

Local Funding Task Force

Terms of Reference

Victoria Rapid Transit Project



August 2011

1. Introduction

In May 2011, Light Rail Transit (LRT) was approved by the Capital Regional District (CRD) Board and the Victoria Regional Transit Commission (VRTC) as the preferred technology to meet the goals and objectives of the Victoria Regional Rapid Transit project. LRT was found to have the capacity to achieve the project's goals, deliver the most long-term benefits for the Capital Region and had the highest level of community support. The cost of the preferred technology along the entire alignment is estimated at \$950 million.

The funding structure for this project cannot be confirmed until an agreement on project funding is developed between senior and local governments. However, through discussions with the CRD and the VRTC, it was identified that further analysis was required to assess options for local funding.

Specifically, at its meeting of May 11, 2011, the CRD Board passed the following resolution in support of advancing the LRT project and to establish a joint task force with BC Transit:

- “1) That the staff report be received for information, and that moving forward to the next phases of consultation and funding discussions be endorsed; and*
- 2) That BC Transit and the Capital Regional District establish a task force to investigate alternative funding and transit incentive options.”*

Further, at the BC Transit Board of Directors meeting held on May 26, 2011, a motion was passed to support moving the project forward to the next stage and as part of that recommendation approved the following:

“As per the CRD resolution, BC Transit and the Capital Regional District will establish a task force to investigate alternative funding and transit incentive options for the local share”.

2. Purpose & Objective

The purpose of the task force is to investigate alternative funding and transit incentive options that could be used to fund the local share of the capital and operating costs of the LRT project (Victoria to the West Shore). The objective is to recommend preferred local funding options, with an implementation strategy, to the CRD Board and the VRTC. The preferred local funding package will be used to assist in implementing a funding agreement with senior governments.

3. Task Force Membership

The task force membership will include:

- CRD
 - Planning & Protective Services General Manager, Robert Lapham (Chair)
 - Senior Manager of Regional & Strategic Planning, Marg Misek-Evans
 - Senior Manager of Finance, Rajat Sharma
- BC Transit
 - Director of Corporate and Strategic Planning, Erinn Pinkerton
 - Director of Finance, Jonathan Norgaard

4. Scope of Work

To achieve the objective, the task force will undertake the following activities:

- Develop a comprehensive list of funding options including, but not limited to, property taxation, development related taxes, charges or amenity contributions, public-private partnerships, station land ownership and leasing, selling of air rights over stations, enhanced land value capture along the corridor, regional dedicated sales taxes, fuel tax, road pricing and parking.
- Create an evaluation matrix based on values and assessment criteria to analyze options (for example, technical feasibility, projected revenue generation, administrative cost, impact on consumer behavior, social equity and fairness, timeframe, potential growth of funding source, legal consistency, need for legislative changes or bylaw amendments, balancing of personal and social costs for trips).
- Identify possible combinations of funding sources to derive the best package of local funding sources.
- Develop a report on funding options, the evaluation process and implementation strategy, with recommendations for the CRD Board and the VRTC.

Appendix A contains a brief outline of evaluation criteria and funding sources that will be considered in the work of the Task Force.

The final report will summarize the potential full list of alternative local sources of funding for LRT and provide further direction on preferred options for sustained long-term capital and operating funding for the Capital Region. The report will also indicate required local approvals, legislative changes and other implementation considerations, as recently proposed by the CRD to the Minister of Transportation and Infrastructure and the Minister of Community, Sport and Cultural Development.

5. Roles and Responsibilities

Roles and responsibilities of the task force and other resources and bodies are set out below. The chart in Appendix B illustrates the work plan of the Task Force.

