



City of Richmond

Report to Committee

To: Public Works & Transportation Committee **Date:** March 9, 2021
From: Milton Chan, P.Eng.
 Director, Engineering **File:** 10-6060-01/2021-Vol 01
Re: **Works and Services Cost Recovery Bylaw Update 2021 and Interest Rate Options**

Staff Recommendation

1. That Option 2, as outlined on Page 4 of the staff report titled “Works and Services Cost Recovery Bylaw Update 2021 and Interest Rate Options,” dated March 9, 2021, from the Director, Engineering be adopted as the approach for incorporating interest rates into the Works and Service Cost Recovery Bylaw; and
2. That Works and Services Cost Recovery Bylaw No. 8752, Amendment Bylaw No. 10215, be introduced and given first, second, and third readings.

Milton Chan, P.Eng.
 Director, Engineering
 (604-276-4377)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Finance	<input checked="" type="checkbox"/>	
Law	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

Section 194 of the *Community Charter* (the “Charter”) permits the City to charge fees for City Services, which includes infrastructure works. The Works and Cost Recovery Bylaw No. 8752 (the “Bylaw”) facilitates the recovery of costs associated with projects constructed and financed by the City that would normally be secured through the development process. As cost recovery projects are implemented, the Bylaw is amended to include those projects to facilitate the City’s recovery of those costs through redevelopment.

At the May 23, 2019 Public Works and Transportation Committee meeting, staff presented proposed amendments to the Bylaw to include two new cost recovery projects that have been completed and to remove an old project that no longer qualifies for cost recovery. At the meeting, the following referral was made:

That the staff report titled “Works and Services Cost Recovery Bylaw Amendment” be referred back to staff for more information and options with regards to inflation.”

This report presents options for incorporating interest rates into the bylaw and recommends the addition of two projects to the Bylaw and the removal of one project for which the maximum recovery period has expired.

Analysis

Background

Through the development process and Subdivision and Development Bylaw No. 8751, the City requires developers to pay for and construct infrastructure upgrades required to service the proposed development. At times, the City identifies a need to install or upgrade infrastructure that benefits properties that have subdivision potential. This construction is financed by the City and any existing developer contributions. To maintain equity, the City has established the Bylaw to charge benefitting developers who would have otherwise had to provide the infrastructure upgrade fronting their property. Costs will only be incurred by those who benefit in the future should they subdivide; existing property owners will not incur any costs if they do not subdivide.

This cost recovery principle mirrors the collection of latecomer charges for Excess or Extended Services, as outlined in Section 508 of the Local Government Act, where developers who construct excess or extended services beyond their frontage at the benefit of other developments are eligible to establish an agreement to facilitate the recovery of costs from future benefitting developments as a latecomer charge for a period of 15 years.

The Bylaw currently contains seven schedules, each identifying an infrastructure upgrade project that has been completed in this manner with benefitting properties that are eligible for subdivision. Each property is apportioned a construction cost based on their proportion of frontage length and these costs will be recovered from the property owner upon subdivision.

Incorporating Interest Rates into the Bylaw

The existing Bylaw charges benefiting properties based on the cost incurred by the City at the time of construction and does not account for inflation. Incorporating interest rates into the Bylaw would allow the City to be compensated for the borrowing or opportunity cost of incurring the expenditure for providing new infrastructure in advance to benefit future developments. From the future developer's perspective, the interest rate charged to them is equivalent to paying the financing costs incurred by the City. Staff have assessed several options available for incorporating interest rates into the Bylaw:

Option 1: (Not Recommended) Establish a single fixed interest rate for all projects included in the Bylaw

Through this option, a fixed interest rate of 6% per year would be applied for all projects included within the Bylaw, regardless of when the project was completed. This fixed rate is selected by taking the average bank's prime rate over the past 10 years, defined as the interest rate that banks charge to the most credit-worthy customers, with a mark up of 3% to account for the cost of borrowing and other risk factors borne by the City.

This option is not recommended because the prime rate varies over time, and the Bylaw interest rate may not be reflective of market conditions for each specific project.

Option 2 (Recommended): Establish individual interest rates for each project based on the bank's prime rate at the time of project completion

Similar to Option 1, Staff recommend adopting an interest rate based on the bank's prime rate plus 3%. Through this option, the interest rate for each project included within the Bylaw is established individually for each project, and would be based on the bank's prime interest rate on the construction completion date for the project. The interest rate for each project will remain fixed for the 15 years over which it will be eligible for cost recovery through the Bylaw.

