

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE **DATE:** 2019 Oct 15

FROM: DIRECTOR FINANCE
DIRECTOR ENGINEERING **FILE:** 42000-20

SUBJECT: BURNABY LOCAL IMPROVEMENT CHARGES BYLAW UPDATE

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

RECOMMENDATION:

1. **THAT** The Financial Management Committee recommend Council authorize the City Solicitor to bring forward amendments to the Burnaby Local Improvement Charges Bylaw 1985, as set out in this report.

REPORT**1.0 INTRODUCTION**

The City's Local Area Service Program allows Burnaby residents the opportunity to initiate improvements on a residential street or lane. Projects are initiated through a petition process and costs are shared between the City and benefiting property owners. The Burnaby Local Improvement Charges Bylaw 1985 establishes the foot frontage rates used in the creation of Local Area Service projects, related petitions, and billing.

This report outlines proposed changes to the bylaw that will further support projects initiated through the City's Local Area Service Program.

2.0 POLICY SECTION

The Local Area Service Program aligns with the following goals and sub-goals of the Corporate Strategic Plan:

- A Dynamic Community
 - City facilities and infrastructure –
Build and maintain infrastructure that meets the needs of our growing community.

To: Financial Management Committee
 From: Director Finance
 Director Engineering
 Re: Burnaby Local Improvement Charges Bylaw 1985 - 2019 Update
 2019 October 15Page 2

3.0 PROPOSED COST SHARE AND RATE CHANGES

3.1 Proposed Cost Sharing Arrangements

Increasing the City's share of project costs will reduce the foot / metre frontage rates paid by property owners. The existing City share of project costs currently varies between 0% and 70%, based on the type of project. It is proposed that the City's percentage cost share is standardized at 70% for all project categories, thus reducing the owner's share in all cases to a maximum of 30%. The actual percentage of costs borne by owners may in some cases be lower than 30% once an assessment of each parcel against the City's frontage rules as set out in Section 4.0 below has been undertaken.

Table 1 – Summary of Proposed Cost Share Changes:

Type of Work	Current Bylaw Owner's Cost Share	Proposed Bylaw Owner's Cost Share
Street Upgrade	30%	30%
Sidewalk	50%	30%
Street Lighting	50%	30%
Lane Paving	30%	30%
Speed humps	100%	30%
New Boulevard Trees	50%	30%
Replacement Boulevard Trees	50%	30%

3.2 Interest Rates

Another significant factor in the frontage rates applied to a project is the interest rate used in calculation of owner annual repayments. Project repayments are structured along the lines of a loan, over a 5, 10 or 15 year term based on the nature of the works. Annual repayment amounts are fixed, with a greater portion of principle being paid off towards the latter years of the repayment schedule. Property owners have the option to pay off the balance of their loan in any year of the repayment schedule, therefore saving on interest from that year forward. Depending on timing, property owners will pay no interest if they pay before the due date for taxes in the first year of the repayment schedule. Currently, Schedule "B" sets out specific rates of 4.2%, 5.2% and 6.2% for 5, 10 and 15 year projects repayment periods, with these interest rates used for 2018 and 2019 projects to date.

To: Financial Management Committee
 From: Director Finance
 Director Engineering
 Re: Burnaby Local Improvement Charges Bylaw 1985 - 2019 Update
 2019 October 15Page 3

It is proposed that in place of using the existing methodology of the RBC Prime Rate + 1% for 5 years, +2% for 10 years, or +3% for 15 years, one new standard rate be applied to all repayment terms, which is linked to the most recently reported average annual yield for the City’s investment portfolio. The average annual yield rate is published each year in the City’s Annual Municipal Report.

It is felt that the average annual yield approach best represents the opportunity cost of the City using the funds on the project rather than investing the funds as part of its investment portfolio. Use of the investment portfolio yield rate mirrors that approach used most recently in other fee areas. The most recently reported rate of return for the portfolio was 3.16%, as at the end of 2018. Table 2 below summarizes this proposed change.

