

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2017 October 18

FROM: DIRECTOR FINANCE &
DIRECTOR ENGINEERING

FILE: 34500-03

**SUBJECT: BURNABY LOCAL IMPROVEMENT CHARGES BYLAW 1985 –
2018 RATE UPDATE**

PURPOSE: To seek Council approval of the proposed updates to the Burnaby Local Improvement Charges Bylaw 1985.

RECOMMENDATION:

1. **THAT** The Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Local Improvement Charges Bylaw 1985 for changes to Schedule A and to incorporate the new Schedule B, as outlined in this report, effective 2018 January 01.

REPORT**1.0 BACKGROUND**

A Local Area Service (LAS) is a neighbourhood improvement undertaken for the benefit of the property owners whose property directly abuts the street where the work is carried out. LAS improvement categories include: street upgrades, lane paving and ditch enclosure, street lighting, speed humps, and boulevard trees. Since the early 1960's, apart from development-related improvements, all finished local streets in established areas of the City were upgraded through the LAS program and cost-shared with abutting property owners.

The charge paid by property owners is determined by measurement of the taxable frontage of the property abutting the improvement. Rates charged for each improvement project are those under bylaw at the time of the petition process. As such charges currently levied to properties are found in the Burnaby Local Improvement Charges Bylaw 1985, #13325 and prior versions dating back to the date of petition for each project. Total charges for each project are amortised in accordance to a set repayment schedule, the maximum of which is 15 years.

Annual charges include an interest component, which under each bylaw is based on the posted lending rates of the City's bank – RBC. To avoid interest, property owners can make a one-time lump sum payment, which is known as commuting.

1.1 Street Upgrades

Prospective street upgrade locations typically have aging interim strip asphalt pavements, with gravel road shoulders, ditches, and culverts for storm drainage. Interim strip asphalt pavements represent approximately 25% or 150km of the urban collector and local street network within Burnaby.

An upgraded street would receive a standardized street width, with concrete curb and gutter, concrete sidewalk, grass boulevards, improved storm drainage facilities, rehabilitated asphalt pavement, and additional boulevard trees. The upgraded street improves safety and accessibility for all users, improves drainage, enhances the appearance of the street, minimizes dust in the dry season, and prevents erosion of gravel surfaces in the wet season.



Figure 1. Street Update – Before & After

The current cost-sharing percentage is based on residents paying towards a maximum 50% of the project. 100% of the storm sewer costs are paid by the City, which typically results in approximately 60-80% of the total project cost being paid by the City. For ongoing rate consistency, to improve the value received by the resident, and improve administration processes, the new cost-sharing percentage per meter is proposed to be 70% paid by the City and 30% paid by the resident. The higher proposed percentage of 70% payable by the City as compared to 50% for other types of LAS improvement is justified in that street upgrades reduce future operating costs for the City, whereas the other LAS improvements result in increased future operating costs.

Street upgrades are the most popular type of LAS improvement, with repayments made over a 15 year period.

1.2 Sidewalk

Where an existing street already has curb and gutter but no sidewalk, residents can request sidewalk installation through a sidewalk LAS improvement. Approximately 10% or 65km of urban collector and local streets in Burnaby have concrete curb and gutter without an accompanying sidewalk.

Previously, asphalt was permitted as a sidewalk material in commercial areas. However, concrete is the standard material, has nearly double the useful life, and the cost is only slightly higher than asphalt. Therefore, going forward, it is proposed to only offer concrete sidewalks. The current and proposed cost-sharing percentage per meter is 50%. Repayments for sidewalk projects are made over a 15 year period.

1.3 Street Lighting

Many streets in Burnaby have ‘leased’ lights, which are streetlights attached to BC Hydro poles, that are generally at intersections or at a minimum distance of 215m (approximately 700 ft) apart. Some streets have no lighting at all. The LAS Street Lighting program provides a more permanent form of lighting, where improved lighting levels are achieved by reducing the space between light poles to approximately 40-50m (140-165 ft) apart. Current and proposed cost-sharing is split equally at 50% between the City and residents. Repayments for Street Lighting projects are made over a 10 year period.