This is the method utilized within the City's Excess or Extended Services and Latecomer Payment Interest Rate Establishment Bylaw No. 6936 for incorporating interest to latecomer charges. As the cost recovery principle for this Bylaw mirrors that of Bylaw No. 6936, staff recommend incorporating interest rates using this approach for consistency between the two bylaws.

This option is recommended as it would make this Bylaw consistent with Latecomer Payment Interest Rate Establishment Bylaw No. 6936.

Option 3: (Not recommended) Adjusting costs in the Bylaw annually

Through this option, the interest (bank's prime rate with a 3% mark-up) would be assessed at the beginning of each year and be applied to all projects included in the bylaw through an annual amendment of the Bylaw. This approach would represent the highest equity, as the most appropriate interest rate would be applied each year and all active projects would be subjected to

the same interest rate for each calendar year. However, this approach would represent the most administrative effort as it would require the bylaw to be updated each year.

For projects currently in the bylaw, the difference in interest that would be collected today from a property through Options 2 and 3 are not significantly different. In addition, as there are only seven projects eligible for cost recovery within the bylaw currently, the additional administrative efforts associated with Option 3 outweighs the improved equity offered, and staff do not recommend utilizing Option 3 for incorporating interest.

Proposed Bylaw Amendments

Staff propose that the Bylaw be amended as follows:

1. Remove a project that was completed more than 15 years ago and no longer qualifies for cost recovery.
2. Add two schedules to include two new projects that have been completed and funded by the City with benefiting properties that are eligible for future subdivision.
3. Incorporate interest rates for all projects within the Bylaw using the approach outlined in Option 2 of this report. For all existing projects in the Bylaw, interest will be accrued beginning April 30, 2021 upon adoption of this bylaw amendment. For all new and future projects, interest will be accrued from the completion date of each project.

Financial Impact

None. Costs, including interest, recovered through the Bylaw will be returned to the original funding sources of the capital projects.

Conclusion

Works and Services Cost Recovery Bylaw No. 8752 facilitates the recovery of costs associated with projects constructed and financed by the City that would normally be secured through the development process. Staff propose that the Bylaw be amended to include new projects that are eligible for cost recovery and to include interest rates in the recovered costs.



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Att.1: Works and Services Cost Recovery Bylaw No. 8752, Amendment Bylaw No. 10215



**Works and Services Cost Recovery Bylaw No. 8752,
Amendment Bylaw No. 10215**

The Council of the City of Richmond enacts as follows:

1. The **Works and Services Cost Recovery Bylaw No. 8752**, as amended, is further amended by:
 - (a) Deleting Section 1 and replacing it with the following:

“1. There is imposed on every person obtaining approval of a subdivision of a parcel of land identified as benefiting land in Item 9 in any numbered Schedule to this bylaw, a charge in the amount specified in Item 7 of that Schedule, to be applied on the basis of the **frontage** of the parcel or area of the parcel indicated in Item 9 of the Schedule, plus interest as specified in Section 9 of this bylaw.”;
 - (b) Inserting the following as new Sections 9 and 10 and renumbering subsequent sections accordingly:

“9. Interest shall accrue and be paid on any and all charges payable pursuant to this bylaw at the applicable **interest rate**, calculated annually and on the basis of days elapsed in a three hundred and sixty five (365) day year, for the period beginning on the completion date of the **improvement project** specified in Item 3 of the Schedule pertaining to that project, and concluding on the date that the charge is imposed by the City, and such interest shall be paid in accordance with Section 6.”