Task Force:

- review and endorse terms of reference
- participate in meetings and commit to understand materials
- review funding alternatives
- consult technical resources
- select key stakeholders for three focus group sessions, one for each of economy, community and environment
- attend focus group sessions with key stakeholders
- undertake evaluation
- review technical report outlining funding alternatives for public hearings
- conduct public hearings to receive input
- develop final report with recommendations for the CRD and VRTC

Technical Resources:

- contribute technical expertise on funding alternatives
- consist of the following representatives:
 - Jim Hester and Kevin Volk, Ministry of Transportation and Infrastructure
 - Gary Paget, Executive Director, Governance and Structure Division, Ministry of Community, Sport and Cultural Development
 - Jennifer Gorman, Director, Strategic Initiatives, Competitiveness & Innovation Division, Ministry of Jobs, Tourism and Innovation
 - Paul Truant, Director, West/North Directorate – Program Operations Branch, Infrastructure Canada
 - Duncan Williams, Executive Director, Tenures, ETCI - Tenures, Competitiveness and Innovation Division, Ministry of Forests, Lands and Natural Resources

Staff Support:

- administrative and resource support for the task force
- organize venues, scheduling, advertising, equipment and supplies for public hearings
- prepare communications materials for focus groups and public hearings
- attend focus groups and public hearings, as required

Consultant:

- develop and research funding alternatives
- consult with technical resources and work with legal counsel
- organize, facilitate and document the outcome of three focus groups with key stakeholders representing economy, community and environment
- develop evaluation matrix
- assist the task force in evaluating options and arriving at recommendations
- prepare technical report for public hearings
- attend public hearings
- assist with communications
- prepare draft and final report

Legal Counsel:

- advise task force regarding legislative or bylaw implications of various funding options
- advise task force on procedures for implementing the preferred funding options
- review technical report and draft final report

Capital Regional District:

The technical report will be presented to the Planning, Transportation and Protective Services Committee prior to the public hearings.

The draft report will be presented to the Planning, Transportation and Protective Services Committee for review and for recommendation to the CRD Board for approval.

Victoria Regional Transit Commission:

The draft report will be presented to the VRTC for review and approval.

BC Transit Board & Senior Government:

Once approved by the CRD and VRTC, the final report will be used to implement a funding agreement for the project.

6. Communications & Consultation Strategy

Meeting agendas, task force meeting minutes, upcoming hearings and calls for submissions will be posted to a new task force website, accessible from the CRD,

BC Transit and VRTC websites, along with the technical report and draft and final reports and hearing proceedings.

In order to obtain input from the broader community, three focus groups will be conducted with key stakeholders near the outset of the process. Each focus group will be representative of one of economy, community and environment. Through broad contact with interest groups, stakeholders and organizations, submissions will be requested to the task force outlining the group's interest in local funding of the LRT. Based on these submissions, the task force will select key stakeholders for invitation to the focus groups. The consultant will be responsible for organizing, facilitating and reporting the outcome of the focus group sessions, with the assistance of Regional staff. Task force members are encouraged to attend all focus group sessions. Focus group results will be used to inform the technical report.

Consultation on the technical report will take the form of formal public hearings to be scheduled around the region to receive input to the process and add information for consideration by the task force prior to finalizing the report. This form of consultation has been used in the past by the CRD for health-related bylaws for matters of critical public interest. A call for submissions will also be made to provide another mode of input. Hearings and calls for submission will be advertised using direct mail and e-mail to municipalities, agencies and stakeholder groups. Social media, earned media and website advertisements will be used to appeal to broader public input.

Formal public hearings attended by task force members will lend credibility to the process and provide stakeholders with direct access to task force members. A public record of all public hearing proceedings will be maintained and made available on the dedicated website.

7. Budget

Task force members will assume the duties of this assignment as part of their regular work commitments. An external consultant will be retained by CRD to conduct the focus groups, develop a comprehensive list of funding alternatives and an evaluation matrix. The consultant is expected to attend the public hearings and prepare the technical and final reports with recommendations.

The CRD staff costs associated with the work will be covered by existing budgets. The BC Transit staff costs will be covered by existing budgets.

Cash costs for the external consultant and public hearings are expected to be in the order of \$100,000, to be shared equally by the CRD and BC Transit.

