

Corporate Report

NO: R242

COUNCIL DATE: November 24,

2003

REGULAR COUNCIL

TO: Mayor & Council DATE: November 18, 2003
FROM: General Manager, Engineering FILE: 6520-20(SW)
SUBJECT: South Westminster Neighbourhood Concept Plan (NCP)
Financing Options for Road Services

RECOMMENDATIONS

1. That Council approve "Option 1 – No levy" as outlined in this report as the financial strategy for road services described in the South Westminster serving plan.
2. That some arterial roads be deferred beyond 10 years, that the remaining arterial road deficit be funded from the City-wide DCC's and that Major Collectors be constructed by fronting developers in conjunction with their site development.

BACKGROUND

Council granted approval in principle to the Proposed Land Use Concept for South Westminster (Stage 1 Neighbourhood Concept Plan) on March 10, 2003. Council also adopted the engineering servicing and financial strategies for this neighbourhood, subject to:

1. Refinement of the ~~issue surrounding~~ major roads design (standards, staging and funding);
2. Receipt of public input relating to the financing of the roads;
3. Confirmation on whether any roads would qualify for Major Road Network funding; and
4. Comparison of the proposed levy with the Port Kells and Campbell Heights area levies.

DISCUSSION

1. Major Road Design

Road Standard

Due to the high cost of road construction in South Westminster, road width requirements will be minimized by such measures as eliminating on-street parking where reasonable on Major Collector Roads. Narrowing 110 Avenue and Old Yale Road between South Fraser Way (SFW) and 128 Street from 4-lanes to 2-lanes will also minimize arterial Road requirements without unduly impacting traffic flow. The proposed road widths, staging and classifications are

shown on Map 1 in appendix.

Staging of the Road Program

In order to minimize impact to future development and to facilitate upgrading of municipal services along Old Yale Road between Scott Road and the South Fraser Way (SFW), it is proposed that the City would initiate pre-loading of the road in conjunction with the pre-loading of the adjacent property subject to obtaining the right-of-way at no cost. Interim access could be dealt with by temporarily paving over the pre-load or staging construction to half the road width at a time. Traffic projections indicate that the upgrading of 110 Avenue between 128 Street and Scott Road and the ultimate widening of 104 Avenue will not be needed until beyond the 10-year horizon and the present 10 year plan.

Financial Implications to the City

Because of the high costs to build roads in this area and the high demands on transportation of this area at build-out, it is important to carefully stage the improvements over the build-out time frame. Table 1 illustrates that without a special funding strategy, South Westminster would not be self-financing and needs to be financed from City-Wide DCC's, a special area levy or a combination of both. The road requirements over the next 10 years and to build out, together with DCC's generated, are shown on the following Tables 1 and 2:

Roads	Cost	DCC's Generated	(Deficit) or Surplus
Arterial			
Tannery Road from Timber Road South Fraser Way to Scott Rd.	\$2.1 M		
Old Yale Road from South Fraser Way to Scott Rd.	\$3.0M		
Total for Arterial	\$5.1M	\$2.3M	(\$2.8)
Major Collector			
Grace Road Realignment Section at Scott Rd.	\$1.3M		
Old Yale Road from South Fraser Way to Timberland Rd.	\$1.0M		
Old Yale Road BNSF Railroad Crossing	\$0.5M		
Total for Major Collector	\$2.8M	\$0.6M	(\$2.2M)
TOTAL	\$7.9 M	\$2.9M	(\$5.0 M)

Roads	Cost	DCC's Generated	(Deficit) or Surplus
Arterial	\$21.1 M	\$14.7 M	(\$ 6.4 M)
Major Collector	\$15.4 M	\$ 3.7 M	(\$11.7 M)
TOTAL	\$36.5 M	\$18.4 M	(\$18.1 M)

2. Public Consultation

A public open house was held at Bridgeview Community Centre on March 16, 2003. Twenty-seven (27) of the attendees have a direct interest in South Westminster either through ownership of property or operating a business in the area. Questionnaires relating to the alternative funding for the roads were explained and distributed to all the attendees. Thirteen (13) answered questionnaires were returned to the City, of which 9 were from property owners in South Westminster. The results are summarized as follows:

- The majority were in favour of a reduced pavement width for Timberland Road.
- The majority preferred a Levy Option (i.e., Options 2 or 3).
- The majority were in support of the proposed servicing plan.

Over the last four months, we have also been meeting with representatives from the Fraser River Port Authority (FRPA) and representatives from WesGroup who have interest in the ex-PNE lands.

3. Funding from TransLink, Federal or Provincial Governments

None of the roads needing upgrading as identified in the South Westminster plan are eligible for TransLink funding, as they will not meet the traffic volume or characteristics required for MRN road classification. We are not aware of any other Federal or Provincial funding programs that the South Westminster roads would qualify for at this time.