10. Notwithstanding section 9 above, for **improvement projects** with a completion date, as specified in Item 3 of the Schedule pertaining to that project, prior to July 1, 2015, interest shall accrue and be paid on any and all charges payable pursuant to this bylaw at the applicable **interest rate**, calculated annually and on the basis of days elapsed in a three hundred and sixty five (365) day year, for the period beginning April 30, 2021, and concluding on the date that the charge is imposed by the City, and such interest shall be paid in accordance with Section 6.”;
 - (c) Adding the following definitions to Section 11 in alphabetical order:

“**INTEREST RATE** means, in respect of each Schedule hereto, the rate specified in Item 8 of each Schedule of this bylaw, calculated as the Prime Rate as of the completion date for the applicable **improvement project** (as specified in Item 3 of each Schedule), plus three percent (3%) per annum;

PRIME RATE means the rate of interest equal to the floating interest rate established from time to time by the Scotiabank, 6300 No. 3 Road, Richmond, British Columbia, as the base rate that will be used to determine rates of interest charged by it for Canadian dollar loans to customers in Canada and designated by the Scotiabank as its prime rate;”;

- (d) Deleting Schedule 3;
- (e) Deleting Schedules 1 through 2 and 4 through 7 and replacing them with Schedules 1 through 6 attached to and forming part of this Bylaw; and
- (b) Adding, as new Schedules 7 through 8, the Schedules 7 and 8 attached to and forming part of this Bylaw.

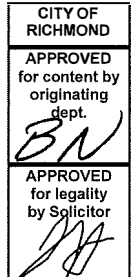
2. This Bylaw is cited as **“Works and Services Cost Recovery Bylaw No. 8752, Amendment Bylaw No. 10215”**.

FIRST READING

SECOND READING

THIRD READING

ADOPTED



MAYOR

CORPORATE OFFICER

SCHEDULE TO BYLAW 10215

SCHEDULE 1 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: No. 1 Rd lane (between Francis Rd. & Williams Rd) – CR40289
2. CERTIFIED COST OF PROJECT: \$ 1,068,005.96
3. COMPLETION DATE OF PROJECT: September 19th, 2007
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$ 393,929.66
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$ 201,126.70
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 726.91
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$ 838.00
8. INTEREST RATE: 9.25%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITTING LAND ON PROJECT (m)	COST FOR RECOVERY
Lot: 27 SEC: 27-4-7 PL; 18367	20.126	\$16,865.59
Lot: 1 SEC: 27-4-7 PL: BCP3505	10.060	\$8,430.28
Lot: 1 SEC: 27-4-7 PL: BCP3505	10.060	\$8,430.28
Lot: 12 SEC: 27-4-7 PL: 19282	20.117	\$16,858.05
Lot: 11 SEC: 27-4-7 PL: 19282	20.117	\$16,858.05
Lot: 8 SEC: 27-4-7 PL: 19428	20.117	\$16,858.05
Lot: 3 SEC: 27-4-7 PL: 19428	20.117	\$16,858.05
Lot: 2 SEC: 27-4-7 PL: 19428	20.117	\$16,858.05
Lot: 1 SEC: 27-4-7 PL: 19428	20.117	\$16,858.05
Lot: 22 SEC: 27-4-7 PL: 19428	20.117	\$16,858.05
Lot: 1 SEC: 27-4-7 PL: LMP38234	16.725	\$14,015.55
Lot: 2 SEC: 27-4-7 PL: LMP38234	17.691	\$14,825.06
Lot: 3 SEC: 27-4-7 PL: LMP38234	24.527	\$20,553.63

SCHEDULE TO BYLAW 10215

SCHEDULE 2 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: Williams Rd lane (between No. 4 Rd. & Shell Rd) – CR41284
2. CERTIFIED COST OF PROJECT: \$ 1,042,399.13
3. COMPLETION DATE OF PROJECT: October 20th, 2010
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$ 344,571.94
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$ 265,212.75
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 745.86
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$ 838.00
8. INTEREST RATE: 6.00%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITTING LAND ON PROJECT (m)	COST FOR RECOVERY
Lot: 3 SEC: 26-4-6 PL: 15456	6.10	\$5,108.45
Lot: 4 SEC: 26-4-6 PL: 18549	31.22	\$26,158.17
Lot: 7 SEC: 26-4-6 PL: 18549	20.12	\$16,858.05
Lot: 10 SEC: 26-4-6 PL: 18549	20.12	\$16,858.05
Lot: 11 SEC: 26-4-6 PL: 18549	20.12	\$16,858.05
Lot: 13 SEC: 26-4-6 PL: 18549	20.12	\$16,858.05
Lot: 17 SEC: 26-4-6 PL: 18549	20.12	\$16,858.05
Lot: 1 BCP: 18548	22.25	\$18,645.50
Lot: 25 SEC: 26-4-6 PL: 18548	20.12	\$16,858.05
Lot: 24 SEC: 26-4-6 PL: 18548	20.12	\$16,858.05
Lot: 23 BCP3637	20.12	\$16,858.05
Lot: 22 SEC: 26-4-6 PL: 18548	20.12	\$16,858.05
Lot: 19 SEC: 26-4-6 PL: 18548	21.64	\$18,135.16
Lot: 1 BCP67429	6.07	\$5,085.82
Lot: 17 SEC: 26-4-6 PL: 18548	23.17	\$19,412.27
Lot: 16	24.99	\$20,944.97

