CITY OF NANAIMO
THE HARBOUR CITY

Staff Report for Decision

FOR: COUNCIL MEETING

MEETING DATE: February 23, 2026

DEPARTMENT: Engineering & Public Works

SUBJECT: **PUBLIC WORKS YARD UPDATES – PROJECT BORROWING BYLAW**

OVERVIEW

Purpose of Report

To seek direction from Council to proceed with the Public Works Yard Updates project to completion.

Recommendation

1. That Council direct Staff to increase the budget for the Public Works Yard Updates project by $77,675,000 in the 2026 – 2030 Financial Plan funded by:
    a. $726,350 from the General Asset Management Reserve Fund;
    b. $89,550 from the Sewer Operating Reserve;
    c. $179,100 from the Water Operating Reserve; and,
    d. $76,680,000 in long-term borrowing.

2. That "Public Works Yard Updates Borrowing Bylaw No. 7450" (to authorize the borrowing of up to $76,680,000 for the construction of the Public Works Yard Updates) pass first reading.
3. That "Public Works Yard Updates Borrowing Bylaw No. 7450" pass second reading.
4. That "Public Works Yard Updates Borrowing Bylaw No. 7450" pass third reading.
5. That Council direct Staff to negotiate and execute the agreements necessary to complete the Public Works Yard Updates project within the approved budget.

BACKGROUND

Council established the Public Works Yard Updates project as one of its key priorities early in its term, and reinforced this priority last September.

At the 2025-FEB-24 Council meeting, Staff were directed to proceed with further design work, along with securing more refined costing for this project. $1,800,000 was allocated to fund that work and an update to Council was to be provided near the end of 2025.

At the 2025-SEP-17 Council meeting, Staff provided an update to the 'Nanaimo Builds for the Future' plan, which was previously presented 2024-JUL-15, to the Governance and Priorities Committee. The updated 2025 'Nanaimo Builds for the Future' plan included the Public Works Yard Updates project and a commitment to return to Council in early 2026 with an updated

project scope, supporting designs, and contractor-supplied pricing. This report provides those updates and seeks Council direction to proceed with a borrowing bylaw which will fund this project to its completion.

DISCUSSION

Project

The City assembled an Integrated Project Delivery (IPD) team, which began working together in November 2025. This team consists of the City, Kasian Architecture as the design lead, Knappett Projects as the construction lead, and ISL Engineering acting as IPD advisors. This IPD setting has allowed the team to quickly align goals and form a productive project team. There have been several iterations of programming, design, scheduling, and pricing since November and the finalized material presented here represents a significant shift forward in the project's level of maturity.

Attachment B: Nanaimo Public Works Updates Preliminary Validation Report outlines the work done by the IPD team to date; including building and site programming, structural and sustainability elements, contractor-supplied pricing, and risk and opportunity registers.

Some important elements from this report are:

- This project will see 229 City staff members from Public Works, Engineering, Parks Recreation & Culture, Information Technology, and Finance working out of two new buildings at the Public Works Yard site. The plan will accommodate up to 263 staff in easily adaptable spaces to account for forecasted growth positions. Extra space has been included to provide flexibility in accommodating additional growth when required over the coming decades.

- The project scope includes constructing two buildings and completing some ancillary updates to storage spaces to ensure the Public Works Yard is immediately operational for all work groups. Additional updates required to support ongoing operations in the Public Works Yard which are not part of the scope of work for this project will be included in future capital planning.
    - The site plan has been carefully considered to meet the City's operational needs today while also providing adaptability to accommodate future changes.

- The Crew & Administration Building is planned to:
    - Be approximately 4,300 m^2 across two floors;
    - Be operational post-disaster to ensure the City's ability to provide community service during an emergency;
    - Provide space for the following workgroups:
        - Public Works and Parks, Recreation, & Culture Administration
        - Roads & Traffic Services
        - Sanitation, Recycling, & Cemeteries
        - Utilities
        - Water Resources
        - Engineering Projects
        - Facility Asset Management
        - Facility Operations

        - Parks and Natural Areas
        - Parks Operations
        - Supply Chain Management
        - Information Technology

    - Include welcoming space for Staff to meet and engage with the community, with equity and accessibility integrated into all elements of the building;
    - Incorporate a photovoltaic solar array on the roof to provide reliable renewable energy;
    - Meet BC Energy Step Code Level 3 and further the City's energy conservation and environmental stewardship goals; and,
    - Address the long-standing and increasingly unsustainable health, safety, environmental, accessibility, equity and operational shortcomings of the existing Administration building in a fiscally responsible manner.

- The Fleet Maintenance Building is planned to:
    - Be approximately 2,300 m^2 on a single floor plus an approximately 400 m^2 partial mezzanine over ground floor spaces that do not require additional height (washrooms, lunchroom, etc.);
    - Be operational post-disaster to ensure the City's ability to provide community service during an emergency;
    - Be a pre-engineered building, which is well-suited to this application and is more cost efficient than traditional on-site building;
    - Re-use existing Fleet Maintenance equipment (lifts, hoists, racking, etc.);
    - Responsively balance the operational nature of the building with cost efficiencies and ecological responsibilities to achieve a sensible level of energy performance; and,
    - Address the long-standing and increasingly unsustainable health, safety, environmental, and operational shortcomings of the existing Fleet Maintenance building in a fiscally responsible manner.

