

NO: R133 COUNCIL DATE: July 27, 2009

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **July 22, 2009**

FROM: **General Manager, Engineering** FILE: **o620-20(EIAP)**

SUBJECT: **Economic Investment Action Plan – Pre-Servicing Strategy
for the Bridgeview / South Westminster Economic Investment Zone**

RECOMMENDATION

The Engineering Department recommends that Council:

1. receive this report as information; and
2. authorize staff to prepare and issue an expression of interest (EOI) to owners of land and/or developers in the Bridgeview and South Westminster Economic Investment Zone as to where and how the City could partner with them through the installation of engineering infrastructure (i.e., pre-servicing) to create the incentive for the immediate development / redevelopment of business lands in this Zone.

INTENT

The purpose of this report is to obtain Council's approval for issuing an EOI as part of a proposed engineering pre-servicing strategy for the Bridgeview/South Westminster Economic Investment Zone.

BACKGROUND

As part of the City's Economic Investment Action Plan, the City has committed to a number of incentives and initiatives to encourage new investment in the City's Economic Investment Zones. One such initiative is the installation of engineering services at strategic locations in the Bridgeview / South Westminster Economic Investment Zone (see Appendix I for the boundaries of this Zone).

The Bridgeview / South Westminster Economic Investment Zone is an under-developed area of the City that has significant development potential. It is strategically located at the centroid of the Metro Vancouver Region.

This area has had a variety of servicing challenges. These include:

- In addition, development **limited sanitary sewer capacity**: The area is primarily serviced by a vacuum sewer system (VSS), which is operating at or near capacity and is at

the end of its useful life. The Engineering Department has developed a replacement strategy for the VSS. The replacement strategy in general calls for a low-pressure force main sewer system (LPS) to be installed to service the industrial and commercial areas and steep grade gravity sewer system (SGS) to service the residential areas. The Engineering Department has initiated the replacement of the VSS in the West Cell of Bridgeview. This project was identified as a “shovel-ready” project for which the City of Surrey received a Federal/Provincial grant under the B.C.-Build Canada Infrastructure Program. The remaining areas of Bridgeview/South Westminster outside of the West Cell require the installation of new sanitary sewer.

- **Water capacity:** Some of the area does not have sufficiently large water mains to support demands resulting from high industrial consumption or fire protection requirements associated with commercial and industrial land uses.
- **Soil conditions:** Preloading and significant filling is required due to the poor soils within the area and to raise existing parcels above the 200-year Fraser River flood elevation so that new development is not exposed to flood threats.

Other factors affecting redevelopment in this Zone include:

- **Financing projects is more difficult to achieve under current market conditions:** Financing is only available if a building project is pre-leased to a strong tenant, all development costs are known with certainty and if the owner’s direct investment represents a relatively high percentage of the project’s total value.
- **Brownfield concerns:** Most properties are considered as ‘brownfield developments’ and there is uncertainty if costly or time consuming reclamation is required prior to development.
- **Consolidation of lots:** Individual properties within the Bridgeview / South Westminster area are in majority quite small and are owned by separate owners which makes land assembly for the purposes of redevelopment time consuming and challenging.

DISCUSSION

In response to the development issues in the Bridgeview/South Westminster area and recognizing that significant redevelopment opportunities exist, especially when considering the benefits that will accrue to the area upon the completion of the South Fraser Perimeter Road, the proximity of the lands to the shipping capacity at the Surrey Fraser Docks and the strategic location of the area in the context of the region, a review of undeveloped and under-utilized properties was completed with a view to developing a comprehensive pre-servicing strategy.

Considerations for selecting areas for pre-servicing included:

- Existing land utilization and potential for redevelopment with business uses;
- Ease of land assembly;
- Existing infrastructure;
- Cost of the engineering infrastructure that is required; and
- The likelihood for redevelopment once the area is serviced with engineering services.

Based on these considerations, 5 areas were identified for pre-servicing and are illustrated in Appendix I.