8. Schedule

Update and discussion on task force activities to CRD and VRTC: September 2011
Consultant Selection: September
Preliminary Research & Evaluation: September – November
Focus Groups: November
Option Evaluation & Bundling: December – January, 2012
Technical Report to CRD Committee: February, 2012
Public Hearings: March, 2012
Final Report Preparation: April, 2012
Report to VRTC & CRD: May, 2012

APPENDIX A:

**INVESTIGATING LOCAL FUNDING ALTERNATIVES FOR
RAPID TRANSIT IN THE CAPITAL REGIONAL DISTRICT**

INTRODUCTION

Capital Regional District (CRD) and BC Transit boards have endorsed light rail transit (LRT) from downtown to uptown and then to the west shore at an estimated cost of \$950 million. The business case has been submitted to the provincial government for funding under the BC Transit Plan. Funding is anticipated from all levels of government. There are various measures used by local governments to help cover operating budgets and large scale capital projects beyond transit fare revenues, property taxes, fuel taxes and direct grants from senior levels of government. These measures need to be identified and evaluated to determine their efficacy in contributing to the LRT project in the CRD.

Raising funds from local sources to support the implementation of LRT should not only generate revenue in equitable ways, but also advance sustainable transportation and development policies as defined by all levels of government. Measures to raise the local funding share should also be acceptable to the public, be readily implementable, and be facilitated through provincial legislation.

BC Transit and the CRD have formed a task force to review current funding sources for the Victoria Regional Transit System (VRTS) and investigate new sources to help fund the LRT. The task force will evaluate various funding alternatives, based on evaluation criteria that address financial, investment return, sustainability and implementation objectives.

EVALUATION CRITERIA

The proposed criteria proposed to evaluate changes to existing funding sources and the implementation of new ones will be based on financial, investment return, sustainability and implementation objectives:

- 1) Financial - Stable and significant source of funds to implement and maintain rapid transit
- 2) Investment Return – Ability to capture increases in property value associated with density increases and broadening of land use in the vicinity of transit stations and the alignment itself
- 3) Sustainable - Effectiveness in meeting Regional Growth Strategy and Transit Future goals which are to encourage more people to make trips by walking, cycling and public transit, facilitate the movement of people and goods throughout the region, enhance the accessibility to an affordable range of transportation alternatives and reduce greenhouse gas emissions
- 4) Implementation and Administration - Ease of implementation in terms of public acceptance, legal jurisdiction and ability to use existing administrative and collection structures.

For existing and proposed new local funding sources the evaluation would also provide examples of where these have been successfully applied in Canada and elsewhere, as measured by similar criteria.

1. Financial

- 1.1. Ability to raise funds. How large a portion of the local share can the measure generate?
- 1.2. Stable revenue source. Would not just generate funds on 'one-time only' basis, but would maintain a level of funding for future operating and capital costs.

1.3. Equitable and not regressive.

2. Investment Return

2.1. Enhanced land value capture realized as a result of LRT investment. Ability to capture a portion of the lift in land value and dedicate those funds to the LRT capital and operating costs.

2.2. Relative risk and rate of return associated with public (CRD) ownership of land for transit stations.

3. Sustainable

3.1. Supports the greater use of walking, cycling, public transit and other options to driving alone. Current regional targets as set out in the Regional Sustainability Strategy for 2038 are 15% walking, 15% cycling, 12% public transit and 58% car driver and passenger.

3.2. Encourages more efficient use of transportation networks. Eases congestion during congested periods and on congested roads.

3.3. Supports transit oriented development. Encourages compact mixed use development, with facilities supporting walking and cycling, at regional and village centres and frequent transit stations and corridors.

3.4. Supports an affordable and accessible range of travel alternatives. Making sure the cost of any measure does not place an unfair financial burden on residents by decreasing access to affordable alternatives to automobile travel.