SCHEDULE TO BYLAW 10215

SCHEDULE 3 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: Laneway Upgrade South of Williams Road between Aragon Road and Shell Road – CR41271
2. CERTIFIED COST OF PROJECT: \$ 725,615.00
3. COMPLETION DATE OF PROJECT: November 5th, 2012
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$ 205,360.93
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$ 386,152.26
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 621.21
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$ 1,168.07
8. INTEREST RATE: 6.00%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITTING LAND ON PROJECT (m)	COST FOR RECOVERY
Lot: 42 Sec:36-4-6 PL:28788	18.29	\$21,364.00
Lot: 47 Sec:36-4-6 PL:28788	20.12	\$23,501.57
Lot: 48 Sec:36-4-6 PL:28788	20.12	\$23,501.57
Lot: 49 Sec:36-4-6 PL:28788	18.29	\$21,364.00
Lot: 50 Sec:36-4-6 PL:28788	18.29	\$21,364.00
Lot: 51 Sec:36-4-6 PL:28788	18.29	\$21,364.00
Lot: 52 Sec:36-4-6 PL:28788	18.29	\$21,364.00
Lot: 54 Sec:36-4-6 PL:28788	18.29	\$21,364.00
Lot: 55 Sec:36-4-6 PL:28788	21.83	\$25,498.97
Lot: 295 Sec:36-4-6 PL:35779	19.52	\$22,800.73
Lot: 296 Sec:36-4-6 PL:35779	24.85	\$29,026.54
Lot: 17 Sec:35-4-6 PL:18551	24.08	\$28,127.13
Lot: 18 Sec:35-4-6 PL:18551	24.44	\$28,547.63
Lot: 19 Sec:35-4-6 PL:18551	24.44	\$28,547.63
Lot: 22 Sec:35-4-6 PL:18551	20.42	\$23,851.99
Lot: 27 Sec:35-4-6 PL:18551	21.03	\$24,564.51

SCHEDULE TO BYLAW 10215

SCHEDULE 4 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: 10000 Block Williams Road Laneway (South of Williams Road) – CD40385
2. CERTIFIED COST OF PROJECT: \$ 424,470.00
3. COMPLETION DATE OF PROJECT: September 19th 2012
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$ 132,229.72
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$ 105,238.15
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 329.45
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$ 1,288.42
8. INTEREST RATE: 6.00%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITTING LAND ON PROJECT (m)	COST FOR RECOVERY
Lot: 28 Sec:35-4-6 PL:18549	20.42	\$26,309.54
Lot: 26 Sec:35-4-6 PL:18549	20.42	\$26,309.54
Lot: 25 Sec:35-4-6 PL:18549	20.42	\$26,309.54
Lot: 19 Sec:35-4-6 PL:18549	20.42	\$26,309.54

SCHEDULE TO BYLAW 10215

SCHEDULE 5 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: Seaton Road Laneway Upgrade (Laneway south of Seaton Road) – CD40396
2. CERTIFIED COST OF PROJECT: \$ 568,560.00
3. COMPLETION DATE OF PROJECT: October 15th, 2012
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$ 209,284.67
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$ 118,024.50
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 649.18
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$ 875.81
8. INTEREST RATE: 6.00%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITTING LAND ON PROJECT (m)	COST FOR RECOVERY
Lot: 1 Sec: 25-4-6 PL:18935	38.64	\$33,841.30
Lot: 14 Sec: 25-4-6 PL:18935	20.15	\$17,647.57
Lot: 10 Sec: 25-4-6 PL:18935	20.15	\$17,647.57
Lot: 8 Sec: 25-4-6 PL:18935	20.15	\$17,647.57
Lot: 345 Sec: 25-4-6 PL:44475	35.67	\$31,240.14