The preliminary cost estimates related to the installation of engineering infrastructure (sewer, water, drainage, and streets) for the 5 areas is as follows:

Area	Developable Area (acres)	Infrastructure Cost	Infrastructure Cost (per acre)
1	28.7	\$9.2M	\$320,000
2	11.9	\$3.5M	\$295,000
3	36.5	\$14.5M	\$400,000
4	47.2	\$17.4M	\$370,000
5	28.2	\$15.0M	\$530,000
TOTAL	152.5	\$59.6M	\$390,000

It is clear from this table that the cost for engineering infrastructure in these areas is relatively high. However, not all of the engineering pre-servicing works need to be completed at the same time to allow redevelopment of individual properties. It is envisioned that the pre-servicing of one or two areas could be completed and that the pre-servicing of these areas would act as a catalyst for development/redevelopment in these areas.

A detailed summary of each pre-servicing area is included in Appendix II.

Public Consultation

In an effort to gauge the interest of land owners in redevelopment of properties if engineering infrastructure was installed to support such redevelopment, City staff hosted a public open house on June 30th that provided a general overview of the infrastructure works necessary to support future development in the Bridgeview / South Westminster area and information about the City's engineering pre-servicing initiative.

Based on opinions expressed at the meeting and those received through a questionnaire distributed at the meeting, only a small number of property owners within the Bridgeview/South Westminster areas expressed support for this initiative. There were a number of owners within close proximity of one another within Area 4 (see Appendix I) who were all interested in this initiative.

Pre-Servicing Financing

The approach that would be taken to engineering pre-servicing would be for the City to finance the costs through a Local Area Service (LAS) process. This charge is based on the actual cost of the projects and is payable by each benefiting property in the form of an amortized annual payment as part of the annual property billing process. The installation of engineering preservicing by the City through a Local Area Service process would minimize the financial burden that any one property owner would need to bear to extend engineering services to their lot to support redevelopment on the lot.

Local area service projects may be initiated by petition or by Council. When it occurs by petition, at least half of the property owners representing at least half of the assessed values of the properties benefiting from the project must support the initiative for it to proceed. When the project is initiated by Council, the initiative will proceed unless a petition against the initiative from at least half of the property owners representing at least half of the assessed values of the benefiting properties is submitted to the City.

Pre-Servicing Strategy

In reviewing the 5 areas illustrated in Appendix I and based on the evaluation criteria which included assessing the likelihood for redevelopment, the potential for pre-servicing in stages, the cost of pre-servicing, ease of land assembly, transportation servicing and responses from the Public Open House, the areas that appear most ripe for redevelopment through pre-servicing are Areas 1, 3, and 4.

To ensure that engineering pre-servicing funds are used to maximum effect in relation to encouraging new investment in the Bridgeview / South Westminster Economic Investment Zone, it is proposed that the City issue a Request for Expressions of Interest from land owners and the development community in relation the Bridgeview/South Westminster Economic Investment Zone. Through this process land owners and developers who are interested and have the means to redevelop lots will be identified, which will improve the likelihood that redevelopment will occur from any pre-servicing projects that proceed in the area.

Next Steps:

Subject to Council approval of the recommendation of this report, staff will:

- prepare and issue an Expressions of Interest for engineering pre-servicing within the Bridgeview / South Westminster Economic Investment Zone; and
- evaluate any responses and forward a further report complete with recommendations to Council for consideration.

Future Opportunities

In addition to engineering infrastructure pre-servicing, staff are seeking opportunities to assist the development community with the preloading and the flood proofing of lands in the Bridgeview / South Westminster area in an effort to expedite the redevelopment/building process. The Engineering Department will be advising Mayor and Council on the opportunities and challenges in relation to this initiative by way of a separate Corporate Report later in the year.

In addition, the Planning & Development Department is exploring opportunities such as rezoning of properties to the land uses designated in the Official Community Plan (OCP) and South Westminster Neighbourhood Concept Plan (NCP) to encourage redevelopment by removing impediments. A summary of opportunities in this area will be reported on separately to Council in the fall.

SUSTAINABILITY CONSIDERATIONS

The proposed pre-servicing initiative discussed in this report supports the Economic Pillar of the City's Sustainability Charter in relation to:

- increasing the supply of employment lands for development so that the City's land use mix and assessment base is healthy and the City's economy is strong;
- supporting the City's objective of having a balance between local jobs and resident workers in Surrey, which minimizes the need for residents to travel long distances to work reducing GHGs and increasing the overall quality of life for the City's residents.

