

By Meredith MacLeod Sep 05, 2015

It's a great time to live in Hamilton, but ...

Looming infrastructure backlog could threaten the city's growth



SEWER PIPE Gary Yokoyama, The Hamilton Spectator file photo

In this June 2013 photo, workers from Canadian Construction Company cut sections out of sewer pipe for installation at Hamilton's new stadium.

Hamilton's economy is firing on all cylinders. The city has repeatedly been ranked as a top choice for real estate and corporate investment and Hamilton is measured as the most diversified economy in the country.

The municipality recorded \$1-billion construction value in building permits for four of the last five years and is on track to break that record mark again this year.

Real estate values are rising, the city is attracting new businesses of all sizes, including shops, restaurants and cultural experiences that are boosting the city's quality of life.

But tempering all those good news stories is a looming infrastructure backlog that could threaten the city's growth and ability to deliver quality services.

The scale

The City of Hamilton — and you the taxpayer — own about \$19.2 billion in assets. They are the roads and bridges, water and sewer systems, recreation centres, affordable and seniors housing and parks and open spaces that collectively are the backbone of the city's economy and quality of life.

Altogether, that amounts to about \$94,000 per private household in the city. To get a sense of the scale, the city owns 6,200 kilometres of roads. That would stretch from Halifax to Vancouver. The city's 2,900 km of sewers would link Hamilton and Saskatoon. City hall is also responsible for 280 buildings and 12,000 fire hydrants.

The deficit and backlog

Along with operating all 89 city services and building new infrastructure to accommodate growth, the city must also set aside money to repair, refurbish and replace existing assets.

The city should be spending about \$195 million more a year on its assets. That deficit has added up to a total infrastructure shortfall of approximately \$3 billion. The City continues to make its case to senior levels of government, while at the same time investing more in hard infrastructure every year. But it isn't enough.

In a 2009 report card, Hamilton earned an overall infrastructure rating of C, with deterioration in six of 11 asset classes.

Why it matters

The city's infrastructure, including what is owned by the city, along with hospitals, schools and post-secondary institutions are crucial to both quality of life and attracting new investment, jobs and residents.

Failure to properly maintain infrastructure will only lead to higher replacement costs in the future.

"When you do the right level of maintenance, you avoid costly repairs and you lengthen the life-cycle of the asset. Then the asphalt lasts for 30 years or the bridge lasts for 75 years," said city manager Chris Murray, who will present at the Our Future Hamilton: Communities in Conversation workshop Sept. 19.

The challenges

An estimated one-quarter of the city's underground infrastructure is 75 years old and one-half is at least 50 years old. The city's population has a lower-than-average income, and the tax base is heavily weighted on the residential side.

As well, the flooding effects of climate change and declining revenues collected from water users are burdening the water and stormwater systems.

Hamilton will more than double its long-term debt by 2019 to \$885 million, mostly due to upgrading the city's water and sewage plants at a cost of \$1,521 per resident. But the municipality will still be paying off the Red Hill Valley Parkway, the Lister Block restoration and its contribution to the football stadium.

What's been done so far

City staff embarked on an ambitious project about a decade ago to inventory all city assets to assess their condition, forecast future requirements to repair, refurbish and replace, examine current funding and create a report card that tracks progress over time.

The city's asset management program is considered a best practice and is used by the province as a model for other municipalities. Public works' use of advanced technology to evaluate and repair pipes has also gained national attention.

City council agreed to invest an additional 0.5 per cent of the tax levy into capital spending, which will add more than \$203 million over 10 years.

Finally, the city's focus on increasing urban density is aimed at maximizing existing infrastructure.

The renewal of community institutions, including hospitals, schools and post-secondary institutions, is also crucial to the city's future. For instance, Mohawk College's new five-year strategic plan focuses on its renewal and expansion to leverage new jobs in the city.

Mohawk has 1,700 students from outside Canada. The strategic plan calls for that to double in five years. It's estimated that each student adds \$35,000 a year to the local economy.

But those students become true assets to the city if they remain in Hamilton after graduation, says Mohawk president Ron McKerlie, also a presenter Sept. 19.

"The biggest challenge businesses have is finding qualified, skilled workers. It doesn't matter if it's a large company or a small startup, labour is the No. 1 scarce commodity and it's getting scarcer."

A possible future solution

"Asset recycling" — the selling off of legacy assets to the private sector to generate capital for new infrastructure — would eliminate much of the backlog, says Michael Fenn.

"In Canada, we often maintain public ownership when we shouldn't or we dispose of assets in haphazard ways," said Fenn, a former city administrator in Hamilton and longtime provincial deputy minister.

"All governments need to closely examine their assets to determine if the original purpose for owning them is still compelling."

The private sector, including Canadian public pension funds, is injecting innovation, efficiencies and new technologies into the construction and operation of public infrastructure all around the world, says Fenn.

"This is an opportunity to renew infrastructure while maintaining the public good."