

Staff Report

Origin

On April 7, 2009, the federal and provincial governments jointly announced the contribution of funding towards the Nelson Road-Highway 91 Interchange as part of the Building Canada (Infrastructure Stimulus) grant program. Since that time, City staff have been meeting with the project's stakeholders (i.e., federal and provincial governments, TransLink and Port Metro Vancouver) to discuss a funding and implementation strategy. This report seeks Council's approval of the proposed City's contributions to facilitate the implementation of the Nelson Road-Highway 91 Interchange (see **Attachment 1** for a preliminary design concept).

Analysis

1. Nelson Road-Highway 91 Interchange Project and Building Canada Program

In February 2009, the federal and provincial governments invited the City to submit potential "shovel ready" local capital projects for consideration of cost-share funding at one-third each (i.e., total cost split three ways between the federal, provincial and municipal governments) as part of the Building Canada capital infrastructure program. This application has subsequently been transferred to the Infrastructure Stimulus Program by the Ministry of Transportation and Infrastructure (MOTI). While the proposed Nelson Road-Highway 91 Interchange is wholly within the province's jurisdiction, the City agreed to submit an application for this project so that it could be considered for senior government grant funding. The City submitted the application with a cover letter from the Mayor that stated the following provisos:

- the submission would not jeopardize the potential of approval for other submitted local projects; and
- the 1/3 municipal funding would be contingent upon contributions from Port Metro Vancouver and/or TransLink so that no or minimal City funding would be required.

The cost estimate for the Nelson Road-Highway 91 Interchange is \$26.9M including \$7.8M for land acquisition. As land acquisition is not an eligible cost under the Infrastructure Stimulus Program, the federal and provincial would provide one-third cost-share funding on the balance of \$19.1 million only, or \$6.37 million each for a total of \$12.7 million. According to MOTI staff, the federal government is not prepared to contribute any further funds to the project.

TransLink has advised that due to its current financial outlook, it cannot contribute any funding towards the project. The Port Metro Vancouver Board recently approved a contribution of \$3.5M towards land acquisition costs. MOTI staff have since reviewed the project and revised the land acquisition cost estimate to \$6.3M. As summarized in Table 1 below, this scenario results in a total balance of \$9.17M remaining to be funded.

Table 1: Project Funding Committed to Date

Agency	Land Acquisition Costs	Construction Costs	Total
Federal Government	\$0M	\$6.37M	\$6.37M
Provincial Government	\$0M	\$6.37M	\$6.37M
Port Metro Vancouver	\$3.5M	\$0M	\$3.5M
Total Cost	\$7.8M	\$19.1M	\$26.9M
Revised Total Cost	\$6.3M	\$19.1M	\$25.4M
<i>Shortfall</i>	<i>\$2.8M</i>	<i>\$6.37M</i>	<i>\$9.17M</i>

As indicated by MOTI (see **Attachment 2**), the existing funding shortfall of \$9.17M could be addressed via contributions of:

- a further \$4.0M from Port Metro Vancouver;
- \$3.0M from the City of Richmond; and
- the balance of \$2.2M being risk-managed by the provincial government with the intent that all funding partners work to minimize this gap.

Under the guidelines of the Infrastructure Stimulus Program, the deadline for completion of this project is March 31, 2011. The funding strategy therefore needs to be finalized by the end of July 2011 in order to meet this deadline.

2. Requested City Funding Contribution

There are two options to address MOTI's request to the City for a contribution of \$3.0M towards implementation of the project.

2.1 Option 1: Add Project to DCC Program & Borrow from City Reserves with Debt Payments from Road DCC Reserve (Recommended)

The Nelson Road-Highway 91 Interchange project is not included in the City's current DCC program. With this approach, this project would need to be added to the program. In order to maintain the same overall value of the DCC program, staff propose that the Blundell Road-Highway 99 Interchange project, which is included in the DCC program, be reduced from \$13M to \$10M. As the Nelson Road-Highway 91 Interchange project is an interim improvement towards the ultimate solution of an interchange at Blundell Road and Highway 99, it is reasonable for the City to reduce its commitment to this latter project. The proposed reduced amount in the DCC program for the Blundell Interchange project would not have a significant impact on this project as it is deemed a long-term improvement.

