roll out the first restored interurban BCER 1225 and become operational from Cloverdale in the summer of 2012 as the start of HRDP. The FVHRS has recently received the Minister's certificate confirming registration as a BC Railway. The FVHRS is working closely with the BC Safety Authority and Southern Railway of BC to complete the operating and maintenance manuals and to prepare for the examinations and tests to become certified as being able to operate on SRY's track. These tests and examinations will be set in motion as soon as BCER 1225 is able to access the rail track in Cloverdale.

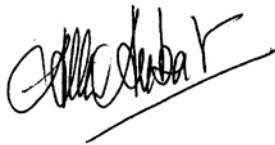
The FVHRS is currently recruiting additional operating and maintenance volunteer personnel.

Plans are to operate the heritage rail passenger service initially between Cloverdale and Sullivan as the 'HRDP', following construction of the Cloverdale car barn and spur rail track connection, hopefully by July 2012. The operation of BCER 1225 could, upon receipt of operational certificates, commence initial testing and limited service on weekends during August to mid October 2012. The full HRDP season would commence in May 2013 through to mid October. The heritage rail route would, over time, be extended to Newton, Kennedy and Scott Road to eventually connect at grade with the Scott road skytrain station as funding becomes available.

The FVHRS plans to operate the HRDP each weekend (May through mid October) from 10.00am to 5.00pm., with qualified rail operator volunteers. Operating initially with one interurban, the passenger load could be up to 700 each weekend and up to 2,800 each month, this equates up to 15,000 each season. It will take time for the word to get out and build this projected passenger load. We know first hand from those attending various open houses and our members, that there is a great interest in riding the interurban again. Passenger load will increase when we extend the route west beyond Sullivan and are able to introduce the second interurban, BCER 1304.

The FVHRS had hoped to be operational commencing in May 2012 as discussed. Due to the unforeseen site and soil conditions encountered at Cloverdale during the summer of 2011 site preparation, the project has been delayed and additional funds are required to complete the work contemplated. We understand that a Corporate Report is scheduled to come before city council February 6th to request the additional funding. The FVHRS and its design-build contractor The Lark Group, are standing by to move forward on site the first week of March assuming council funding approval.

Yours truly,

A handwritten signature in black ink, appearing to read 'Allen Aubert', with a horizontal line underneath it.

Allen Aubert, Secretary FVHRS
Cc John Sprung Chairman FVHRS
Robert Ashton Vice-Chairman FVHRS