

NO: R144

COUNCIL DATE: July 22, 2024

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **July 17, 2024**

FROM: **General Manager, Engineering** FILE: **4824-029-00**
General Manager, Finance

SUBJECT: **Local Area Service and Development Cost Charge Funding for 74 Avenue Sanitary and Drainage**

RECOMMENDATION

The Engineering Department and Finance Department recommend that Council:

1. Approve the petition for the establishment of a Local Area Service to allow construction of a sanitary sewer along 74 Avenue between 181 Street to 188 Street, as illustrated on the attached Appendix "I", at an estimated total cost of \$5.5 million, for which costs will be fully recovered by a Local Area Service charge that will be apportioned based on final costs and on a lot area basis in accordance with City Policy;
2. Authorize the City Clerk to bring forward the necessary Local Area Service Bylaw for the required readings; and
3. Authorize the General Manager, Engineering and General Manager, Finance to fund the construction of a trunk drainage sewer along 74 Avenue between 181 Street to 188 Street for an estimated cost of \$9.4 million utilizing Housing Accelerator Funds that will be reimbursed over a five-year period using Development Cost Charge funds collected over that period.

INTENT

The purpose of this report is to seek Council approval for the City to front-end sanitary and drainage sewers on 74 Avenue between 181 Street to 188 Street to support multiple housing developments, and that the works be cost-recovered by way of a Local Area Service Area ("LAS") under a LAS Bylaw for the sanitary sewer, and DCC funds for the storm sewer.

BACKGROUND

In 2023, the City received Housing Acceleration Funding ("HAF") from the Federal government to support the development of new housing units to improve affordability of housing by increasing supply. The West Clayton Neighbourhood Concept Plan ("NCP") was completed in 2015 and outlined a compact and walkable community that would provide a diversity of housing, with the highest density along the Fraser Highway corridor, and gradual transition to townhomes and medium to low density residential to the north. The servicing strategy for West Clayton required substantial upfront investment into sanitary sewer and drainage infrastructure, which has limited much of the development potential in this NCP area due to a largely fractured ownership.

In 2022, the City progressed the servicing strategy by constructing the North Cloverdale trunk sewer from the south side of Fraser Highway to 74 Avenue and the construction of a neighbourhood detention pond. This infrastructure was constructed using DCC funds, which was intended to support land development. A number of development applications have progressed, primarily along the 74 Avenue corridor, but have still been stalled by the high cost of underground utility construction. Currently, the number of developments prepared to move forward with the provision of this infrastructure would provide up to 640 new townhome and apartment units along 74 Avenue and would improve servicing conditions for about 375 additional units along 73 Avenue.

DISCUSSION

Section 213 of the *Community Charter* provides for a “Local Area Service on Council Initiative – Subject to Petition Against”. Under this provision, a municipality may initiate a LAS for the provision of a municipal service, like sewer collection. The LAS is a means to directly apportion the costs of the service to a benefiting area to reimburse the municipality for upfront costs to establish the service. While a LAS may be initiated by residents, it may also be initiated by Council. In this case, it is proposed that HAF funding be utilized for the immediate construction of infrastructure, and that the LAS be used to reimburse the City over time as development proceeds and that those funds be used to support future affordable housing initiatives.

It is proposed that the LAS be structured in two parts, as follows:

- The base cost of sewer for minimum servicing would be applied to the frontage along 74 Avenue; and
- The increased size of the sewer for the additional contributing area would be applied to the broader servicing area, not including the frontage.

Based on recent market prices, the total cost of construction for about 1,300 m of sanitary sewer would be approximately \$3.8 million for the base frontage servicing cost and about \$1.7 million for the sewer upsizing to service growth and additional capacity.