Should this project be included as part of the DCC program, the \$3.0M would be funded by borrowing that amount from the City's Revolving Fund and paying the funds back over a period of up to 12 years using Roads DCC funds beginning in 2015. The deferral of the start of repayment to 2015 (as opposed to 2010) is necessary as significant Roads DCC funds are required through to 2014 for the annual repayment for the No. 2 Road Bridge (i.e., the final payment for the bridge will be in 2014), the North Loop Road Land acquisition, the River Road Alignment project, and the Lansdowne Road Extension project, with the latter project also requiring payments beyond 2014.

The City's proposed funding contribution of \$3.0M (approximately 11% of the total cost) is reasonable vis-à-vis the anticipated benefits for the community: the removal of significant truck volumes from Westminster Hwy and thus the facilitation of agricultural activity in the area.

Note, however, that the required annual repayment of approximately \$634,437 may potentially negatively impact the provision of annual community-based programs that are also funded by Roads DCC, such as the arterial crosswalk upgrade program, neighbourhood traffic safety improvements (e.g., traffic calming and pedestrian facilities) and expansion of the city's cycling network, if future contributions towards the Roads DCC reserves continue to be low as currently experienced.

In addition, MOTI staff have advised that assuming the City contributes \$3.0M and Port Metro Vancouver an additional \$4.0M, then the Province is prepared to risk manage the resulting \$2.2M gap “with the understanding that all funding partners will work towards minimizing this gap.” Staff recommend that the Ministry of Transportation and Infrastructure be advised that City’s funding contribution would not exceed \$3.0M.

2.2 Option 2: Do Not Provide Any Funding

The City could choose to not commit any financial resources to the project given that:

- the project is wholly within the jurisdiction of the province; and
- municipal funding has already been committed to associated roadway widening improvements that would tie into the interchange (i.e., widening of Westminster Highway between Nelson Road and McMillan Way and widening of Nelson Road between Westminster Highway and Blundell Road).

Financial Impact

As described in Section 2, the recommended option (Option 1) is to borrow \$3.0M from the Revolving Fund, which would be repaid using Roads DCC funds over a period of up to 12 years beginning in 2015. If approved, staff would proceed with the necessary steps to arrange for the interim transfer of internal funds and subsequent annual repayment of the funds through future Roads DCC programs. This project would be entirely managed, designed and built by MOTI and hence there would be no other resource impact to the City other than coordination.

