

INDUSTRIAL INFRASTRUCTURE PROJECT - PRIORITIZATION, EVALUATION AND OUTCOME AND 137 AVENUE AND ANTHONY HENDAY ON-RAMPS - COMPLETION OPTIONS

RECOMMENDATION

That the November 22, 2022, Urban Planning and Economy report UPE01222, be received for information.

Requested Council Action	Information Only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Regional Prosperity		
City Plan Values	ACCESS		
City Plan Big City Move(s)	Catalyze and Converge	Relationship to Council's Strategic Priorities	Economic Growth
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • C624 - Fiscal Policy For Revenue Generation • C592 - Industrial Infrastructure Cost Sharing Program • Bylaw 14380 - Arterial Roads for Development • Edmonton Economic Action Plan 		
Related Council Discussions	<ul style="list-style-type: none"> • August 24, 2021 Urban Planning Committee - IIS00662 Update on 137 Avenue On-ramps (B. Esslinger) • February 15, 2022 Urban Planning Committee UPE00491 Mobility Network Assessment 		

Previous Council/Committee Action

At the April 4/5/6, 2022, City Council meeting, the following motion passed:

That Administration provide a report that outlines the prioritized industrial infrastructure projects under consideration for the 2023-2026 capital budget including road connections on Anthony Henday and 137 Avenue to open up industrial development in the northwest. Report to provide

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details on the evaluation criteria used to prioritize and the anticipated outcome/benefits of each project.

At the August 24, 2021, Urban Planning Committee meeting, the following motion passed:

That Administration continue to explore options for the completion of the 137 Avenue and Anthony Henday on-ramps including the economic impact of completion and provide a report back to Committee.

Executive Summary

- Industrial infrastructure projects that attract and support investment are important for supporting The City Plan and Edmonton's Economic Action Plan. Administration explored possible funding options for the 137 Avenue / Anthony Henday Drive ramps, and is eager to work with the development industry on alternative funding solutions.
- The City considers many factors when prioritizing funding for capital projects. Many projects benefiting industrial areas were completed in the 2019-2022 budget cycle and several have significant expenditures planned in the 2023-2026 Capital Budget cycle.
- Through this prioritization process, the 137 Avenue / Anthony Henday Drive on-ramps were not included for growth consideration for the 2023-2026 budget proposal.
- During initial construction of Northwest Anthony Henday Drive, the Province did not construct the ramps at 137 Avenue, but earthworks were done as part of the project, with road surface, lighting, and other work left for future construction.

REPORT

An aspect of achieving The City Plan's vision of two million residents is to ensure Edmonton has sufficient and suitable land available to accommodate the needs of new and growing industrial businesses. The City supports this through capital infrastructure that contributes to economic development, as well as quality of life. Through working with stakeholders, listening to Edmontonians and aligning the capital budget with established capital prioritization criteria, Edmonton will continue to build a city where people and businesses want to live, work and play.

In addition to a \$45.9 million total investment in 2021 through the Municipal Stimulus Program (City contribution of \$3.1 million) for paving industrial neighbourhoods, a number of other capital projects are being delivered that benefit industrial areas. The following priority projects have significant expenditures planned in the 2023-2026 capital budget:

- 50 Street CP Railway Grade Separation (total cost: \$179.6 million; City contribution: \$108.8 million)
- Yellowhead Trail Freeway Conversion Project (total cost: \$989.3 million; City contribution: \$495.3 million)

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- Administration's Land Development business area is projecting to invest \$41.1 million on industrial land development activities to ensure ongoing serviced industrial lot supply within the City, which will provide opportunities to attract new investment and economic growth.

Prioritization for growth capital projects for the 2023-2026 budget included strategic criteria and basic project attributes. Strategic criteria are based on The City Plan's Big City Moves, whereas basic project attributes capture the more operational important aspects of capital projects such as mandate, reliance on City to provide the asset, portion of the community or organization served, and safety. Evaluation against the strategic criteria considers the project's impact on desirable economic development outcomes such as number of jobs created, number of hectares of non-residential land unlocked and alignment with Edmonton's Economic Action Plan. It also includes impact on other strategic priorities such as addressing climate change and creating 15 minute communities.

In general, industrial projects serve a relatively small area of the city and the 137 Avenue/Anthony Henday Drive ramps, although meaningful to a localized area, did not score high in the context of other City-wide priorities through the most recent evaluation process. Additional prioritization considerations were detailed in the October 31, 2022 City Council report FCS01393 Proposed 2023-2026 Capital Budget.

Growth Project Funding Process

Large infrastructure projects are funded in a variety of ways. Growth projects include a wide range of projects such as recreation centres, fire stations, road improvements and grade separated crossings. City Policy C624 - Fiscal Policy For Revenue Generation provides the governing framework for allocating service and infrastructure costs throughout the community and guides fiscal decisions on who pays, in what amount and why.

