

Capital Profile for LRT Southeast Land Purchase

Land Requirements – Southeast to West LRT

Recommendation:

That the Southeast to West LRT Capital Profile 11-66-1673, as outlined in Attachment 1 of the November 25, 2011, Transportation Services report 2011TS8126, with Phase 1 land acquisition of \$161 million, financed by tax supported debt, with debt servicing funded through a 1% tax increase, be approved.

Report Summary

This report provides information on funding for Southeast to West LRT property acquisition.

Previous Council/Committee Action

At the November 1, 2011, Transportation and Infrastructure Committee meeting, the following motion was passed.

That Administration bring to the November 25, 2011, City Council Budget meeting a capital profile for the land purchases for the Southeast land requirements of the Southeast to West LRT, and identify source of funding.

Report

The Southeast and West LRT Concept Plans were approved by City Council on January 19, 2011.

A Capital Project profile for land acquisition, design and construction and Light Rail Vehicle procurement has been presented in Attachment 1, with a phased project delivery.

- Phase 1 represents land acquisition for Southeast, Downtown and critical West segments.
- Phase 2 represents the staged design, construction and Light Rail Vehicle procurement for the system.

At this time, Phase 1 critical land acquisition in the amount of \$161 million is recommended to be financed by tax supported debt, with debt servicing funded through a 1% tax increase. The tax increase would be phased in over two years, with .5% in year one and .5% in year two. City funding for Phase 2 would be contingent upon funding from other orders of government.

The concept plans identified land requirements for the 27 kilometre corridor totalling approximately \$216 million. Since approval of these corridors and concept plans, Administration has been acquiring some of these lands on an opportunity basis with funding through Land Enterprise and City working capital. A total of \$161 million is required for the land on the Southeast and Downtown legs of the system and for the critical land purchases on the West leg. Approximately \$24 million of opportunity land purchases have been completed with another \$14 million in progress. Temporary financing of \$40 million is in place from working capital and the Land Enterprise Fund.

To start construction in spring of 2014 on Stage 1 of the Southeast to West LRT, being the portion from Whitemud

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Drive to Centre West Station, funding for land acquisition is required in January 2012. The land acquisition process can take up to two years for multi-family, industrial and commercial properties.

Approval of the recommendation will allow Administration to continue with its negotiations and actively pursue all properties along Stage 1 and continue to act on any opportunity or critical purchase along the remainder of the corridor.

If the City does not acquire the Stage 1 properties over 2012 and 2013, Stage 1 construction cannot start in 2014. A one-year delay to the overall Stage 1 project schedule could add \$75 million (5%) in inflation costs. Other costs associated with re-assembling a project team, potential changes in design due to property acquisition delays and impacts on grant applications could result in additional unknown project costs.

If the properties are acquired and Stage 1 construction does not proceed in 2014 there is relatively low risk to the City as the properties will continue to hold value.

Corporate Outcomes

This project supports City Council's 10-year strategic goals to shift Edmonton's transportation modes; improve Edmonton's liveability; and preserve and sustain Edmonton's environment.

Budget/Financial Implications

This project is not currently funded in the 2012 – 2014 Capital Budget. The use of tax supported debt to be repaid over twenty-five years would require a 1% tax increase phased over two years

to fund the debt servicing. Should City Council approve financing the land acquisition through tax supported debt, Administration would bring forward the required borrowing bylaw in January 2012.

The City has sufficient capacity under the *Municipal Government Act* guidelines for total debt and debt servicing to finance this project through debt and also has a capacity under the City's Debt Management Fiscal Policy to accommodate the debt servicing.

Justification of Recommendation

In order to initiate construction of Stage 1 of the Southeast to West LRT in the spring of 2014, funding for land acquisition is required by January 2012. If these properties are not purchased over 2012 and 2013, the start of construction will be delayed. Approval of the recommendation allows the City to fund the acquisition of the priority properties and pursue opportunity purchases from other willing sellers.

Attachments

1. Capital Profile 11-66-1673

Others Reviewing this Report

- L. Rosen, Chief Financial Officer and Treasurer
- D. H. Edey, General Manager, Corporate Services