

|         |                                                                                                   |
|---------|---------------------------------------------------------------------------------------------------|
| TO:     | CHAIR AND MEMBERS<br>CORPORATE SERVICES COMMITTEE<br>MEETING ON SEPTEMBER 24 <sup>th</sup> , 2013 |
| FROM:   | GEOFFREY P. BELCH<br>CORPORATION COUNSEL                                                          |
| SUBJECT | LONDON HEALTH SCIENCES CENTRE<br>SOUTH STREET CAMPUS DECOMMISSIONING                              |

|                       |
|-----------------------|
| <b>RECOMMENDATION</b> |
|-----------------------|

That, on the recommendation of City Solicitor’s Office, the following actions be taken with respect to the South Street Campus lands under lease to the LHSC:

- (a) The Agreement substantially in the form attached as Schedule “A” to this By-law, being a Steam Heat Supply Agreement between the City of London and Veresen Energy Infrastructure Inc. doing business as London District Energy (“LDE”) with respect to the South Street Campus lands under lease to LHSC **BE AUTHORIZED AND APPROVED**; and
- (b) The attached proposed by-law **BE INTRODUCED** at the Municipal Council meeting to be held on October 1, 2013 to approve this agreement in a final form acceptable to the City Solicitor’s office and to authorize the Mayor and City Clerk to execute the Steam Supply Agreement.

and that the balance of this report **BE RECEIVED** for information.

|                                                  |
|--------------------------------------------------|
| <b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b> |
|--------------------------------------------------|

Confidential Board of Control report dated December 10, 1997  
Confidential Board of Control report dated December 3, 1998  
Confidential Board of Control report dated June 16, 1999  
Confidential Board of Control report dated September 30, 2009  
Confidential Board of Control report dated November 4, 2009  
Confidential Board of Control report dated October 20, 2010  
Confidential Finance & Administration Committee report dated December 15, 2010  
Confidential Finance & Administration Committee report dated May 4<sup>th</sup>, 2011  
Confidential Finance & Administration Committee dated July 20<sup>th</sup>, 2011  
Confidential Finance & Administration Committee dated December 12<sup>th</sup>, 2011  
Confidential Corporate Services Report dated April 9<sup>th</sup>, 2013

|                   |
|-------------------|
| <b>BACKGROUND</b> |
|-------------------|

This report deals with an issue relating to the decommissioning of the LHSC – South Street Campus and in particular the Colborne Building which is owned by the City and which the City has directed be retained as a heritage structure.

**Purpose of Report**

The City of London and LHSC have entered into an Amending Lease Agreement, dated June 27, 2013, which provides at paragraph 3.04 that the City will arrange at its expense a new source of heat for the Colborne Building. Negotiations have taken place with LDE and a draft Agreement in the form acceptable to the City Solicitor’s Office has been proposed along with a Term Sheet, which is attached as Schedule “B”.

The purpose of this contract is to supply steam heat to the Colborne Building. Building heat is a requirement because the building is equipped with fire protection which would freeze if the building were not heated. To this point the building has been supplied with a steam heat line sourced from

LDE however that line will be removed as part of the demolition of the Phase A lands, south of South Street that is expected to begin later this year, probably in November or December 2013.

The work will involve a new steam line from the line running south from LDE’s plant along Colborne and directly into the Colborne Building. The original plan was for the service to begin September 1<sup>st</sup>, 2013 and continue for a term of three years. The term of the agreement will now likely begin November 1, 2013 and run for three years. The contract involves a base cost of \$3,261.00 per month or a total of \$117,396.00 over the three year term of the agreement representing the capital cost of installing the line. In addition there is a price adjustment or monthly variable cost reflecting the amount of heat used. At the expiry of the three year agreement the City continued to maintain heat in the Colborne Building and elected not to demolish it as part of the anticipated Phase B demolition in 2015/16. The capacity charge, having been paid over the three years would no longer be payable the City would then be responsible for the variable costs associated with supplying heat for the building.

Council has previously directed that the Civic Administration establish a source of financing to pay for the anticipated costs for mothballing the Colborne building.

|                                                             |
|-------------------------------------------------------------|
| <b>PREPARED AND RECOMMENDED BY:</b>                         |
|                                                             |
| <b>GEOFFREY P. BELCH, CORPORATION COUNSEL, LL.B, M.B.A.</b> |

- Encl.

A-

B-

Draft By-law and Steam Agreement

Term Sheet
- c.c.

James Barber – City Solicitor

John Braam – Managing Director – Environmental & Engineering Services & City Engineer

Martin Hayward – Managing Director Corporate Services & City Treasurer, Chief Financial Officer

Ted Koza – Environmental Service Engineer

Ken Owen – Manager Facilities Design

Dave Munteer – Solicitor II