

## ADMINISTRATIVE REPORT

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| <b>TO:</b> Development Service Committee                              |
| <b>FROM:</b> Administration   |
| <b>DATE:</b> May 17, 2021   |
| <b>RE:</b> Infrastructure Reconstruction and Local Improvement Policy |

### ISSUE

Policy changes are required to modernize and affirm the City's approach to funding and carrying out local neighborhood infrastructure renewal projects.

### REFERENCE

- *Municipal Act*
- Local Improvement Policy (2011)
- L.I.C. Rules Bylaw (2011-21)
- 2021-2024 Capital Expenditure Program
- Infrastructure Reconstruction and Local Improvement Policy (Proposed)

### HISTORY

As part of the City's infrastructure renewal program the City replaces water, sewer and road infrastructure in neighbourhoods throughout the municipality using a funding arrangement following the Local Improvement Policy (the Policy). The Policy aims to apportion costs between the public and benefitting property owners where it is deemed that property owners receive a greater benefit than the general public. This process results in a portion of the surface work be paid by benefitting property owners as a Local Improvement Charge (LIC). This charge is based on a standard rate for surface work for a similar improvement and apportioned by the frontage length of property, as laid out in the L.I.C. Rules Bylaw.

Per the *Municipal Act* and the Policy, an objection process is provided so if the majority of affected property owners file an objection notice, the proposed charges are defeated. Council may choose to proceed with the project without the charges included and use other funding sources.

Infrastructure renewal projects are budgeted in the City's four-year capital expenditure program and aim to replace City assets at or near the end of their life. These projects benefit all city residents as part of the sustainable management of the City's assets, by reducing the City's operation and maintenance costs, and avoiding costs that would arise from possible infrastructure failure.

Over the years, the City has applied various funding approaches to support LICs, working with neighborhoods across the city to coordinate and carry out local improvement projects. This has included a combination of upgrades on City infrastructure and improvements to affected resident properties as part of overall projects. On a case by case basis, and in an effort to make projects affordable and more efficient, projects at times have been able to combine work on public infrastructure and resident properties as part of the overall project.

Through the existing LIC process, property owners have contributed a share of the cost of the public surface works through an LIC. The proposed new policy is based on the governance and fiscal management principle that public funds will be used for public improvement projects and private property owners are responsible for improvements and upgrades for the benefit of their own properties.

Further, in the interest of fairness and affordability, the new policy recognizes that requiring property owners to pay both an LIC for improvements on public property and 100% of the cost on their private property may be onerous. Therefore, the new policy would establish that property owners only pay for the infrastructure work on their own property and no longer pay LICs for essential infrastructure on public property.

LICs paid for by private property owners would continue to exist for discretionary improvement projects. The policy also provides for an opt-in loan program for works on private property to mitigate the initial financial impact.

The review of the existing practices and Policy involved a multi-department internal committee to ensure all aspects of infrastructure renewal are considered. The committee included staff from senior management, Engineering Services, Planning and Sustainability Services, Financial Services, and Legislative Services.

As part of this process a jurisdictional scan was completed. The jurisdictional scan revealed that there is a variety of approaches to funding infrastructure reconstruction and local improvement projects. Municipalities use a mix of levies, LICs, property taxes and external funding to pay for infrastructure renewal.

The proposed new policy reflects an approach which is common across Canada and is consistent with the framework of the Yukon's *Municipal Act*.

## **ALTERNATIVES**

1. Release the proposed Infrastructure Reconstruction and Local Improvement Policy for public consideration and a planned public engagement process.
2. Refer the proposed policy back to Administration.

## **ANALYSIS**

### **Proposed Policy Changes**

The new policy is based on the fundamental principle that public funds (City or external funding sources) are used for public improvements and initiatives with improvements on private property the responsibility of property owner. The new policy also proposes to retain the local improvement charge objection process set out in the *Municipal Act* only for non-essential improvements on public land.

There are two new categories proposed in the new policy:

- 1) Infrastructure Reconstruction Projects and
- 2) Discretionary Local Improvement Charges.

### **Category 1: Infrastructure Reconstruction Projects**

The proposed policy would no longer consider the replacement of essential basic City infrastructure assets as “local improvement projects” and therefore no longer utilize LICs for such projects. These projects would be considered “Infrastructure Reconstruction Projects”. For these projects public funds (City and/or external funding sources) would pay for all costs on public property including water, sewer, roads, commuter pathways and associated essential improvements.

A public consultation process would remain, but the City would control final approval of design, control timing of construction, and improve certainty of projects which is important while external funding is available. Projects will continue to be prioritized using engineering reports and reports about the condition of existing infrastructure from ongoing maintenance work.