Conclusion

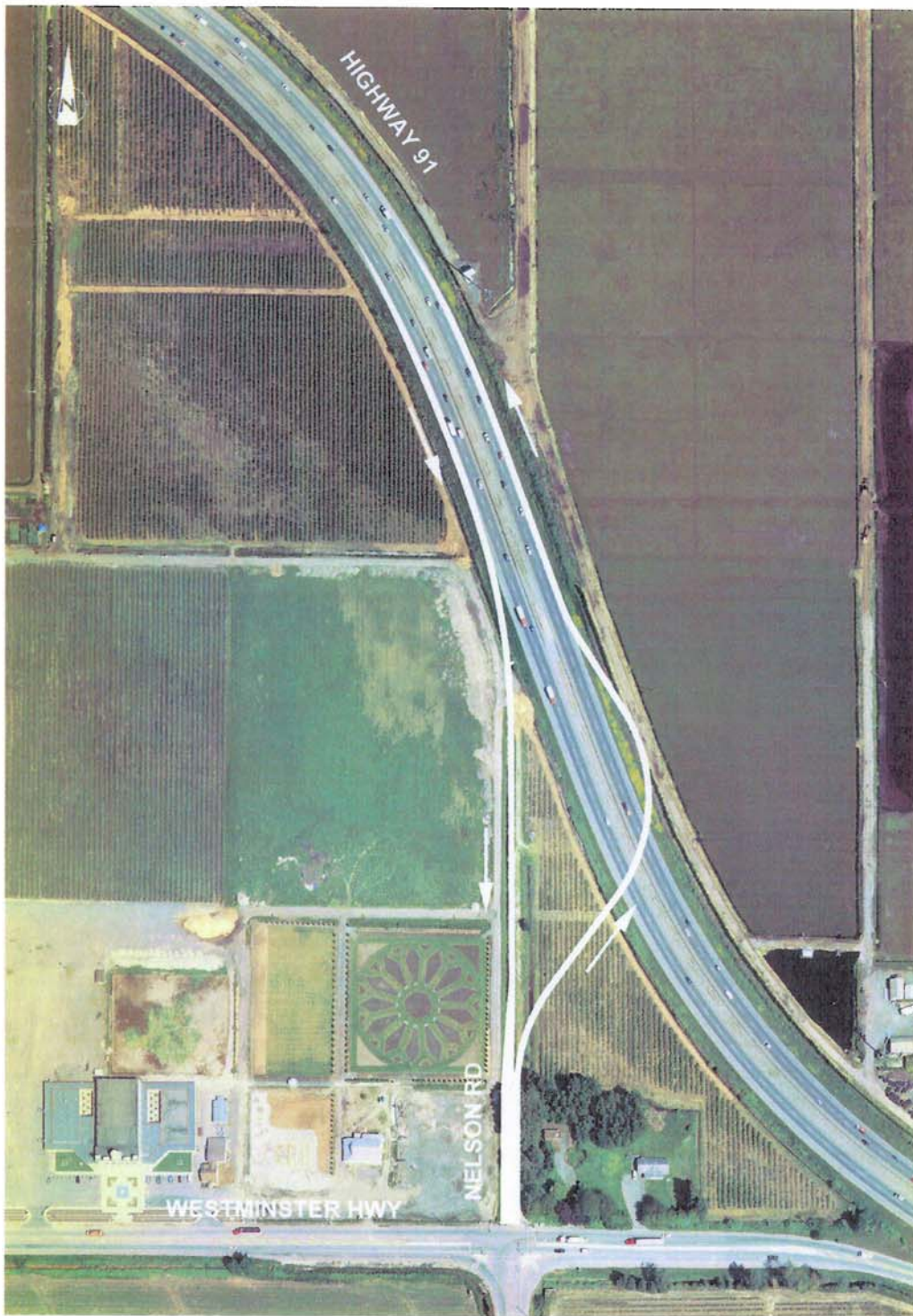
The proposed Nelson Road-Highway 91 Interchange will improve access to the Fraserport industrial lands and provide an alternate route for traffic currently using Westminster Highway as an east-west connection between Richmond, Highway 99 and Knight Street thereby reducing traffic congestion, creating better access to the highway network and improving local road conditions for farmers in the area. Staff therefore recommend that the City commit a maximum of \$3.0M in funding towards this project.



Joan Caravan
Transportation Planner
(604-276-4035)

JC:jc

Preliminary Design Concept for Nelson Road-Highway 91 Interchange





July 9, 2009

Cliff: # 181481

Victor Wei
Director, Transportation Division
6911 No. 3 Road
Richmond, BC V6Y 2C1

Dear Victor Wei:

Re: Nelson Road / Highway 91 Interchange

This letter is intended to provide the City of Richmond with an update on current funding commitments, approach for addressing the current funding gap, and key dates.

The estimated total cost of this project (including land) in 2008 dollars is \$26.9 million. All costs, with the exception of land (\$7.8 million recently revised to \$6.3 million) are eligible under the Stimulus Fund. Provincial and Federal Government commitments will provide two thirds of the eligible costs (\$6.37 million each), and Port Metro Vancouver (PMV) has recently obtained Board approval to contribute \$3.5 million.

Given these commitments, the resulting funding gap is \$9.2 million. In order to address this gap, the Province is seeking \$3 million from the City of Richmond. Although PMV has stated it is only prepared to commit \$3.5 million, the Province believes that if the City comes forward with a funding commitment, the Province can leverage this to obtain an additional \$4 million in funding from PMV.

Assuming the City commits \$3 million and PMV an additional \$4 million, the Province is prepared to risk-manage the remaining \$2.2 million gap with the understanding that all funding partners will work towards minimizing this gap. (e.g. Obtaining land required for the Right-of-Way without cost to the project.)

**Ministry of
Transportation and
Infrastructure**

Pacific Gateway

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Given that Federal and Provincial funding is under the Stimulus Fund, this project must be substantially complete by March 31, 2011 to ensure all of the federal funding is received. In order to meet this timeframe, any delays beyond July may impact the Province's ability to meet this timeframe, increasing the risk of a funding shortfall.

The Province appreciates the City of Richmond's willingness to consider funding \$3 million towards this project and looks forward to receiving a response prior to the end of July.

Yours truly,

A handwritten signature in black ink, appearing to be 'Brad Glazer', written over a horizontal line.

Brad Glazer
Senior Project Manager