4. Implementation and Administration

4.1. Public support and acceptance.

4.2. Ease of implementation. Whether implementing a measure results in significant start-up costs such as the creation of new administrative and collection structures or whether it can use existing structures at low cost.

4.3. Can the measure be implemented through the authorities delegated to the Victoria Regional Transit Commission (VRTC) or through CRD bylaw procedures as defined in the *Local Government Act*, or does it require changes to provincial legislation.

4.4. Transparency. Whether clear benefits can be perceived by individuals paying the cost.

Each proposed funding source will be evaluated using a semi-quantitative rating system to evaluate overall effectiveness in meeting these 13 criteria. Additional criteria may also arise through the research and evaluation processes. The criteria may be weighted to prioritize objectives.

EXISTING SOURCES OF FUNDING

- 1) **Public Transit Fares.** To use the VRTS costs \$2.50 per trip, \$7.55 for a day pass and \$82.50 for a monthly pass. Public and private sector employers and institutions have implemented discount and deep discount fare pass programs to encourage greater ridership. The fare is the same all day and regardless of distance travelled unlike Metro Vancouver where a graduated fare structure based on geographic zones is implemented during peak periods. Transit riders can complete one-way trips with a transfer, but

cannot use a transfer to make a return trip. Fare collection is monitored by bus operators.

Fare revenue accounts for 38.5% of the operating budget for the VRTS. The VRTC has approved incremental fares increases over time in line with inflation and there is no indication that these have had an adverse impact on ridership which has been steadily rising over the last 20 years.

The VRTC has the authority to approve changes to the overall fare structure in the service area as defined in the *BC Transit Act*.

- 2) **Transit Property Tax.** This is a portion of municipal residential and commercial property taxes allocated to public transit. This measure is widely used in jurisdictions throughout Canada to support transit operation and service expansion. In the VRTS, service area transit property tax mill rates are 0.2173 or 1.0865 depending on class of property. Currently the transit property tax accounts for 20% of the VRTS's budget.

Any change to the transit property tax mill rates can be implemented efficiently due to already existing administrative and collection structures; property tax is considered to be a stable source of funding. Any changes to the transit property tax in the VRTS service area will require changes to current provincial legislation (*BC Transit Act* and the *Assessment Act*).

- 3) **Fuel Tax.** There is a 3.5 cent tax on every litre of fuel sold in the VRTS service area for transit purposes, which accounts for 11.5% of the transit budget. In Metro Vancouver, the transit fuel tax is 15 cents for every litre sold at the pump. The mayors in the Metro Vancouver region have endorsed a 2 cent increase to fund rapid transit expansion (Evergreen Line).

The fuel tax charges motorists for using the road network and allocates the revenue to public transit. Administrative and collection structures are in place to accommodate any change in fuel tax for transit; changes to the regional fuel tax for transit will require changes to current provincial legislation (*BC Transit Act* and *Motor Fuel Tax Act*).

NEW SOURCES OF FUNDING

- 1) **Utility Levy.** This is a flat levy dedicated to transportation applied to all utility accounts within a region. In Metro Vancouver \$1.90 is added to each BC Hydro account and dedicated to Translink. The Hydro levy was a funding source for the VRTS in the past, but was discontinued in 1998 when the commission was given the authority to implement a regional fuel tax for transit. This measure is being considered by Metrolinx to help fund the Big Move in the Greater Toronto Hamilton Area (GTHA).

The Hydro levy does not account for a very large portion of Translink's annual budget. To bring back the levy in the VRTS service area would require changes to provincial legislation.

- 2) **Vehicle Registration Fee.** This is a levy added to or a portion dedicated from the provincial vehicle registration fees charged to a buyer of a vehicle when ownership is transferred. It can be a flat fee or varied to account for vehicle age or emissions.

There have been two attempts to apply this fee in Metro Vancouver and in both cases there was significant public opposition and concerns. Implementation of a vehicle registration fee would require changing provincial legislation.