SCHEDULE TO BYLAW 10215

SCHEDULE 6 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: 11000 Block Williams Road (From 11020 to Seacote) – CD41318
2. CERTIFIED COST OF PROJECT: \$ 238,697.00
3. COMPLETION DATE OF PROJECT: April 15th, 2015
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$ 33,721.14
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$ 175,467.67
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 151.91
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$ 1,571.31
8. INTEREST RATE: 5.85%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITTING LAND ON PROJECT (m)	COST FOR RECOVERY
Lot: 31 Sec: 36-4-6 PL:25887	24.69	\$38,795.53
Lot: 33 Sec: 36-4-6 PL:25887	20.12	\$31,614.66
Lot: 34 Sec: 36-4-6 PL:25887	20.12	\$31,614.66
Lot: 35 Sec: 36-4-6 PL:25887	20.12	\$31,614.66
Lot: 12 Sec: 36-4-6 PL:23314	26.62	\$41,828.15

SCHEDULE TO BYLAW 10215

SCHEDULE 7 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: Laneway Drainage and Asphalt Upgrade - Seabrook Crescent (East) – CD00003
2. CERTIFIED COST OF PROJECT: \$335,210.48
3. COMPLETION DATE OF PROJECT: July 25, 2015
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$38,774.80
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$93,224.99
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 503.79
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$665.37
8. INTEREST RATE: 5.70%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITING LAND ON PROJECT (m)	COST FOR RECOVERY
LOT B SEC 36 BLK 4N RG 6W PL NWS424	31.78	\$21,145.46
LOT 5 SEC 36 BLK 4N RG 6W PL NWP10636 Except Plan 25649, 53892	22.58	\$15,024.05
LOT 17 SEC 36 BLK 4N RG 6W PL NWP25649 Except Plan 53892	20.09	\$13,367.28
LOT 6 SEC 36 BLK 4N RG 6W PL NWP10636 Except Plan 25649, 53872	20.81	\$13,846.35
LOT 222 SEC 36 BLK 4N RG 6W PL NWP32915	18.83	\$12,528.92
LOT 292 SEC 36 BLK 4N RG 6W PL NWP35777	26.02	\$17,312.93

SCHEDULE TO BYLAW 10215

SCHEDULE 8 to BYLAW NO. 8752

1. NAME OF IMPROVEMENT PROJECT: Marrington Area Water, Sanitary and Drainage Upgrade – CW41402
2. CERTIFIED COST OF PROJECT: \$1,666,361.54
3. COMPLETION DATE OF PROJECT: May 31, 2017
4. COST PREPAID UNDER WORKS AND SERVICES BYLAW: \$516,485.84
5. NET COST FOR RECOVERY UNDER BYLAW No. 8752: \$278,995.38
6. TOTAL FRONTAGE OF BENEFITING LAND IN METRES: 1,444.80 m
7. COST FOR RECOVERY PER METRE OF FRONTAGE: \$1,153.35
8. INTEREST RATE: 5.70%
9. BENEFITING LAND AND FRONTAGE IN METRES:

LEGAL DESCRIPTION OF PARCEL	FRONTAGE OF BENEFITTING LAND ON PROJECT (m)	COST FOR RECOVERY
LOT 58 SEC 15 BLK 4N RG 7W PL NWP15447	23.77	\$27,415.15
LOT 56 SEC 15 BLK 4N RG 7W PL NWP15447	23.77	\$27,415.15
LOT 55 SEC 15 BLK 4N RG 7W PL NWP15447	23.70	\$27,334.39
LOT 54 SEC 15 BLK 4N RG 7W PL NWP15447	24.38	\$28,118.67
(LOT 1 and LOT 2) SEC 15 BLK 4N RG 7W PL NWS937	24.38	\$28,118.67
(LOT 1 and LOT 2) SEC 15 BLK 4N RG 7W PL NWS721	24.38	\$28,118.67
(LOT 1 and LOT 2) SEC 15 BLK 4N RG 7W PL NWS1463	24.38	\$28,118.67
LOT 36 SEC 15 BLK 4N RG 7W PL NWP15447	24.38	\$28,118.67
LOT 46 SEC 15 BLK 4N RG 7W PL NWP15447	24.38	\$28,118.67
LOT 49 SEC 15 BLK 4N RG 7W PL NWP15447	24.38	\$28,118.67