

# Infrastructure Development Costs in Unserviced Industrial Areas - Planning and Design

## Recommendation

That the May 25, 2020, Integrated Infrastructure Services report CR\_7335, be received for information.

## Previous Council/Committee Action

At the June 4, 2019, City Council meeting, the following motion was passed:

That Administration provide a report on the scoping work for the planning and design of Infrastructure Development Costs in the unserviced industrial areas. This report is to include a capital budget profile to complete checkpoints 1-3 of the project and development delivery model and return to Committee prior to the Fall 2019 Supplemental Capital Budget Adjustment.

## Executive Summary

This report outlines the results to date from the servicing study, including level of service options, development and delivery phase cost estimates for each industrial neighbourhood. This report also provides updates on the pilot project's current status. A potential schedule to complete Phase 1 planning and design work (Project Development and Delivery Model Checkpoints 1-3) is also provided and could be considered for addition to the existing composite, Capital Budget Profile CM-40-4040 - Building Great Neighbourhoods Planning and Design Growth, through a Supplemental Capital Budget Adjustment to be used for this purpose should Council wish to proceed.

This report includes an overview of the funding strategy that includes different upfront funding and recovery tools.

## Report

At the April 25, 2019, Executive Committee meeting, Administration presented Integrated Infrastructure Services report CR\_6601, Neighbourhood Infrastructure Cost - Winterburn, Mistatim and Southeast Industrial Areas. In that report, Administration identified the intention to report back with the results of the servicing study, including estimated infrastructure development and delivery costs in advance of the 2020 Spring Capital Budget Adjustment. This reporting was deferred until Spring 2020 to allow for

more detailed reviews of servicing options in these areas and to further progress past Council direction to consider piloting a potential cost sharing model within the Winterburn area through a local improvement.

### Background

Winterburn Industrial, Mistatim Industrial and Southeast Industrial areas have approximately 20 kilometres of unpaved rural cross section roads (gravel, oiled or surface treated with ditches) as shown in Attachment 1, and varying levels of other servicing (sanitary, storm, power, potable water) infrastructure. These three areas were developed before they were annexed by the City in 1982 and were not built with underground storm drainage systems, curbs, gutters and sidewalks as is required today. The original sale price of the subdivided lot reflected these lower servicing standards.

As part of CR\_6601, Administration outlined the need for a servicing study to fully understand the existing level of servicing, infrastructure development options and implementation strategies for the unpaved roads in the Mistatim, Winterburn and Southeast Industrial areas. Two of the three phases of this study have been completed, including an evaluation of existing level of service, proposed service options, cost estimates for infrastructure development and delivery, and funding options. Phase Three will identify the optimal staging of improvements and include an implementation plan.

### **Existing Level of Service**

The current level of service provided by the rural cross section roads in each neighbourhood varies; however, some of the common challenges experienced in these three industrial areas are:

- Heavy industrial traffic on unpaved roads, resulting in poor road surface and potholes
- Flooding due to cross lot drainage and shallow rural ditches
- High gravel road maintenance costs
- Lack of transit services, pedestrian accessibility and road lighting
- Lack of servicing (particularly fire protection) limits new development opportunities

Attachment 2 shows the existing mix of level of service elements on these roads in each area. In general, these roads do not meet the current Complete Streets Design and Construction Standards for rural or urban industrial roads.

## Level of Service Options

Two servicing options have been identified for each industrial neighbourhood:

- Rural Industrial — Paved road with drainage ditches on both sides
- Urban Industrial — Paved road with sidewalks on both sides and a storm sewer required for drainage

See Attachment 2 for a full comparison of elements included in each of the two options.

## Cost Estimates

The table below shows the estimated costs for development and delivery of the servicing options. These estimates include costs for street lighting, water servicing and sanitary servicing, and include a 50 percent contingency.

Neighbourhood	Development (Checkpoint 1 - 3)	Delivery (Checkpoint 4 - 5)	
		Rural Industrial	Urban Industrial
Mistatim Industrial	\$1.6 Million	\$31.6 Million	\$54.5 Million
Southeast Industrial	\$2.3 Million	\$46.0 Million	\$53.3 Million
Winterburn Industrial	\$8.2 Million	\$163.0 Million	\$220.4 Million

## Planning and Design for Infrastructure Development

The development phase will determine the level of service for each roadway upgrade based on technical constraints, City policy and standards, and public input. Key supporting factors for advancement of the Planning and Design phase include:

- Profile CM-40-4040 - Building Great Neighbourhoods Planning and Design Growth, has \$675,000 remaining in funding available for the planning and design of improvements to road infrastructure within industrial neighbourhoods
- The status of the Winterburn Pilot Program and the results of the servicing study will inform the priorities for the 2020-2022 budget cycle

There are currently no City funded programs to upgrade the rural unpaved industrial road infrastructure that was annexed by Edmonton. Report CR\_6601 included an assessment of financial options for upgrading infrastructure in the rural industrial areas, which identified the potential for a new industrial servicing program funded by the

general tax levy. If an alternate decision was made to move forward based on the development checkpoint 1-3 cost estimates provided in the table above, funding could be approved as part of a future Supplemental Capital Budget Adjustment once a funding source is confirmed and included within Capital Budget Profile CM-40-4040 Building Great Neighbourhoods Planning and Design Growth.