4. Levy Comparison

The following table summarizes the levy comparison of South Westminster with Port Kells and Campbell Heights:

LEVY COMPARISON			
Area	Existing or Proposed Levy (over & above City Wide DCC's) per acre of industrial land	Year Introduced	Comments
Campbell Heights	\$65,172 ¹	2002	Combined rate for all DCC services
Port Kells	\$11,957 ²	1977	Figure has been adjusted to present value based on a 3% annual inflation.
South Westminster (arterials & collectors)	\$21,045		To fund all the Arterial and Major Collector roads
South Westminster (arterials only)	\$ 7,425		To fund only Arterial Roads

1. the Campbell Heights rates were very high as there was no existing servicing in place
2. the Port Kells levy was eliminated once the provincial loan was fully repaid and more than 90% of the area developed.

The comparison shows that while the potential levy for South Westminster is not as high as Campbell Heights, overall costs may make the economics of development difficult, due to difficult soil conditions in the area and other local on-site servicing issues.

Review of Financing Options

Five options to finance the significant deficit in the roads DCC's have been developed. These, together with their impacts and implications, are outlined below in Table 4.

Option	Funding Instruments	Impacts	Remarks	Recommendations
1	No Levy	Collectors to be constructed by developers in conjunction with their site development. Delay some arterial road construction. Future <u>City-wide DCC Rate</u> for Arterial Roads may increase.	Balances the allocation of servicing cost between residential and industrial development. Increases the inventory of industrial land more than Options 2 5.	Recommended
2	Specified Area Levy for arterial roads	Levy will be \$7,435 per acre over and above the DCC for industrial land (a 17.5% increase). No increase over the City Wide DCC rates.	Equitable but may moderately impede industrial development. More flexible than Area DCC. Citywide DCC's can be leveraged to fund works. Levies collected can be spread among all the services.	Not recommended
3	Specified Area Levy for major collector and arterial roads	Levy would be \$21,045 per acre over and above the DCC for industrial land (a 49.7% increase). No increase over the City Wide DCC rates.	Equitable but may impede industrial development. More flexible than Area DCC. City-wide DCC's can be leveraged to fund works.	Not recommended

4	Rolling the deficit into the City Wide DCC	Increases to DCC Rates: Arterial Road: 3.2% Collector Road: 12.9%	May not be equitable to other areas May impede development on a citywide basis.	Not recommended
5	An Area Specific DCC for South Westminster (similar to Campbell Height)	A 49.7% increase over the City Wide DCC rates (\$63,401 per acre for Industrial zone)	Equitable but less flexible in financing the initial work from DCC's, as only the DCC's collected from this area can be spent for this area.	Not recommended

Option 1 is recommended as it balances upfront costs with longer-term implementation. In doing so, it relies on delaying some arterial road works to future 10-year servicing plans on the basis that the City can work in conjunction with developers to pre-load arterials during development of their site in order to avoid the business disruption and reduce the ultimate costs. By adding the remaining arterial roads in future 10-year servicing plans, there is a high probability that this option would result in a small (2-3%) increase for City-wide arterial DCC's in the future.

Under Option 1, major collector road construction will be delayed until fronting properties develop. This is considered a reasonable option because developers fronting major collectors will have construction costs similar to that of developers fronting local industrial roads. Under this option, the developers can be reimbursed the value of the road construction if the road is in the 10-year plan to a maximum of their DCC's payable. Thus, by leaving construction of all major collector roads to occur through redevelopment, the Major Collector DCC shortfall would be eliminated.

Although this option offers less flexibility by relying on future development to complete major collector segments, it does help facilitate development in South Westminster by avoiding the burden of a levy. Comments on the other options are as follows.

Comparatively, the Specified Area Levies of Options 2 and 3 offer more flexibility, facilitate the orderly development, and are equitable financing schemes. However, the proposed levies in addition to the high cost of developing sites in the area with poor soil conditions may deter potential developers.

Option 2 significantly reduces the levy by delaying major collector road construction until fronting properties develop, but may still be somewhat of a deterrent to development.

Option 4 was eliminated due to inequity to other areas. Option 5 was rejected due to the inflexibility for financing of services and the difficulty in implementation compared to specified area levies.

CONCLUSION

To promote and encourage industrial developments in South Westminster, "Option 1 – No Levy" is recommended. Under this option, the major roads in South Westminster will be staged such that the financial impact and the business disturbance in the area will be minimized. The City-wide DCC's would finance the projected Arterial Road deficit, resulting in an increase in arterial DCC's of 2 to 3% in future, while collector roads would be the responsibility of the fronting developers.

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PH/VL/RL/brb
Attachment