In order to undertake the LAS on Council initiative, the municipality must provide public notice in accordance with Section 94 of the *Community Charter* and notify the owners of the parcels that would be subject to the LAS. Following notification, Council may proceed with establishing the LAS, unless a sufficient petition against the service is presented within 30 days following the second public notification. In order for a sufficient petition, the petition must be signed by the owners of at least 50% of the parcels that would be subject to the local service tax, and the persons signing must be the owners of parcels that in total represent at least 50% of the assessed value of land and improvements that would be subject to the local service charges.

For this initiative, one petition would be issued for the fronting parcels along 74 Avenue, and a separate petition would be issued to the greater contributing area. In both cases, the LAS charges would only be charged following: rezoning, subdivision, consolidation, development permit, development variance permit, building permit, temporary use permit, or connection to the sanitary sewer. The map of the sanitary sewer and contributing area is provided as Attachment “I”. Establishment of the LAS is necessary in this instance, as this project is not DCC eligible, nor funded in the Engineering 10-Year (2024-2033) Servicing Plan.

For the trunk drainage sewer, it is proposed that the HAF funding be used to initiate the construction of this infrastructure, to reduce the requirement for a front-ending developer to come forward at this time and accelerate the development of new housing. The HAF funding would then be recovered from future DCC's, which then would be used on future housing initiatives. Based on recent market prices, the total cost of construction for about 1,225 m of drainage trunk sewer would be approximately \$9.4 million, including contingencies.

FUNDING

The two projects would be initially funded by the Housing Accelerator Fund. In Corporate Report R121; 2024 titled Housing Accelerator Fund Six-Month Update and Spending Plan Refinement, a total of \$21 million has been allocated to the construction of infrastructure to accelerate the development of new housing. This project would allocate an estimated \$15.3 million, including contingency, based on recent market costs for construction.

Two cost recovery methods are being utilized to reimburse the HAF fund and allow future housing support projects. The sanitary sewer project would be reimbursed through a Local Area Service that would require property owners to pay the LAS at the time of re-development or servicing, there would be no upfront or mandatory payment schedule for this LAS. If the LAS petition is not successful, Council could proceed with this project without reimbursing the HAF.

The second component of the project is the construction of trunk storm sewer along 74 Avenue up to 188 Street. This project is DCC eligible and the HAF funding would be reimbursed over a five-year period based on incoming DCC revenue. The map of the storm sewer and the benefiting area is provided as Attachment "II".

Cost estimates will be refined as the design is finalized and budgets confirmed prior to the issuance of the petition.

Legal Services and Finance Review

This report has been reviewed by the Legal Services and Finance Departments.