#### **Affordability and Choice**

As described, improvements on private property would be completely paid for by private property owners benefitting from the project. In areas where properties are large, infrastructure costs to owners may be greater than what the LICs are for work on public land under the current policy. To help mitigate this impact to property owners, it is proposed that an infrastructure loan be offered which may encourage buy-in. This loan would be paid back similarly to how current LICs are applied to taxes over a period of time.

If property owners “opt-in” to doing their upgrades at the same time the City is doing the work on public land, the City would add this work to its project. It is anticipated that this will have a number of benefits for property owners including saving costs and having to acquire their own contractors. Other benefits include limiting disruption from having contractors mobilize multiple times, or two contractors working at the same time in the same area, and if the work is done after the City’s project is finished, avoiding tearing up new surface infrastructure to connect to City mains.

The proposed policy retains the property owner’s ability to choose to upgrade their private infrastructure during the City project, or not. Owners can opt-out from work on their property and choose to do the work later or leave it for future property owners.

### **Category 2: Discretionary Local Improvement Projects**

The proposed policy provides for citizen driven projects to be considered by the City and largely follow the existing LIC framework including the objection notice process. Eligible projects would include non-essential surface upgrades including landscaping, decorative lighting and road or alley surface upgrades. A new expression of interest process is included in the policy for property owners to confirm preliminary property owner support and for the Engineering Services department to advance the design, subject to budget approval.

In new developments these discretionary improvements are paid for 100% by lot purchasers. The new policy proposes apportionment of costs relative to the perceived benefit to property owners versus public funds.

**Budget Planning Implications**

| Planned local improvement projects are listed below that are included in the 2021-2024 Capital Expenditure Program which have budgeted for LIC recoveries as shown. |                              |
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| Area/Status   | Budgeted LIC Recovery Amount |
| Cook Street (underway, completion 2021)   | \$632,409                    |
| Galena Road (tender fall 2021, construction 2022)   | \$300,000                    |
| Hillcrest Neighbourhood (design 2021)   | Not Budgeted                 |
| Jarvis Street (construction 2022)   | \$50,000                     |
| Alexander Street (construction 2024)  | \$600,000                    |
| MacDonald Road (construction 2024)  | \$2,400,000                  |
| Dogwood Street (construction 2024)  | \$200,000                    |

The Cook Street improvement project has an approved LIC bylaw based on the current Policy and the project is underway. It is proposed that no changes to the approved charges be considered. However, the budget for the remaining projects will need to be changed for the 2022-2025 Capital Expenditure Program. The LIC recoveries do not apply to private property improvements so the amounts identified may be eligible for external funding.

**Impacts to Property Owners**

The new policy would affect property owners differently financially depending on the physical characteristics of their property. Compared to what they would have paid under the existing policy for LICs, residential property owners downtown would on average pay slightly less because the front yards have short service runs, are flat, and are relatively simple projects.

Under the new policy commercial property owners on average would have greater savings as the buildings are very close to property lines making their private-side costs low, whereas the LIC calculations under the current policy require 66.66% of the cost of the surface construction which is relatively much higher in comparison.

In a residential subdivision setting, such as Hillcrest, property owners on average will have higher private-side servicing costs, compared to what the current Policy would result in. New LIC calculations would be required if the current LIC process were to remain and would result in higher costs in Hillcrest than previously estimated in 2017, when the LIC borrowing bylaw was defeated by property owners through the objection process.

**Proposed Public Input Opportunities**

The proposed policy will apply to all eligible reconstruction and local improvements city-wide and therefore Administration is planning an online public engagement forum be held June 1 to explain the new policy and to hear from all interested residents, with the deadline for input June 14. Input received will be addressed in a report at the Standing Committee meeting July 5 followed by a council decision on July 12. Notification of the forum, contact information for additional information, and the deadline for submissions will be announced

on the City's social media with additional notice sent to the Downtown Residents Association and the Hillcrest Community Association

### **Option to Retain Existing Policy**

If Council chooses to retain the existing Policy going forward, in practice, public funds would no longer be used for improvements on private property in keeping with sound fiscal management, the principles for use of public funds for public benefit, and specific requirements and criteria of external funding partners.

As a consequence, continuing to use the existing Policy would result in property owners paying LICs following the *Municipal Act* process, along with all additional costs for any private side improvements.

Given the additional costs to property owners, there could be less support for projects relying on LICs, and some may be less likely undertake improvements or upgrades to their properties. As a result, this may impact the City's objectives to improve and upgrade the overall infrastructure network where bleeders and leaky pipes may exist on and off private property.

### **ADMINISTRATIVE RECOMMENDATION**

THAT Council direct that the proposed Infrastructure Reconstruction and Local Improvement Policy be released for public consideration and a planned public engagement process; and

THAT the proposed policy be brought forward for consideration at the regular council meeting on July 12, 2021, following the report to Standing Committee addressing the input received through the public engagement process.