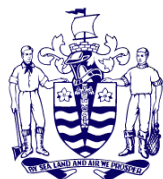


# A7

## CITY OF VANCOUVER



### ADMINISTRATIVE REPORT

Report Date: April 29, 2008  
Author: Chris Baber / Peter Dale  
Phone No.: 604.873.7283  
RTS No.: 7395  
VanRIMS No.: 05-5000-20  
Meeting Date: May 13, 2008

TO: Vancouver City Council  
FROM: General Manager of Engineering Services  
SUBJECT: Neighbourhood Energy Utility ("NEU") - Innovations Fund Application

#### RECOMMENDATION

THAT, Council authorize staff to submit a grant application to the Government of Canada's Innovations Fund in support of the Neighbourhood Energy Utility.

#### CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the above recommendation to proceed with a grant application to the Innovations Fund in support of the NEU project.

#### COUNCIL POLICY

On March 2, 2006, Council approved in principle the creation of the NEU to provide space heating and domestic hot water services to Southeast False Creek ("SEFC") buildings, with interim development financing of a maximum of \$14.0 million provided by the Capital Financing Fund.

#### PURPOSE

This report seeks authorization to apply to the fund administrator, the Union of British Columbia Municipalities (UBCM), for grant funding from the Innovations Fund in support of the NEU project development.

## BACKGROUND

On March 2, 2006, Council approved in principle the creation of the NEU to provide space heating and domestic hot water services to the SEFC Official Development Plan area. Development of the NEU was considered to be an economically and technically viable contribution toward the greenhouse gas ("GHG") reduction objectives identified in the SEFC Official Development Plan. Creation of the NEU will also contribute toward the achievement of the City's community GHG targets, and provide a financial return on the City's investment. Council also approved the NEU Interim Budget with financing approved from the Capital Financing Fund to be repaid from future NEU revenues.

On March 11, 2008, Council approved borrowing authority of \$5.0 million for the NEU, and authorized the Director of Finance to conclude an agreement with the Federation of Canadian Municipalities (Green Municipal Fund) for a loan of the same value.

## DISCUSSION

Staff are recommending that Council approve an application to the Innovations Fund (IF), which is a program funded through contributions made by the Government of Canada under the Agreement on the Transfer of Federal Gas Tax Revenues (Gas Tax Agreement). Through this program, federal funds are available to applicants, such as the City of Vancouver, to finance projects which incorporate **innovative** approaches to reduce greenhouse gas emissions or provide cleaner air or water. Up to 100% of eligible costs can be recouped through this funding. In the first distribution of funding through this program, projects with costs up to \$2.3 million were funded.

Each applicant is permitted to submit one project for funding. Three proposals were reviewed internally. The first was the Bicycle Program, which included bicycle storage facilities, the proposed downtown bicycle station, the Public Bicycle System as well as various bicycle infrastructure improvements. The second proposal was the potential micro-generation project linked with pressure-reducing valves in the City's waterworks system. The third proposal was the Neighbourhood Energy Utility (NEU) project. All three projects met the objectives of the Innovations Fund. However, it was determined that the NEU project exhibited the best match with the fund's criteria and thus was most likely to obtain a funding grant.

## FINANCIAL IMPLICATIONS

A grant award from the Innovations Fund would reduce the infrastructure development costs for the NEU. This would improve the cost competitiveness of the NEU with traditional forms of gas and electric space heat and domestic hot water. The application to the Innovations Fund would be for a total of \$9,700,000, but it is recognized that, due to the limited amount of funds available, a partial grant award would be most likely.

## CONCLUSION

Following a review of potential project candidates, staff recommend that Council endorse an application to the Government of Canada's Innovations Fund in support of the Neighbourhood Energy Utility project.

\* \* \* \* \*