CONCLUSION

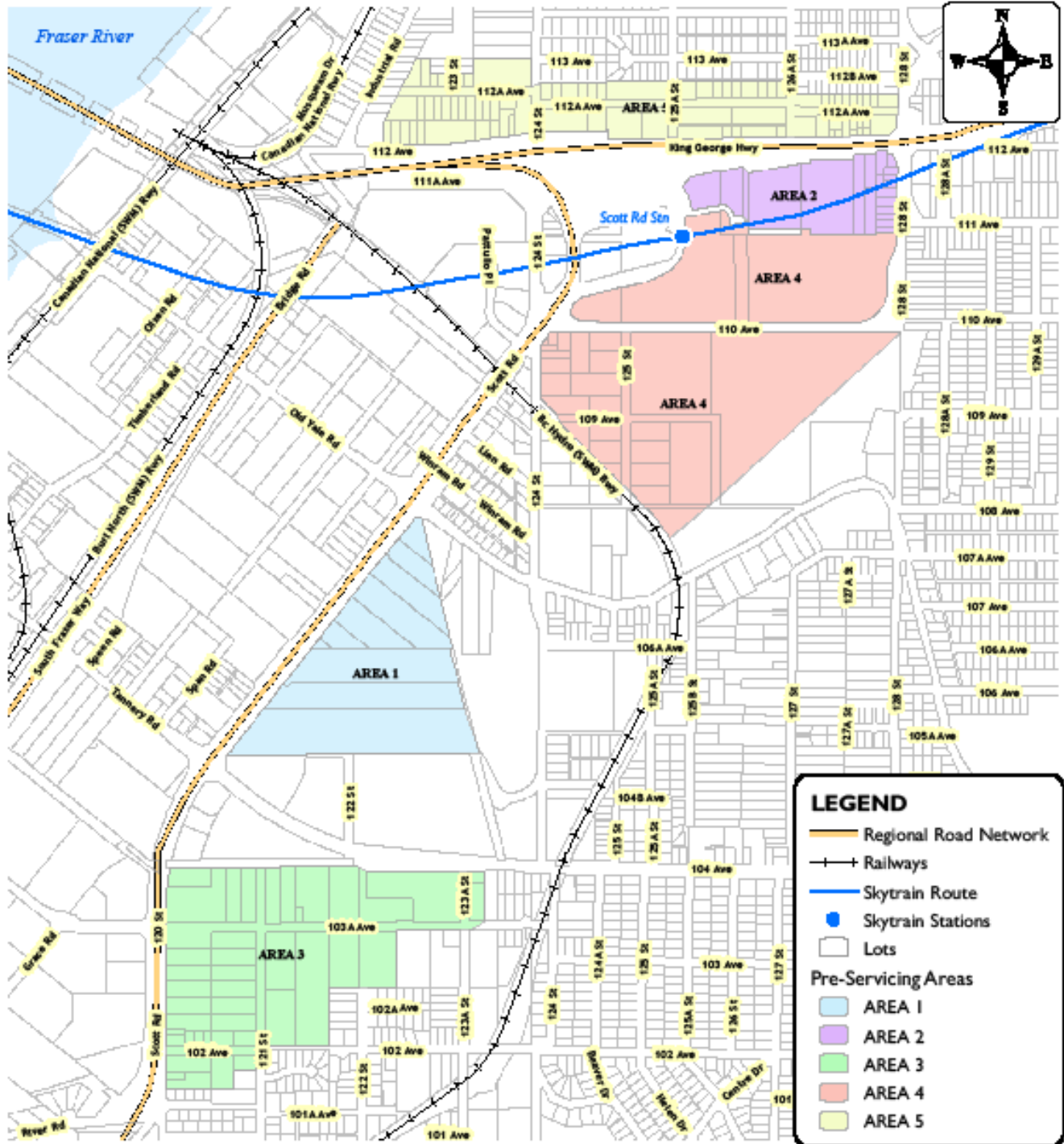
Based on the above discussion, it is recommended that Council authorize staff to prepare and issue an expression of interest (EOI) to owners of land and/or developers in the Bridgeview and South Westminster Economic Investment Zone as to where and how the City could partner with them through the installation of engineering services (i.e., pre-servicing) to create the incentive for the immediate development/redevelopment of business lands in this Zone.