Table 2 – Proposed Interest Rate Changes:

LAS Category Example	Term	Current Rate	Proposed Rate
Street Upgrade, Sidewalk	15	6.20	3.16
Street Lighting	10	5.20	3.16
Lane Paving, Speed Humps, Boulevard trees	5	4.20	3.16

In order to implement the above proposed interest rate change, staff are proposing to replace Schedule “B” of the Bylaw with the schedule included in Attachment 1 of this report. This rate would be effective until the City publishes its next Annual Municipal Report, typically in May of each year, following which staff will bring forward a report to propose another bylaw amendment to replace amended Schedule “B” with new rates based on the average annual yield in 2019 for the City’s investment portfolio.

3.3 Proposed Frontage Rate Changes

Updated actual total cost information from the most recent set of completed works and Construction Cost Index data has been used to create the proposed revised rates as set out in Table 3 below. With this updated information and proposed revised city / owner percentage cost share and interest rate outlined above, there are a number of significant proposed frontage rate reductions.

Table 3 – Proposed Frontage Rate Changes

Type of Work	Term (years)	Existing Rate per Foot	Proposed Rate per Foot*	\$ Change Per foot
Street Upgrade	15	\$8.23	\$6.41	-\$1.82
Sidewalk	15	\$2.53	\$1.67	-\$0.86
Street Lighting	10	\$3.17	\$0.97	-\$2.20
Lane Paving	5	\$7.68	\$3.24	-\$4.44
Speed humps	5	\$0.77	\$0.25	-\$0.52
New Boulevard Trees	5	\$1.29	\$1.00	-\$0.29
Replacement Boulevard Trees	5	\$7.32	\$4.39	-\$2.93

**Rate per metre is also shown in the bylaw. This table displays just the rate per foot.*

In order to implement the above proposed frontage rate changes and the cost-sharing percentages proposed in Section 3.1 of this report, staff are proposing to replace Schedule “A” of the Bylaw with the schedule included in Attachment 2 of this report.

4.0 TAXABLE FRONTAGE CALCULATIONS – SECTION 4 OF THE BYLAW

The amount paid by each property for local improvement works is determined by the project type, frontage rate, and individual property frontage. The rules for calculating taxable frontage are set out in Section 4 of the Bylaw. Below are proposed amendments to those rules.

4.1 Subsections 4(a) and 4(b) Rules for Calculations of Taxable Frontage

The rules currently applied to properties with a corner lot, or at intersections of a highway, for which work is carried out on one or more sides of the parcel, are complex and can lead to the calculation of foot frontages that differ significantly from the actual frontage of works being constructed. Following discussion between Finance and Engineering, it is proposed that rules 4(a) and 4(b) be replaced with a single simplified rule as follows:

“The taxable frontage for a parcel will be calculated on the basis of the length of the lot line or lot lines abutting the local improvement works, to a maximum of 25 metres or 82 feet”.

This change will mean that for corner lots, or properties at an intersection of a highway, the actual side or sides of the lot abutting the improvement will be measured. A maximum taxable frontage of 25 metres or 82 feet is proposed because the actual frontage for the vast majority of properties included in the local improvement programs do not exceed this length of frontage.

To: Financial Management Committee
From: Director Finance
Director Engineering
Re: Burnaby Local Improvement Charges Bylaw 1985 - 2019 Update
2019 October 15Page 5

4.2 Subsection 4(c) Provision of Similar Work

Subsection 4(c) sets out the following provision: “where a similar work or service payable by special charges has previously been provided on or along one side of a parcel, the taxable foot-frontage shall be 25% of the actual frontage of the longer of the two frontages”. It is proposed that this provision be replaced with the following:

“Where a similar work or service payable by special charges has previously been provided on or along one side of a parcel, the taxable foot-frontage shall be 25% of the actual frontage of the longer of the two frontages, subject to the maximum and minimum taxable frontages set out in this Section 4.”