1.4 Lane Paving

The majority of lanes within Burnaby were paved in the 1970’s. However, there is still a small portion of the accessible lane network that is finished with gravel instead of asphalt. Where a lane is not paved, residents can request lane paving as an LAS improvement, which includes a standard 4.5-6.0m asphalt pavement, an asphalt drainage curb, crushed gravel or grass to the property line, and an accompanying storm main system.

Approximately 170km or 70% of the existing paved lanes do not have an accompanying storm main, with drainage provided through a series of ditches and culverts. Residents often request for ditch culverting in order to provide access to lane garages and gates, or to improve the appearance and functionality of their lane. In this current scenario, residents pay for 100% of the culverting located adjacent to their property. This isolated culverting does not improve overall drainage performance, and would need to be fully replaced if the overall drainage performance needed to be improved with a full storm main system. Over the last ten years, over 1000 residents have initiated and paid for ditch enclosures.

With Council direction, staff can expand the lane paving LASP category to include ditch enclosures via a storm main system to enable coordinated drainage system improvement. If directed by Council, the lane paving LAS improvement category would to be expanded from only gravel lanes to also include existing paved lanes. Similar to street upgrades, the cost-sharing percentage per meter is proposed to be 70% City and 30% residents. Repayments for Lane Paving projects are made over a 5 year period.

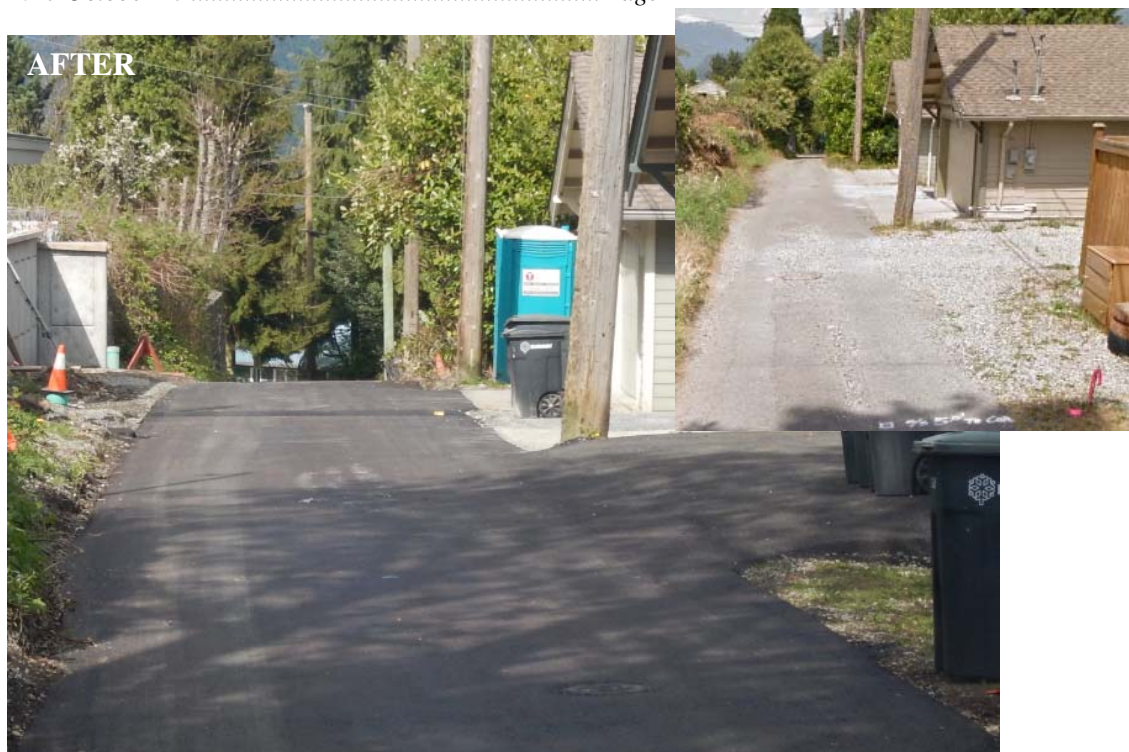


Figure 2. Lane Paving – Before & After

1.5 Traffic Calming - Speed Humps

New speed humps are permitted on local streets. Under current and proposed bylaw rates, 100% of costs are recovered from residents. Repayments for Speed Hump projects are made over a 5 year period.

