Agenda - Executive Policy Committee - November 16, 2005

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - November 8, 2005

Item No. 3 Local Improvements - Extension of Lane Paving Pay Back Period File SL-1

STANDING COMMITTEE RECOMMENDATION:

On November 8, 2005, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendation and submits the following to Council:

1. That the existing 10-year payback period for the paving of gravel lanes be extended to a 20-year payback period to provide a more affordable alternative for property owners considering paving their lanes under the local improvement program.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee - November 16, 2005

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - November 8, 2005

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 8, 2005, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendations and submitted the matter to the Executive Policy Committee and Council.

On June 14, 2005, the Standing Policy Committee on Public Works recommended that the Administration review and report back on the feasibility of extending the Local Improvement (LI) repayment period to approximate the estimated useful life of the infrastructure being financed by the LI program. The objective being to extend the amortization period of the repayment of the LI costs to the city beyond the current ten (10) year maximum, while creating a more attractive LI option for property owners wishing to improve the infrastructure fronting their properties.

ADMINISTRATIVE REPORT

RE: LOCAL IMPROVEMENTS – EXTENSION OF LANE PAVING PAY BACK PERIOD

FOR SUBMISSION TO: Standing Policy Committee on Public Works

ORIGINAL REPORT SIGNED BY: L.S.W. Larkin, P. Eng., Director of Public Works

REPORT DATE: October 3, 2005

RECOMMENDATION(S):

That the existing 10-year payback period for the paving of gravel lanes be extended to a 20-year payback period to provide a more affordable alternative for property owners considering paving their lanes under the local improvement program.

REPORT SUMMARY:

Key Issues:

- That consideration be given to extending the lane paving pay back period to provide a more affordable alternative for property owners considering paving their lane under the Local Improvement Program.

Implications of the Recommendation(s):

General Implications:

- [X] None
- [ ] For the organization overall and/or other departments
- [ ] For the community and/or organizations external to the City
- [ ] Involves a multi-year contract

Comments:

Policy Implications:

- [X] No
- [ ] Yes

Comments:

Environmental Implications:

[X] No
[ ] Yes

Comments:

Human Resource Implications:

[X] No
[ ] Yes

Comments:

Financial Implications:

[X] Within approved current and/or capital budget
[ ] Current and/or capital budget adjustment needed

Comments:

REASON FOR THE REPORT:

At the June 14, 2005, Standing Policy Committee on Public Works meeting the Administration was requested to review and report back on the feasibility of extending the Local Improvement Repayment Period to approximate the estimated useful life of the infrastructure being financed.

HISTORY:

The City of Winnipeg has implemented a local improvement process to accommodate requests by property owners for improvements within the right-of-way. Situations exist within the City where improvements have not been installed and therefore a process for the initiation, administration, and financing of such improvements is required to execute such requests.

Local Improvements are governed by The City of Winnipeg Charter which identifies a local improvement as *"a project intended to be paid for or maintained wholly or partly by local improvement taxes imposed on real property identified thereby as determined under this Division and includes a project carried out in a local improvement district"*.

The Charter identifies the process for imposing local improvement taxes as follows:

By-law authorizing local improvement

412(1) Unless registered owners of at least 3/5 of the total real property that is to be benefited by a proposed local improvement object to the local improvement within the period set out in the notice respecting the local improvement, council may, by by-law,

(a) authorize the local improvement to be undertaken at any time within the next two years; and

(b) authorize local improvement taxes to be imposed, when the local improvement is completed or a part of the local improvement is completed and operational, against the real property that will be benefited by the local improvement.

Calculating local improvement taxes

412(2) Subject to subsection (3), council must establish by by-law a rate for calculating the local improvement taxes for each class of local improvement. The rate established for a class must be applied uniformly throughout the city and be based on one or more of the following factors:

(a) the length of the boundaries of parcels of real property benefited by the local improvement that front or abut any portion of the local improvement;

(b) the area of parcels of real property that are benefited by the local improvement; and

(c) the assessed value of parcels of real property that are benefited by the local improvement.

Currently benefiting property owners have the option of paying the full cost of the improvement without interest penalty at the time the local improvement tax is first imposed or they can amortize the project cost with interest over a specified period of time. Currently the amortization (pay back) period used for the paving of gravel lanes is 10 years.

DISCUSSION:

To encourage property owners to initiate a local improvement for the paving of their gravel lanes and to provide a more attractive repayment plan, the existing pay back period could be extended.

The City of Winnipeg Charter and City of Winnipeg By-law No. 98/72 are silent on the length of terms to be used for the payment of Local Improvements so we are not restricted as to the term which has historically been used. From a financial perspective the payback period should be no greater than the expected useful life of the asset. The expected life of pavement before major rehabilitation is required is thirty years so each of the three options presented fall within this period.

The current paving of gravel lanes projects have been advertised or petitioned for with a term of ten years; therefore, a change in pay back term would only be applicable to new projects.

Option 1 – 15 Year Pay Back

That the payback period for the concrete paving of lanes under the Local Improvement Program be extended to 15 years.

The City's current Local Improvement interest rate for a 15 year payback period is 6%.

The costs and rates are identified in Table A.

Option 2 – 20 Year Pay Back Period

That the pay back period for the concrete paving of lanes under the Local Improvement Program be extended to 20 years.

The City's current Local Improvement interest rate for a 20 year pay back term is 6.5%.

Option 3 – 30 Year Pay Back Period

That the pay back period for the concrete paving of lanes under the Local Improvement Program be extended to 30 years.

The City's current Local Improvement interest rate for a 30 year pay back term is 7 %.

Table A – Costs & Rates for Local Improvement Lane Paving Projects

TYPE OF LOCAL IMPROVEMENT PROJECT	COST PER FRONTAGE FOOT	10 YEAR (EXISTING)	OPTION #1 15 YEAR PAY BACK	OPTION #2 20 YEAR PAY BACK	OPTION #3 30 YEAR PAY BACK
		PER FOOT *(6% INTEREST)	PER FOOT *(6% INTEREST)	PER FOOT *(6.5% INTEREST)	PER FOOT *(7% INTEREST)
Concrete Lane Pavement – 14' x 6"	$75	$10.68	$8.23	$7.36	$6.66
Concrete Lane Pavement – 15' x 6"	$77	$10.96	$8.45	$7.55	$6.84
Concrete Lane Pavement – 16' x 6"	$80	$11.39	$8.78	$7.85	$7.11
Concrete Lane Pavement – 20' x 6"	$95	$13.53	$10.43	$9.32	$8.44

*** Annual Frontage Levy**

Example

- 14' x 6" Concrete Lane Paving
- Typical Lot Width is 50'

PAY BACK PERIOD	TOTAL COST WITH INTEREST	ANNUAL TAX LEVY
Paid Upfront	$3,750.00	n/a
10 Year	$5,339.00	$534.00
15 Year	$6,176.00	$411.50
20 Year	$7,357.00	$368.00
30 Year	$9,990.00	$333.00

Option 1 - 15 Year Pay Back

In the example the annual levy drops by $122. Although this option has the greatest reduction in the annual levy the resulting annual levy remains high at $411. It is unlikely that the annual costs of the 15-year payback period will not provide enough incentive to promote lane paving.

Option 2 - 20 Year Pay Back

In this example the annual levy drops by $166. The resulting annual value of $368 offers a better incentive as it moves from the $400 to $300 range. The total paid only rises by $2,018.

Option 3 - 30 Year Pay Back

In this example the levy drops by $201. The resulting annual value of $333 is not as significant a drop as Option 1 and/or 2. The total cost increase to the property owner ($4,651) is almost double that of the ten year term. In addition, the 30-years is an extensive period to tie up capital as the city waits for total reimbursement.

It should be noted that at any time during the pay back period, the property owner may pay the balance of the cost of the improvement together with accrued interest and the administration fee.

Financial Impact Statement Date: August 29, 2005

Project Name:

LOCAL IMPROVEMENTS – EXTENSION OF LANE PAVING PAY BACK PERIOD

COMMENTS:

There is no financial impact to the City in implementing the recommendation of this report.

"Original Signed by Darcy Stewart, CA"

Manager of Finance & Administration

Approved by Divisional Accounting Technician: ☑

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

Corporate Finance Department, Tax Accounting and Administration Section
Legal Services

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