CONCLUSION

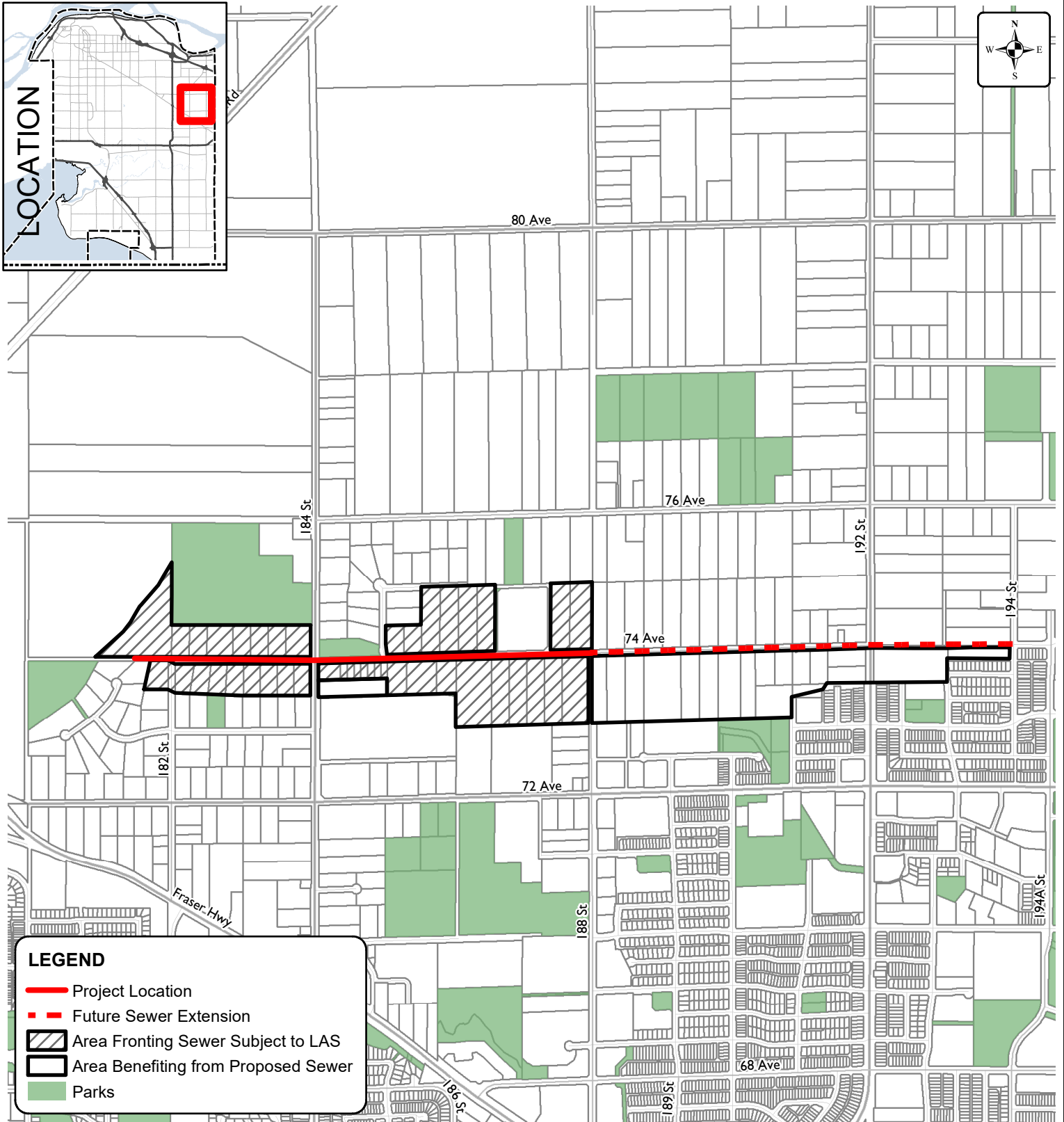
Utilization of an LAS and DCC funding will allow recovery of the funding over time to support future housing initiatives.

Scott Neuman, P.Eng.
General Manager,
Engineering

Kam Grewal
CFO / General Manager,
Finance

DM/cc/bn

Appendix "I" – Sanitary Sewer Map and Contributing Area for the LAS
Appendix "II" – Storm Sewer Map and Benefiting Service Area