1.6 New Boulevard Trees

Where an existing street already has curb and gutter but no street trees on City-owned boulevards, residents can request new street trees as an LAS project. The current and proposed cost-sharing percentage per meter is split equally at 50% between the City and residents. Repayments for New Boulevard Tree projects are made over a 5 year period.

1.7 Replacement Boulevard Trees

Replacement boulevard trees apply if an existing street already has street trees on the City-owned boulevard, but residents prefer a different species, location, or size of tree. The current and proposed cost-sharing percentage per meter is split equally at 50% between the City and residents. Replacement boulevard trees cost significantly higher than new boulevard trees as substantial effort is required to safely and completely remove the existing trees and associated root systems. To date, there have been no successful replacement boulevard tree LAS initiatives. Repayments for Replacement Boulevard Tree projects are made over a 5 year period.

2.0 FRONTAGE RATES AND INTEREST

2.1 Interest Rates

A review of City tendered LAS contracts over the past few years suggest that existing frontage charges should be adjusted to reflect current conditions. As part of the review process, the Assistant Director Finance - Revenue Services has examined the interest rates used in calculating the LAS frontage charge when amortized over fixed periods and is recommending the adjustments shown in the table below. As noted, the current interest rates used by the City for LAS projects are based on RBC lending rates. RBC publishes 5, 10 and 25 year lending rates, which are interpreted for the 5, 10 and 15 year terms used under the program. Rates are subject to a 0.25% uplift to mitigate any upward movement in the rates. Comparative rate data is set out below:

Current Interest Rates - Comparative			
Municipality	5 Years	10 Years	15 Years
Burnaby (bylaw #13325)	0.0524	0.0675	0.0875
Surrey	0.0420	0.0477	0.0514
Richmond	0.0595	0.0595	0.0595
Vancouver	0.0600	0.0600	0.0600
Coquitlam	n/a	n/a	0.0314

It is proposed that the rate structure be revised in order to achieve the following:

1. Increase household participation in LAS projects through more attractive terms.
2. Align the rate structure with that used in other areas of the City of Burnaby and with other municipalities.
3. Provide a more tangible and clearly understood rate structure for which supporting information can be readily sourced.

The proposed rates are based on the RBC Prime Rate, plus a factor increase of 1% to 3% depending on the project term, as set out below:

Proposed Interest Rate Changes				
LAS Categories	Amortization Period (Years)	Current Interest Rate (%)	Proposed Interest Rate (%)	Factor Increase
Street Upgrade Sidewalk	15	8.75	6.20	Prime + 3%
Street Lighting	10	6.75	5.20	Prime + 2%
Lane Paving Speed Humps Boulevard trees	5	5.24	4.20	Prime + 1%

To accompany this change Section 3 of the bylaw will be repealed and replaced with the following wording:

Owners wishing to commute future annual charges may do so through means of a lump sum payment calculated by multiplying the annual charge levied against the parcel by the factor as set out in Schedule B against the number of annual special charges unpaid at the date of application.

A new Schedule B to the bylaw is proposed, that will set out the commutation factors for each year of a 5, 10 and 15 year project.

Schedule B			
Local Improvement Commutation Table			
	5 Years	10 Years	15 Years
At Interest Rate %	0.0420	0.0520	0.0620
Year			
15			9.587
14			9.181
13			8.750
12			8.293
11			7.807
10		7.647	7.291
9		7.045	6.743
8		6.411	6.161
7		5.745	5.543
6		5.043	4.887
5	4.427	4.306	4.190
4	3.613	3.530	3.449
3	2.765	2.713	2.663
2	1.881	1.854	1.828
1	0.960	0.951	0.942

2.2 Frontage Rates

Frontage rates were previously adjusted in 2013 in the Burnaby Local Improvement Charges Bylaw 1985, #13325, and are used today when quoting frontage charges to residents inquiring about potential LAS projects. Based on changes in interest rates since 2013, trends in construction costs experienced on recent LAS contracts, and simplifications toward LAS administration, it is recommended that the proposed frontage rates as shown in Schedule A replace those currently used in Schedule B. All petitions undertaken from adoption of the revised bylaw will be subject to the rates as provided in Schedule A.