### Current Process and Issues

For Industrial areas under current City policies (Policy C535 - Process for Developed Properties that are Currently Unserviced to Connect to City Services and Policy C433D - Determination of Assessable Roadway-Related Local Improvements), if the standard of infrastructure is upgraded, such as upgrading gravel surfaces to full pavement, it is currently only considered through a private infrastructure improvement agreement or under a local improvement bylaw where full costs become part of the property tax roll through local improvement taxes. The focus or intent of these approaches is to align the benefiting property owners of the infrastructure investment (e.g., increased market value) with responsibility for contributing to the cost.

### Funding Strategy

Upfront funding for infrastructure upgrades could be provided by the City through an increase to the tax levy. The future financial benefits to the City from this infrastructure upgrade would include:

- Lower maintenance costs throughout the 526 hectares of area and 20 km of roads
- Property value increase and related tax uplift of 10 - 15 percent for approximately 378 hectares of property that would change in classification from unserviced to serviced
- Support for a wider range of land use and property improvements due to servicing and in particular fire protection upgrades
- Further tax uplift associated with future property improvements
- Further recoveries of the City's upfront investment from property hook-up to these services

Recovery beyond the 10 - 15 percent tax uplift associated with initial servicing is directly linked to the proportion of future property improvements. Estimating this recovery is difficult due to the unpredictability of property development timelines. The infrastructure implementation plan would include optimization of staging to maximize recovery potential.

### Winterburn Industrial Pilot Update

Administration was asked to explore a partnership between the City and landowners for the Winterburn Pilot project. The Pilot explored 50/50 cost sharing between the City and property owners as committed by City Council at the November 3, 2015, City Council meeting, through Sustainable Development report CR\_2630, Roadway and Infrastructure Upgrading in Winterburn Industrial Area. In this project, landowners would pay their 50 percent share of infrastructure upgrades through a Local Improvement. An advantage of utilizing the Local Improvement process is that landowners have the option to pay over time for the upgraded infrastructure. Landowners who do not need or desire the upgraded infrastructure for their business operations would also have to pay for these upgrades. This cost could be a significant burden to those landowners and may provide them little benefit in return if the majority of adjacent property owners agree to proceed with the local improvement.

Administration sent an Expression of Interest to property owners in a portion of the Winterburn Area to gauge support for a local improvement tax to fund roadway and servicing improvements. The Expression of Interest required over 50 percent 'Yes' responses to be recommended for advancement by Administration. Since one third of property owners did not respond and only 41 percent of responses received were 'Yes,' the Expression of Interest was unsuccessful. The Expression of Interest closed March 15, 2020, four days after the declaration of the COVID-19 pandemic by the World Health Organization.

While the strategy explored through the Winterburn Industrial Pilot may be a viable option in a limited number of locations during favorable economic conditions, experience to date suggests that this approach would not support wider implementation.

### Winterburn Industrial Reduced Pilot Area for Phase 1 Option

Based on the results of the 2020 Winterburn Pilot Expression of Interest, a portion of Winterburn land owners are interested in hooking up to servicing; this makes Winterburn a logical starting point for the first phase of servicing these industrial areas. If additional funding were approved, Administration would review and establish a refined scope of work for the planning, design and delivery of this proposed Phase 1. The estimated costs for Winterburn Phase 1 are:

Neighbourhood	Development Phase	Delivery Phase	
		Rural Industrial	Urban Industrial
Winterburn Industrial (Phase 1)	\$1.0 Million	\$10.0 Million	\$13.5 Milion

Planning and Design of Phase 1 could begin in 2020 with construction anticipated to begin in 2022. Funding for Delivery of Phase 1 would be requested at Checkpoint 3, as per the Project Development and Delivery Model. Development and implementation of a funding strategy could be undertaken concurrent with the Planning and Design work.

## Corporate Outcomes and Performance Management

<b>Corporate Outcome(s):</b> Edmonton Region is a catalyst for industry and business growth			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton attracts and retains targeted industrial businesses	Edmonton Region Non-residential permit value (\$ billion)	2017: 1.86	2018: 2.79
<b>Corporate Outcome(s):</b> The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
The City of Edmonton has a resilient financial position	City Asset Sustainability	2017: 0.94	2018: 1.00

## Attachments

1. Proposed Improvement Areas
2. Existing Level of Service

## Others Reviewing this Report

- G. Cebryk, Deputy City Manager, City Operations
- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor