



## Council Report

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**Date:** March 7, 2011                      **From:** Mike Lai, Johnson Street Bridge Project Director  
**Subject:** Johnson Street Bridge Project – Rail Funding Update

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Since the February 24, 2011 Council meeting, staff have become aware of additional information that requires Council's attention related to the federal Contribution Agreement and the City's application to the Union of BC Municipalities for gas tax funding.

Staff have been advised that the Contribution Agreement will not be recommended for signing by the Minister of Transport, Infrastructure and Communities until the project scope is finalized and sources of funding identified. In addition, the Union of BC Municipalities [UBCM] staff have informally advised City staff that the rail component does not fit the definition of public transit which is required to be eligible for the gas tax fund.

### **Contribution Agreement / Project Scope Confirmation**

Although staff have been working with the federal government to finalize the project Contribution Agreement, staff have been advised that the agreement will not be recommended for signing by the Minister of Transport, Infrastructure and Communities until the City makes a final decision on the project scope. The City must provide confirmation and finalization of the project scope of work and funding sources to have the Contribution Agreement signed at the ministerial level. The current project scope does not include rail and committed funding sources include the borrowing [\$49.2 million], City sources [\$6.8 million], and the federal Contribution Agreement [\$21 million as per the federal Minister of Transport, Infrastructure & Communities approval-in-principle letter of December 2009] for a total cost of \$77 million.

A federal budget is expected to be delivered on March 22, 2011, with indications of budget reductions. It is possible that there may be a federal election called shortly thereafter. City staff are concerned that if the City's federal Contribution Agreement is not signed before March 22 the signing could be delayed for several months. The City has an approval in principle from the Minister, however, the City cannot commit to large purchases such as pre-ordering steel without a signed Contribution Agreement. It would be prudent to have a signed Contribution Agreement before the federal budget is delivered.

### **Funding for Rail**

#### UBCM Gas Tax Application

The Union of BC Municipalities [UBCM] staff have informally advised the City that the rail component does not fit the definition of public transit which is required to be eligible for the gas tax fund. City staff believe there is a very low likelihood of receiving any gas tax funding for the rail portion of the application.

Current funding for applications to the UBCM for consideration under the General Strategic Priorities Fund [GSPF] of the Gas Tax Agreement is about \$107 million province-wide, excluding Metro Vancouver, over the next 4 years. The City's application requests a total of \$23.5 million [\$17 million for the multi-use trail and \$6.5 million for rail] in support of the bridge

project with rail-in.

Therefore, staff recommend that the rail component of the UBCM application be withdrawn and a new application submitted that substitutes rail with on-road commuter bike lanes. This appears to be a better fit with the UBCM criteria.

The federal funding stacking criteria states that a maximum of 50% of the eligible project cost can be covered by federal funding. As the project cost without rail is lower than the project cost with rail, this would reduce the amount applied for under the gas tax program. It is recommended that the City's UBCM application be amended to request \$10 million for the multi-use trail and \$6.5 million for the on-road commuter bike lanes.

### CRD Funding

The process for the Capital Regional District [CRD] to receive authorization to borrow \$5.5 million for the \$12 million rail component is expected to take about 4-6 months [by about September]. The time is needed to address legal requirements and to obtain the necessary electoral assent in all 13 regional municipalities. While it may be possible to receive approval, it would be extremely challenging to accomplish within the timeline for the bridge project. It is important to note that even if \$5.5 million from the CRD was approved within the necessary timeline the City would still be short \$6.5 million for rail. As well, if timelines are not met, there is a risk of losing the \$21 million in federal funding.

### Province

The City has continued seeking funding from the Province in support of rail for the project, but has not received any confirmation that funding can be secured. Last summer the Province released a report that studied the E&N Rail Corridor. The study "concluded current volumes of freight and passengers do not support significant infrastructure investment at this time."

### City Funding

The City has made considerable efforts to secure other sources of funding for the rail component including written requests for funding contributions to neighbouring municipalities directly affected by future commuter rail service, the Province, potential provincial party leaders of the BC government, and the Island Corridor Foundation.

The City has provided \$6.8 million from City sources to reduce the amount of borrowing for the project from \$56 million to \$49.2 million [based on \$77 million project cost and \$21 million federal contribution]. If other funding sources are not available, the City would have to secure \$12 million to include rail in the project scope by further depleting the City's capital program. This would mean a significant deferral in capital projects that would exacerbate the City's infrastructure deficit and reduce the City's ability to provide important amenities for the community. This is not recommended by staff.

In consideration of these funding challenges for the rail component, it is unlikely that funding will be received before project timelines are jeopardized. Therefore, it is recommended that further parallel design work on the "with rail" option be discontinued.

### **Other Project Funding**

The City has been approved by the Canada Mortgage and Housing Corporation [CMHC] for a \$10.2M loan at lower interest rate than what the Municipal Finance Authority is able to offer. The interest rate will be finalized on the loan advance date.

Another funding opportunity is the Federation of Canadian Municipalities' Green Municipal Fund [GMF]. The City is able to apply for a loan and a grant from the Federation of Canadian Municipalities' [FCM] Green Municipal Fund. The maximum loan amount is \$10 million and the associated grant is 20% of the loan up to a maximum of \$1 million. FCM has indicated that the City's multi-use trail component of the Johnson Street Bridge project meets the eligibility criteria. In order for staff to apply for this funding, a Council motion is required.

### **Future Rail**

The City remains committed to preserving a rail corridor for future use consistent with the Official Community Plan. In the mean time, the City is committed to working with the Island Corridor Foundation and BC Transit on an appropriate temporary rail station location on the west side of the harbour and ensuring appropriate transit connectivity between the station and downtown for the interim.

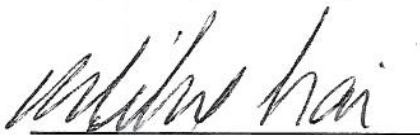
In support of the Regional Growth Strategy and the projected growth in population of nearly 60,000 persons over the next 25 years, the CRD should be encouraged to develop a fund for future rail service in the region. The City is interested in working with the Island Corridor Foundation, BC Transit and others on transforming the old E&N rail line into a commuter rail service in future as regional growth makes it warranted and when it may be more feasible. This would include ensuring that an appropriate train station exists in Victoria to accommodate commuter traffic.

**Recommendations:**

It is recommended that Council:

1. Direct staff to discontinue further parallel design work on the "with rail" option.
2. Confirm that the scope of the Johnson Street Bridge Project as approved by Council on June 17 and August 12, 2010 does not include rail.
3. Direct staff to amend the City's Union of BC Municipalities gas tax application to substitute the rail component with on-road commuter bike lanes, to redistribute the maximum 50% federal contribution [that includes the \$21 million] between the multi-use trail component [\$10 million] and the on-road commuter bike lanes [\$6.5 million].
4. Direct staff to apply to the Federation of Canadian Municipalities for a maximum loan of \$10 million and \$1 million grant under the Green Municipal Fund program for the multi-use trail component of the bridge project.

Respectfully submitted,



Mike C. Lai, P. Eng.  
Johnson Street Bridge  
Project Director



Kevin Greig  
General Manager of  
Corporate Services



Peter Sparanese, P. Eng.  
General Manager of  
Operations

Report accepted and recommended by the City Manager:

  
Gail Stephens

## REPORTS OF THE COMMITTEE

### **3. Governance and Priorities Committee – June 17, 2010**

#### **6. Johnson Street Bridge**

It was moved by Councillor Luton, seconded by Councillor Lucas, that:

1. Council approve the seismic design of both the rehabilitation or replacement options at the M 8.5 ("lifeline" level).
2. Considering the size and scope of this project and the regional nature of the corridor, Council direct staff to approach other governments and agencies for assistance in funding the Johnson Street Bridge project including road alignments, trail connections and other regional features.
3. Council not borrow funds for the rail portion of the project. Instruct staff to pursue other funding sources for provision of the rail crossing. In light of the City's on-going commitment to commuter rail, should alternate sources of funding be identified or secured by August 12, 2010, Council will consider whether to include the rail crossing in the bridge project. Otherwise the City will retain the rail right-of-way for a potential future railway crossing.
4. Council direct staff to commence Phase 2 of the public engagement process approved by Council at the June 3, 2010 Governance and Priorities Committee Meeting.
5. Council remove the consideration of surplus land (created by road realignment) sales from funding considerations for the Bridge Project during the Phase 2 public engagement process.

*Councillor Young requested clarification between the seismic considerations of 30% probability of major quake of 8.5 magnitude in 50 years and the peer data cited in the review by Mr. Rushforth who said the 8.5 probability was 3% over 50 years or the likelihood in a single year was 1 in 2,500 which is smaller than discussed. He also requested that information on the heritage aspects be brought out more fully for the public. Councillor Young noted he could support points 2 and 4, but not the other points*

Carried

**Councillor Young voted against this motion**

**REPORTS OF THE COMMITTEE**

**5. Special Governance and Priorities Committee – August 12, 2010**

**1. Johnson Street Bridge Project Scope – Borrowing and Capital Project Budget Reprioritization**

It was moved by Councillor Luton, seconded by Councillor Lucas, that Council approve the replacement of the Johnson Street Bridge at a cost of \$77 million.

Carried

**REPORTS OF THE COMMITTEE**

**5. Special Governance and Priorities Committee – August 12, 2010**

**2. Johnson Street Bridge Project Scope – Borrowing and Capital Project Budget Reprioritization**

It was moved by Councillor Luton, seconded by Councillor Lucas, that Council approve the reduced borrowing amount of \$49.2 million for the replacement of the Johnson Street Bridge.

Carried