Vincent Lalonde, P.Eng.
General Manager, Engineering

VL/JA/brb

- Appendix I - Bridgeview / South Westminster Pre-Servicing Area
- Appendix II - Bridgeview / South Westminster Pre-Servicing Area Opportunities and Constraints
- Appendix III - Bridgeview / South Westminster Recommended Pre-Servicing Strategy

APPENDIX I



LEGEND

- Regional Road Network
- Railroads
- Skytrain Route
- Skytrain Stations
- Lots

Pre-Servicing Areas

- AREA 1
- AREA 2
- AREA 3
- AREA 4
- AREA 5

PRODUCED BY ENGINEERING, GIS SECTION: April 28, 2009, CS



South Westminster Water Pre-Servicing Areas

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.

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Bridgeview / South Westminster Pre-servicing Area Opportunities and Constraints

Rationale for Pre-servicing

As part of the City's Economic Investment Action Plan, the City has committed to a number of incentives to encourage new investment in the City's Economic Investment Zones. One such incentive is the pre-servicing of strategic locations in the Bridgeview / South Westminster Economic Investment Zone.

Pre-servicing South Westminster/Bridgeview areas will be consistent with the City's Official Community Plan in promoting a healthy balance between residential and industrial/commercial development by increasing the inventory of serviced industrial/commercial land. Increasing serviced industrial/commercial land will provide immediate availability of suitable developable sites at a competitive price to prospective businesses. Benefits from this industrial/commercial development are: job creation, tax base increase, and establishing a work/live community.

Pre-Servicing Areas

Staff from the Planning & Development Department, Economic Development, and the Engineering Department has reviewed undeveloped sites within the Bridgeview / South Westminster Economic Investment Zone to determine the best areas for pre-servicing. Based on this review, 5 areas for pre-servicing have been identified, as illustrated in Appendix I.

Area 1

- The area has good access to local transportation systems.
- The area is primarily comprised of large parcels, most of which are vacant and some of which are preloaded.
- Only sanitary sewer pre-servicing is required to service the frontage of Scott Road.
- The area has a number of successful truck parking operations, operating under Temporary Use Permits, whose estimated revenue may reduce the likelihood for redevelopment.
- The NCP land use designation for this area is Business Park / Light Industrial.

Area 2

- The area has good access to local transportation systems.
- The area is primarily comprised of large parcels, most of which are vacant.
- The area fronts King George Highway, and is therefore highly visible. However, the exact alignment for the new Pattullo Bridge has yet to be defined, and as a result, any infrastructure investment made now may be displaced by the replacement of the Pattullo Bridge.
- The NCP land use designation for this area is Transit Oriented Urban Village.
- Only water and sanitary sewer pre-servicing is required to service the frontage of King George Highway.

Area 3

- The area has good access to local transportation systems.
- The area is primarily comprised of small parcels, and some of the lots have already undergone some form of recent development.
- The NCP land use designation for this area is Business Park / Light Industrial.
- Significant transportation, sewer, and water pre-servicing is required.

Area 4

- The area has good access to local transportation systems.
- The area is primarily comprised of large parcels, most of which are vacant or under-utilized.
- The City owns a parcel in this area, along its eastern boundary.
- There have been some inquiries regarding the development potential in this area.
- The area fronts the Scott Road SkyTrain station, and is therefore highly visible.
- The NCP land use designation for this area is Transit Oriented Urban Village.
- Significant transportation, sewer, and water pre-servicing is required to service the entire area.