4.3 Subsection 4(d) Minimum Taxable Frontage

The frontage calculation as outlined in subsection 4(d) of the Bylaw provides for the following: “where the frontage of a parcel of land abutting the works is less than five feet, the taxable frontage shall be established at five feet”. For strata units / multi story developments, dividing the taxable foot frontage of the building across each unit can result in a foot frontage per unit that is less than five feet. Applying the minimum frontage of five feet to each unit can therefore result in a surplus in revenue over what was required for the actual taxable frontage abutting the local improvement. As such, it is proposed that Section 4(d) of the bylaw be replaced as follows:

“Where the frontage of a parcel of land abutting the works is less than five feet, the taxable frontage shall be established at five feet. For a parcel divided into multiple units, the Collector shall apportion the taxable frontage for the parcel amongst each unit within said parcel of land so as not to exceed the total taxable frontage of such parcel.”

4.4 Triangular / Irregular Lots

The long standing practice for triangular or irregular shaped parcels of land is to use the following formula:

Irregular Formula: $(2 \times \text{front} + \text{rear})/3$	Triangular Formula: use $2/3$ of frontage
---	--

The bylaw is currently silent with regard to the use of this frontage calculation for triangular or irregular lots. It is therefore proposed that a new provision under Section 4 of the bylaw be added to include the following wording:

“Subject to the maximum and minimum taxable frontages set out in this Section 4, for a triangular or irregularly shaped parcel of land, the taxable frontage shall be the number of feet as calculated by the Collector, based on the following:

<i>Irregular Formula: $(2 \times \text{front} + \text{rear})/3$</i>	<i>Triangular Formula: $2/3$ of frontage</i>
--	---

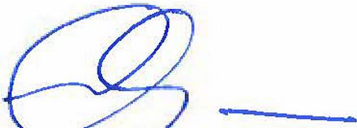
To: *Financial Management Committee*
From: *Director Finance*
Director Engineering
Re: *Burnaby Local Improvement Charges Bylaw 1985 - 2019 Update*
2019 October 15.....Page 6

5.0 RECOMMENDATION

It is recommended that the Financial Management Committee recommend Council authorize the City Solicitor to bring forward amendments to the Burnaby Local Improvement Charges Bylaw 1985 to implement the changes to Section 4 and Schedules "A" and "B" of the Bylaw, as set out in this report.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE



Leon Gous
DIRECTOR ENGINEERING

NK/RR:jh/md

Attachments: 1 – *Schedule B: Local Improvement Commutation Table*
2 – *Schedule A: Local Area Service Frontage Rates*

Copied to: City Manager
City Solicitor

Schedule B: Local Improvement Commutation Table

Year	Payment Period		
	5 Years	10 Years	15 Years
At Interest Rate %	0.0316	0.0316	0.0316
15			11.801
14			11.174
13			10.527
12			9.860
11			9.171
10		8.461	8.461
9		7.728	7.728
8		6.973	6.973
7		6.193	6.193
6		5.389	5.389
5	4.559	4.559	4.559
4	3.703	3.703	3.703
3	2.820	2.820	2.820
2	1.909	1.909	1.909
1	0.969	0.969	0.969
Based on Reported Municipal Portfolio Return for 2018 Cumulative Present Value Factors			

ATTACHMENT 2**Schedule A: Local Area Service Frontage Rates**

Type of Work	Term (years)	Owner's Cost Share	Rate (\$/m)	Rate (\$/foot)
Street Upgrade (New pavement with curb and gutter, sidewalks, storm sewers and street trees as required)	15	30%	\$21.03	\$6.41
Sidewalk (only eligible for roads with existing curb and gutter)	15	30%	\$5.47	\$1.67
Street Lighting	10	30%	\$3.18	\$0.97
Lane Paving	5	30%	\$10.62	\$3.24
Speed humps	5	30%	\$0.82	\$0.25
New Boulevard Trees	5	30%	\$3.30	\$1.00
Replacement Boulevard Trees	5	30%	\$14.41	\$4.39