The City follows three general funding models for transportation infrastructure:

1. Under the principle 'Benefitter Pays', developers pay for the full cost of required infrastructure they benefit from such as underground utilities and local and collector roadways.
2. Under the same 'Benefitter Pays' principle, developers share the cost (through offsite levies) for large infrastructure that benefits more than one developer, such as arterial roads.
3. For infrastructure with broader benefits such as the Yellowhead Trail Freeway Conversion Project, bridges and freeways, the City pays or shares the cost with other levels of government.

Major infrastructure projects such as freeways or grade separations can also be eligible for funding under provincial or federal cost-share programs. For example, the National Trade Corridors Fund is supporting the 50 Street Canadian Pacific (CP) Railway Grade Separation, and the Building Canada Fund provides funding for the Yellowhead Trail Freeway Conversion Project. Both programs include federal and matching provincial support.

137 Avenue Ramps Options

When Anthony Henday Drive was constructed, a number of interchanges and ramps were left for future construction, including the interchange at 137 Avenue. The City's list of interchanges and

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major intersections that require future construction includes the 137 Avenue exit and entrance ramps onto Anthony Henday Drive.

A number of logistics and distribution companies are located in Northwest Edmonton and the completion of the 137 Avenue ramps would facilitate improved vehicle and goods movement in the area. Developers assert that improved access to Anthony Henday Drive, achieved by the completion of the 137 Avenue ramps, would attract more development to vacant lands in the area, producing increased tax revenues for the City. Determining who benefits from (and therefore who pays for) large infrastructure such as an interchange ramp can be challenging. For example, the interchange at Anthony Henday Drive and 137 Avenue connects to Leclair Way in St. Albert and would benefit St. Albert businesses and residents as well.

The City Plan provides direction for future growth in direction 4.3.1.3 "Enable and expand non-residential opportunities by strategically investing in transportation infrastructure". However, this type of investment is not prioritized in isolation and is reviewed within the context of all investments necessary to achieve the City's strategic goals. Urban Planning and Economy report UPE00491 Mobility Network Assessment, presented to Urban Planning Committee February 15, 2022, identified priority locations for transportation network investments, which did not include the 137 Avenue ramps. Administration is not recommending any changes to prioritization criteria that would increase the relative priority of the 137 Avenue ramps.

Fostering a vibrant economy and providing opportunities for entrepreneurs and investors requires a thoughtful approach developed together with city-building partners. Innovative approaches have been identified to address this specific need and also create new and effective mechanisms to address barriers to development in the industrial sector. These include:

- Amend the Arterial Roadway Assessment bylaw within the Mistatim Industrial Area to include ramps construction (which would include negotiation with industry). This amendment would enable the use of the Industrial Infrastructure Cost Share Policy, which is funded by the increased tax revenues from new development;
- Develop a cost sharing model with development industry (e.g. 50-50 funding);
- Approach City of St. Albert to discuss the relative priority of this infrastructure for their community, which could determine whether cost sharing could be considered at a future time;
- Explore tax uplift funding from the vacant industrial lands in the area;
- Commit to constructing the ramps if some portion of the current vacant industrial lands are developed, once increased tax revenues are generated.

The options above each have benefits and trade offs to consider. Many factors can impact whether an economic benefit of development is realized and whether the benefit is directly attributed to the infrastructure. As the ramps are not in the City's capital priority list, advancing advocacy for provincial or federal funding support may compromise or be misaligned with the Council approved priorities that require prioritized provincial or federal support.

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Work in 2023 will include industry input to refresh the City's strategy for industrial development and related goods movement policies with consideration of the options and how the City may wish to approach the risk of front-end capital investment with the aim of unlocking high potential industrial lands.

COMMUNITY INSIGHT

Industry groups and developers with land holdings in North Edmonton are interested in the economic potential of the lands and often contact the City to provide insight and look for opportunities to collaborate with the City to unlock the potential of city lands in the Northwest.

The Commercial Real Estate Development Association - Edmonton Chapter (NAIOP) has identified areas they believe could warrant further research on cost of infrastructure upgrades and tax uplift, including the 137 Avenue / Anthony Henday Drive ramps, and have offered to work with Administration to provide market analysis and insight on the business case for these areas. Their members have indicated they have a shovel-ready project to support industrial growth and potentially benefit the large untapped industrial areas in the north west.

GBA+

Some ideas identified above merit further exploration to understand who benefits from the prioritization of capital projects such as the 137 Avenue / Anthony Henday Drive ramps and who does not. The City must weigh a number of variables to ensure limited resources are allocated appropriately. Trade-offs are always important to consider in a constrained financial environment. For example, equity-deserving communities usually experience greater and more severe impacts due to funding cuts and should be considered when large capital projects may only benefit a small number of businesses.

Any future decision to fund the 137 Avenue ramps or other projects not identified for funding on the City's list of capital priorities means choosing not to fund something else. An in-depth exploration should be undertaken to understand the potential future tax uplift and economic benefit of developing freeway ramps versus funding programs or services that more directly and immediately serve equity-deserving populations. These freeway ramps do not appear to have a direct benefit to equity-deserving communities.

The work in 2023 to refresh the City's strategy for industrial investment and development will include additional GBA+ evaluation as an input.

ATTACHMENT

1. Attachment 1: Mistatim Industrial Area and 137 Avenue Anthony Henday Ramp Location