Area 5

- The area has good access to local transportation systems.
- The area is primarily comprised of small parcels, and some of the lots have already undergone some form of recent development.
- There have been some inquiries regarding the development potential in this area.
- The area fronts King George Highway, and is therefore highly visible. However, the exact alignment for the new Pattullo Bridge has yet to be defined, and as a result, any infrastructure investment made now may be displaced by the replacement of the Pattullo Bridge.
- The OCP land use designation for this area is Highway Commercial Industrial Zone.
- Significant transportation, sewer, and water pre-servicing is required.

Cost of Pre-servicing

The preliminary cost estimates for pre-servicing of the 5 areas are summarized below:

Area	Sewer	Water	Drainage	Transportation	Total
1	\$0.8M	\$0.4M		\$8.0M	\$ 9.2M
2	\$0.9M	\$0.3M		\$2.3M	\$ 3.5M
3	\$1.0M	\$2.0M	\$0.2M	\$11.3M	\$14.5M
4	\$1.3M	\$1.6M	\$0.5M	\$14.0M	\$17.3M
5	\$1.5M	\$1.6M	\$0.9M	\$11.0M	\$15.0M
TOTAL	\$5.5M	\$5.9M	\$1.6M	\$46.6M	\$59.6M

Notes:

These estimates will be refined as designs are finalized.

As illustrated above, the cost for infrastructure works in these areas is very high. However, some of these works are required to service individual developments, and other works are required to service both individual developments and the local area. These include the following projects, which can be added to the City's 10-Year Servicing Plan, and funded through development cost charges, once pre-servicing initiatives within these areas are implemented:

- Area 4 – Arterial Widening of 110 Avenue. The estimated cost of this project is \$5.8M.
- Area 4 - Feeder Main along Scott Road: Old Yale Road to 124 Street, and 110 Avenue: 124 Street to 126A Street. The estimated cost of this project is \$1.1M.
- Area 2 – Feeder Main along 128 Street: South King George Highway. The estimated cost of this project is \$0.1M.
- Area 3 – Drainage Main along Scott Road: 103A to 104 Avenue. The estimated cost of this project is \$0.2M.

Development of Pre-Servicing Strategy

The 5 areas have been prioritized based on a number of criteria. These are:

Transportation Servicing – A measure of the properties’ proximity to major transportation opportunities such as the Surrey Fraser Docks, SkyTrain, King George Highway, and the South Fraser Perimeter Road.

City Beautification Potential - A measure of the potential to improve the appearance of the Zone at high traffic areas, such as the entrance to the City from the Pattullo Bridge.

Ease of Land Assembly – A rating of the number of lots and number of owners within each pre-servicing area. The greater the number of lots and the greater the number of land owners, the lower the likelihood that the land can be readily assembled for redevelopment.

Cost of Pre-Servicing – The cost (per-acre) to pre-service each area in comparison to the other selected areas was analyzed.

Potential for Pre-Servicing in Stages – A measure of the ability to pre-service the works in stages. Given the high costs for many of the works’ requirements, pre-servicing in stages is desirable as it increases affordability.