- 3) **Carbon Tax.** This would use a portion of the planned provincial Carbon Tax to fund public transit expansion in the CRD. The Carbon Tax will be applied to purchases of fossil fuels for stationary and mobile uses. It is to be revenue neutral in that the funds will be returned to residents, businesses and institutions through opportunities for tax savings and the benefits of government programs. This source has been considered by Translink to help fund transit service expansion. There is currently no provision in provincial legislation to dedicate portions of the tax to rapid transit in a specific region.
- 4) **Parking Tax and Levy.** This consists of a tax on the sale of parking rights by the hour, day or month charged to the user, or a flat levy applied to each parking space which is charged to the owner. In Metro Vancouver the parking sales tax is used with the revenue going to Translink. The parking levy has been considered by Metrolinx for the GTHA. In Metro Vancouver the Hydro Levy and Parking Sales Tax account for 9% of Translink revenues.
- 5) **Regional Sales Tax.** A levy added to or a dedicated portion of the retail sales tax applied to purchases in a defined region to help pay for rapid transit. This measure is used extensively in the United States to pay for rapid transit projects. An example close by is the Puget Sound area where voters in the three counties of metropolitan Seattle region passed a referendum to add a levy to the existing retail sales tax to raise funds for the implementation of rapid and commuter transit.

There are no examples in Canada of a regional sales tax to help support and fund public transit.

- 6) **Road and Bridge Tolls.** Road and bridge tolls exist in Metro Vancouver (Golden Ears Bridge) and the Greater Toronto Area (GTA) (Highway 407). Tolls and other forms of road pricing are effective means to encourage efficient use of a region's road network. However in both Vancouver and Toronto the toll revenues currently do not go back into sustainable transportation measures because both facilities are operated as concessions to private operators.
- 7) **Regional DCCs.** These are development cost charges applied to re-zoning and development applications at regional centres, rapid transit stations and alignments as contributions to growth related capital costs associated with transit service expansion. Whether regional DCC's can be implemented through the CRD bylaw implementation process or require provincial legislation needs further investigation.
- 8) **Land Value Capture.** This means taxing increases to residential and commercial property at rapid transit stations and alignments to pay for the capital and operating costs of transit service expansions. This approach is used extensively in Europe and Asia to fund rapid transit. There has been much analytical work done in the US, Asia and Europe toward determining a precise relationship between the enhanced access brought about by rapid transit implementation and increases in property values at stations and alignments.
- 9) **Sale of Air Rights.** Selling air rights at existing and future rapid transit stations to fund rapid transit implementation and expansion. Used extensively in Hong Kong to fund rapid transit expansion. Translink has recently created a Real Estate division to begin selling air rights over Skytrain stations. For a regional authority to implement this measure would require ownership of the rapid transit stations and the land they sit on.
- 10) **VKT Tax.** A graduated tax on kilometres travelled by a vehicle, which essentially charges motorists for their use of the road network. This measure would most likely require provincial legislation to be implemented.

- 11) **Other Measures.** This can include funding measures for rapid transit implementation successfully applied in other jurisdictions not mentioned in the above list.

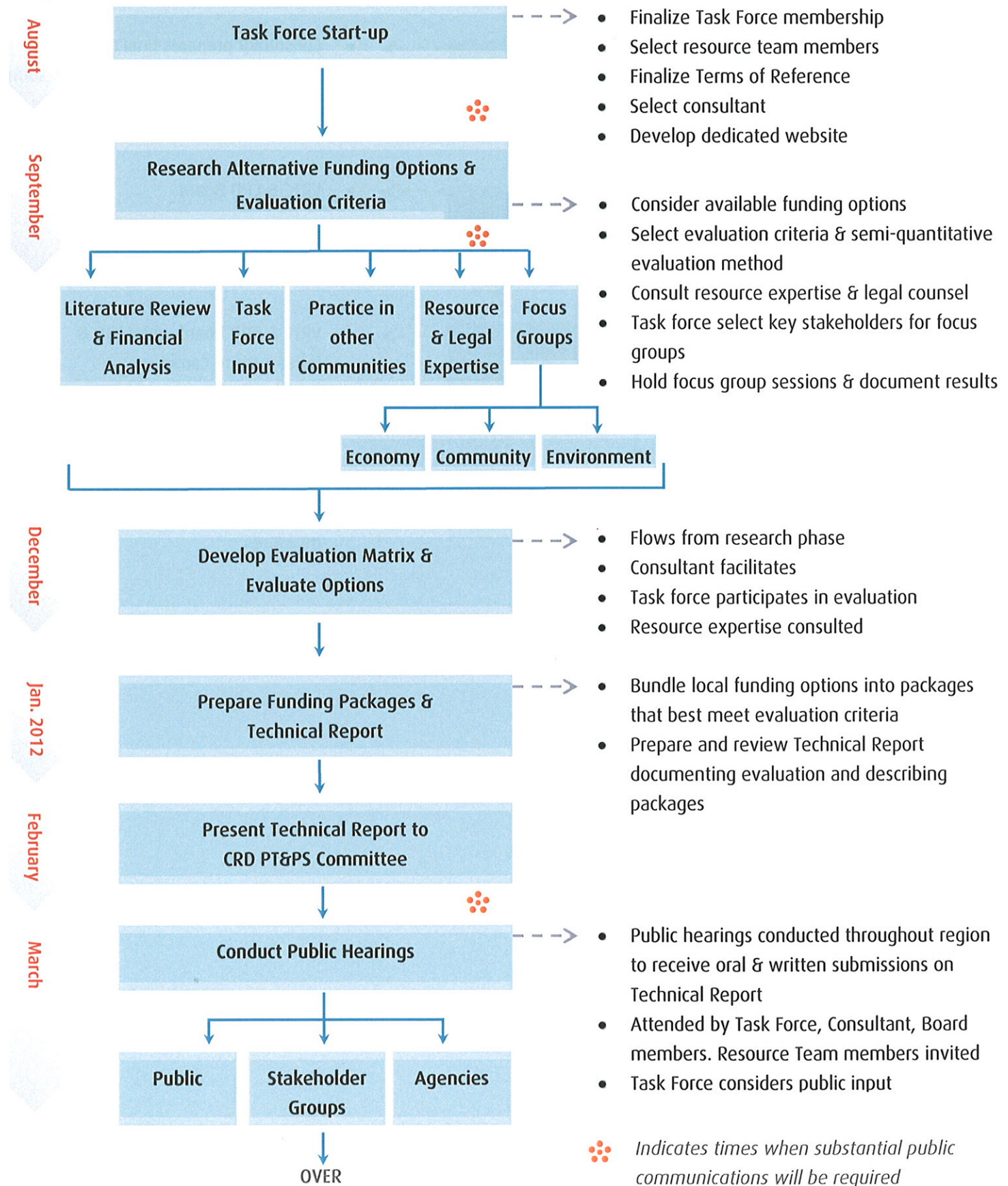
LOCAL FUNDING STRATEGY PROPOSALS

The primary tasks will be to:

- Research and document existing and alternative new sources of funding that could contribute to the local capital and operating costs of the LRT; provide examples of where the funding measures and instruments have been successfully applied in Canada and elsewhere.
- Conduct a financial analysis to arrive at achievable funding/revenue from each source over the lifetime of the LRT.
- Develop a semi-quantitative evaluation matrix based on the 13 evaluation criteria listed and others that may arise during the research phase.
- Evaluate existing and new funding sources using the evaluation matrix.
- Develop funding options consisting of 'packages' of existing and proposed revenue sources sufficient to cover a reasonable local share and which as a whole best meet the financial, investment return, sustainability and implementation criteria.