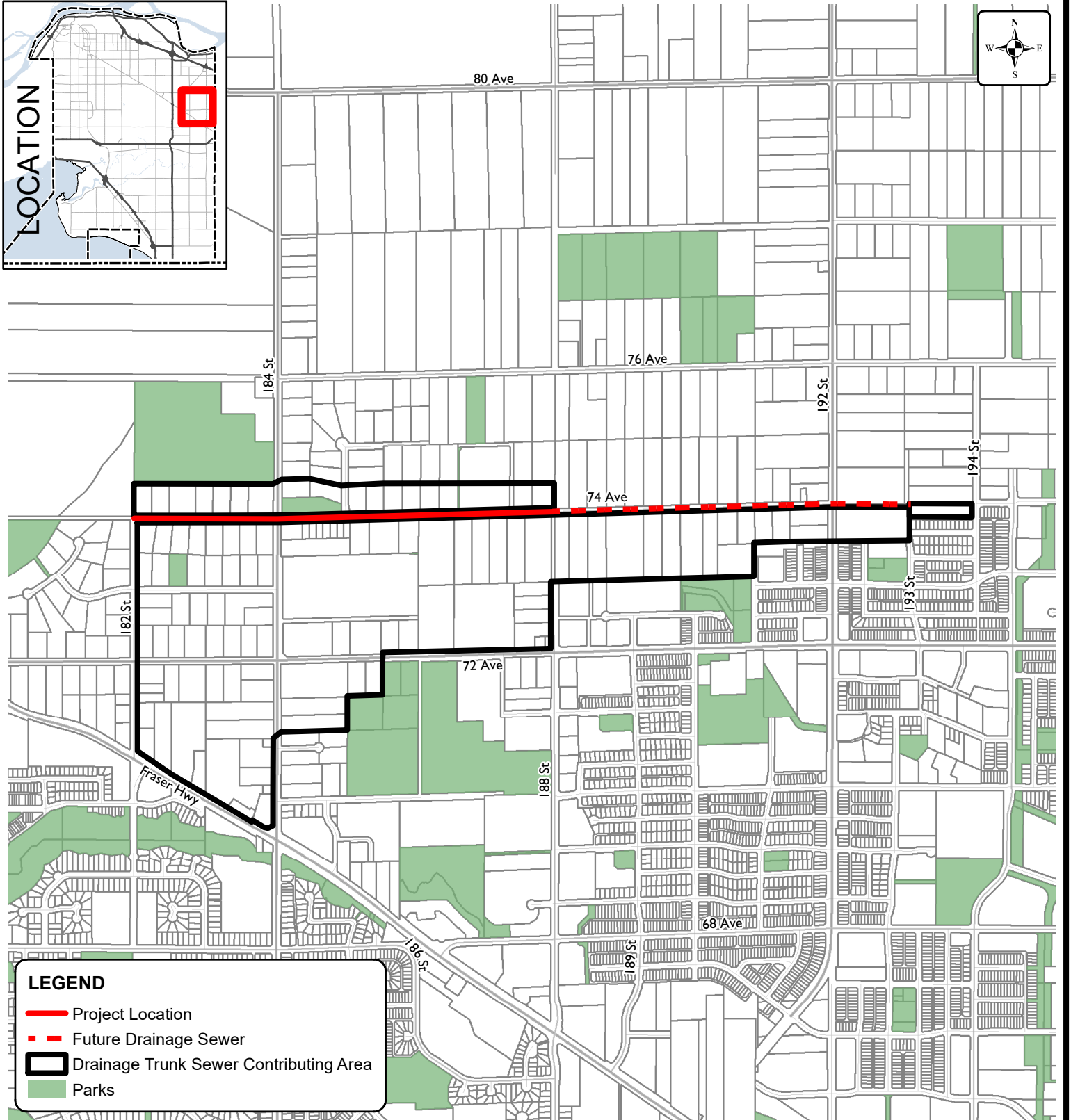
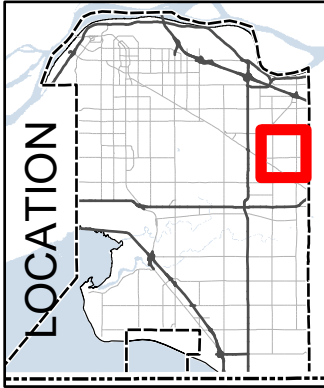
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West Clayton Sanitary Sewer Extension

ENGINEERING
DEPARTMENT



LEGEND

- Project Location
- Future Drainage Sewer
- Drainage Trunk Sewer Contributing Area
- Parks

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Scale: 1:15,000 0 100 M



West Clayton Storm Sewer Extension

ENGINEERING
DEPARTMENT

The data provided is compiled from various sources and IS NOT warranted as to its accuracy or sufficiency by the City of Surrey.
This information is provided for information and convenience purposes only.
Lot sizes, Legal descriptions and encumbrances must be confirmed at the Land Title Office.