To: Financial Management Committee
From: Director Finance and Director Engineering
Re: Burnaby Local Improvement Charges Bylaw 1985 – 2018 Rate Update
2017 October 25 Page 7

As part of revising the frontage rates, the overall number of individual rates has been reduced, leaving just seven (7) LAS rates. This will greatly improve administrative processes and help to simplify communication with the public. It is proposed that all other rates contained within bylaw #13325, and prior versions are no longer to be used for NEW Petitions from the date the changes herein are adopted by Council. However, given the remaining payback period for some exiting constructed projects, a number of older rates will still be collected until repayment is completed.

2.3 Removal of Driveway (Sidewalk) Crossing Rates

The City currently applies LAS rates for driveway (or sidewalk) crossings. The requirement for such a crossing is established during the design phase of a Street Upgrade project, and billing is completed over a 15 year period at \$20 per year for residential and \$100 per year for commercial properties. Administration of crossing charges is very burdensome, in that they must be included on projects at the petition stage and then removed from projects at billing when it is identified that a crossing is not required.

For new projects billed in 2016, only three projects had crossing charges at a total combined charge of \$6,870. Crossings only make up a small percentage of the total project cost for the related project. Therefore it is proposed that Driveway Crossings are factored into LAS projects going forward and are not billed as separate LAS projects.

3.0 RECOMMENDATION

It is recommended that the Financial Management Committee recommend Council authorize the City Solicitor to amend the Burnaby Local Improvement Charges Bylaw 1985 for changes to Schedule A and to incorporate the new Schedule B, as outlined in this report, effective 2018 January 01.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:JWH:RR /mlm

Copied to: City Manager
City Solicitor



Leon A. Gous, P. Eng., MBA
DIRECTOR ENGINEERING

Attachment: Schedule A - Local Area Service Frontage Rates, effective 2018 January 01

Schedule A: Local Area Service Frontage Rates (Effective 2018 January 01)

Rates shown are the annual reoccurring charge inclusive of interest. Rates within the bylaw are displayed per meter.

Local Area Service Frontage Rates					Information Only			
Proposed Description of Works	Period (Years)	Proposed City Cost Share (%)	Proposed Rates (\$/m)	Proposed Rates (\$/foot)	Current City Cost Share (%)	Current Rates (\$/m)	Current Rates (\$/foot)	Current Description of Works
Street upgrade (new pavement with curb and gutter, sidewalks, storm sewer, and street trees as required)	15	70%	\$27.00	\$8.23	50-80%	\$30.00 \$32.50 \$35.00	\$9.14 \$9.91 \$10.67	Three project types: Minimum 8.5m, 11m or 14m pavement - with storm sewers and tree planting as required - Curb only - Curb and replacement sidewalk - Curb and new sidewalk
Concrete Sidewalk (only eligible for roads with existing curb and gutter)	15	50%	\$8.32	\$2.53	50%	\$10.50	\$3.20	Sidewalk (concrete) (15 year payment term)
					-	\$16.00	\$4.88	Sidewalk (asphalt) (10 year payment term)
Street Lighting	10	50%	\$10.41	\$3.17	50%	\$16.27	\$4.96	Street Lighting
Lane Paving and Lane Ditch Enclosure	5	70%	\$25.19	\$7.68	50-80%	\$30.00	\$9.14	Lane paving
Speed Humps	5	0%	\$2.52	\$0.77	0%	\$2.70	\$0.82	Speed Humps
New Boulevard Trees	5	50%	\$4.24	\$1.29	50%	\$4.46	\$1.36	New Boulevard Trees
Replacement Boulevard Trees	5	50%	\$24.00	\$7.32	50%	\$13.94	\$4.25	Replacement Boulevard Trees