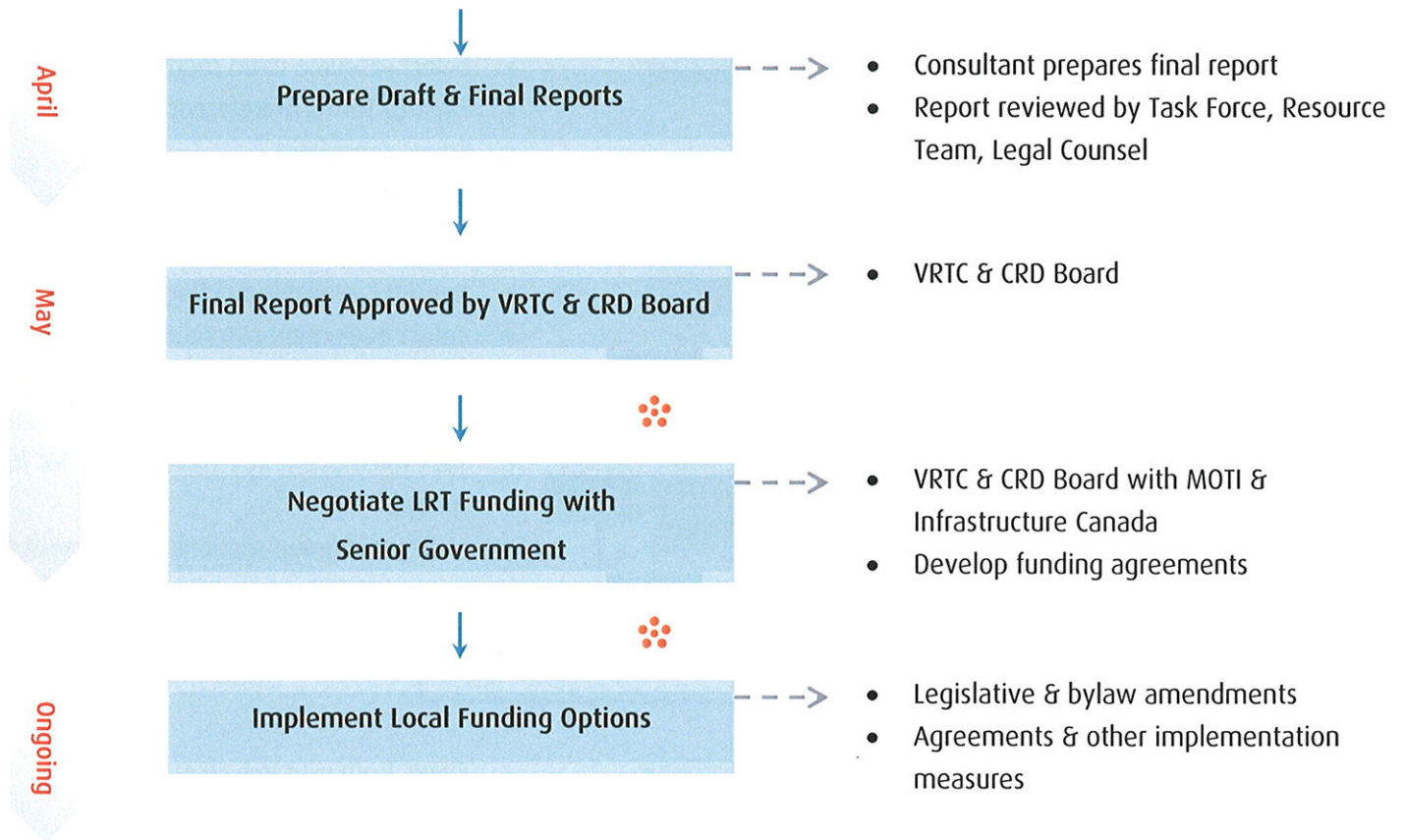
Appendix B: LRT Task Force Process for Developing Local Funding Options


Timeline
2011/12



Appendix B: LRT Task Force Process for Developing Local Funding Options

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 Indicates times when substantial public communications will be required