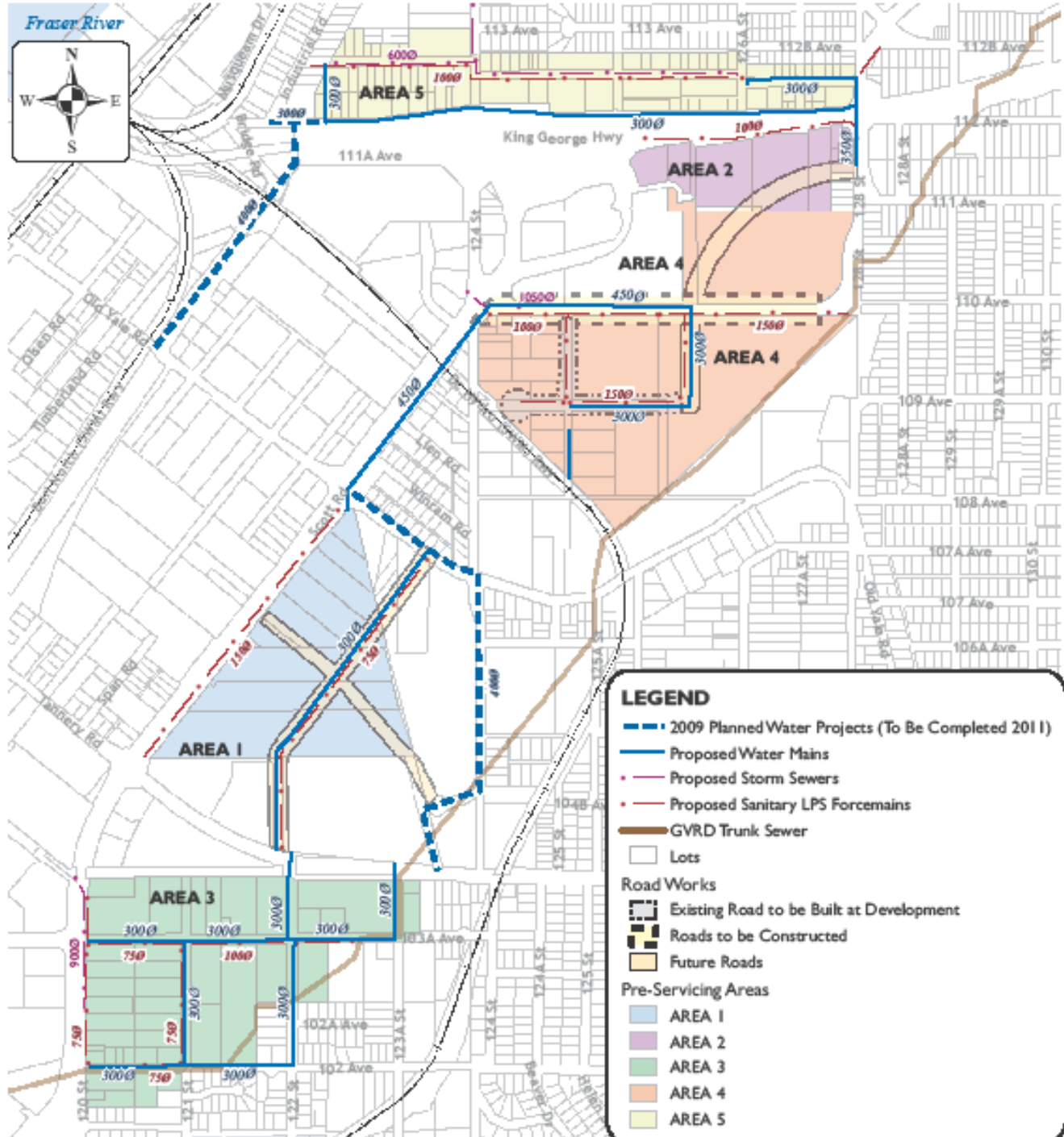
Current Availability of NCP Land Use – A rating of the availability of the land use in the market. A pre-servicing area, after rezoning, that provides a new business land use that is not currently available in the market will score higher than pre-servicing to land use for which land is already available in the market.

The results of this evaluation are as follows:

Evaluation Criteria	Score	Area 1	Area 2	Area 3	Area 4	Area 5
Transportation Servicing	1.00	1.00	1.00	0.75	1.00	1.00
City Beatification Potential	1.00	0.50	1.00	0.50	0.50	1.00
Ease of land assembly	2.00	1.00	1.50	0.50	1.50	0.50
Cost (per acre) of Pre-Servicing (1 – high, 3 - low)	3.00	3.00	3.00	1.00	2.00	1.00
Potential for Pre-Servicing in Stages (1 – low, 2 – high)	2.00	2.00	2.00	1.00	2.00	1.00
Current Availability of NCP Land Use (1 – low, 3 – high)	3.00	2.00	3.00	2.00	3.00	3.00
TOTAL	12.00	10.00	11.50	5.75	10.00	7.50

Based on the above-referenced evaluation criteria, the best opportunity to encourage new development investment in the Bridgeview / South Westminster Economic Investment Zone through engineering pre-servicing is in Areas 1, 2 and 4.

APPENDIX III



PRODUCED BY GIS SECTION: July 9, 2009, CS



South Westminster Pre-Servicing: All New Infrastructure Services

ENGINEERING
DEPARTMENT

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