A preliminary project schedule has been completed:



Figure 1: Preliminary Construction Schedule

This schedule is based on immediate expansion of the IPD team, should Council provide direction to proceed, leading to site clearing and foundation construction in late 2026 and construction completion anticipated in 2029.

Finally, the contractor-supplied pricing provided by Knappett has informed the City's budgeting for this project.

Table 1: Project Pricing and Budget

Design	Construction	Risk Register and Contingency	Permitting & Utilities
$6M	$67.2M	$3.8M	$2.4M
Total Project Pricing = $79.4M			

The above table shows a breakdown of the 'all in' cost for the City to complete this project.

Financial Implications

The Public Works Yard supports general, sewer, and water operations. Accordingly, project costs will be allocated among the General Fund (73%), the Sewer Fund (9%), and the Water Fund (18%). The total projected cost of the capital project is $79,400,000, which includes $1,725,000 of the $1,800,000 previously allocated from reserves by Council at the 2025-FEB-24 Council meeting. The majority of the additional funding requirement of $77,675,000 is recommended to come from long-term borrowing of $76,680,000.

Long-term borrowing distributes the cost of major infrastructure across both current and future ratepayers who will benefit from the service, supporting principles of generational equity. Borrowing over an extended term also minimizes the annual impact on ratepayers, making it the least disruptive funding approach.

Long-Term Borrowing Approval

On 2025-JUN-18, the Province issued an information circular announcing amendments to the Municipal Liabilities Regulation and Short-Term Capital Borrowing Regulation. These changes were in response to concerns raised by municipalities regarding elector approval requirements for borrowing, specifically:

- the amount of staff resources and costs associated with obtaining elector approval for essential infrastructure replacement;
- the risks associated with delays in implementing critical infrastructure if electoral approval fails; and,
- limited scope of infrastructure replacement that can be completed without approval of the electors.

A key amendment introduced by the Province was increasing the approval-free liability zone from 5% to 10% of sustainable and controllable revenues.

On 2025-OCT-20, Council endorsed amendments to Council Policy COU-234 (Debt Management Policy) making electoral approval for borrowing within the approval-free zone – whether short or long term – at Council's discretion.

City's Approval-Free Zone

If the total annual cost of servicing liabilities is within 10% of controllable and sustainable municipal revenues, the Municipal Liabilities Regulations allow the municipality to incur liabilities without needing to seek elector approval.

Approval-Free Liability Zone Calculation:

- 2024 sustainable & controllable revenues: $246.8 million
- 10% approval-free liability threshold: $24.7 million
- Total liability servicing cost (including new borrowing proposed in this report): $11.8 million
- Borrowing within approval-free zone: Yes at 4.8%

As the proposed borrowing falls within the approval-free zone permitted under Provincial legislation—and in accordance with the City's Debt Management Policy—electoral approval is not required.

Impact on Financial Plan and the Typical Home

If approved, borrowing will be undertaken through the Municipal Finance Authority of BC (MFA BC). Based on a 20-year term and the MFA BC's twenty-year indicative lending rate of 4.73% at 2026-JAN-29, annual debt servicing costs are estimated at $6.3 million.

Debt-servicing costs will be funded through:

- property taxes;
- sewer user fees; and,
- water user fees.

The following tables provide a breakdown of the projected impacts on the 2026 – 2030 Financial Plan, as well as the projected annual cost to the typical home once full borrowing is in place.

Table 2: Projected Impact to 2026 – 2030 Financial Plan[1]

	2026	2027	2028	2029	2030
Additional Property Tax Increase	0.07%	0.39%	0.88%	0.97%	0.05%
Additional Sewer User Fee Increase	0.00%	0.90%	1.80%	1.80%	0.10%
Additional Water User Fee Increase	0.00%	0.70%	1.40%	1.60%	0.10%

[1]Based on anticipated cashflow for borrowing $10,570,000 - 2026, $26,775,000 - 2027, $35,530,000 - 2028, $3,805,000 - 2029

Table 3: Project Impact to Typical Home Valued at $787,743

Funding Source	Estimated Annual Cost per Household	Notes
Property Taxes[1,2]	$88	Approx. $11 per $100,000 of assessed value
User Fees - Sewer[3]	$9	
User Fees - Water[3,4]	$24	
Total Estimated Annual Cost	**$121**	Combined tax and utility impact

[1] Based on 2026 Provisional 1% of taxes and average Class 1 change
[2] Based on full borrowing
[3] Based on projected impact in first year after full borrowing is complete
[4] Based on 3 year (2022 -2024) average seasonal water usage
Numbers have been rounded

Statutory Requirements

As outlined in the Financial Implications section, the authority to borrow meets the requirements as set out in section 7 (approval-free liability zone) of the Municipal Liabilities Regulation.

Should Council support moving forward with the Public Works Yard Updates project, and with borrowing as outlined in this report, staff would be seeking Council's direction to give three readings to "Public Works Yard Updates Borrowing Bylaw No. 7450". From there, several other statutory steps are required including Provincial review and Inspector Approval. This process takes several months before the Bylaw can be brought back for adoption. Once adopted, all material then gets sent to the Regional District of Nanaimo (RDN) who then coordinate on the City's behalf with the Municipal Finance Authority (MFA). To meet the MFA's fall borrowing deadline, the RDN will need all of the City's required documentation no later than June 15, 2026. Funding proceeds through the MFA and is distributed to clients between October and December 2026.

COMMUNICATION AND COMMUNITY ENGAGEMENT

The City is committed to transparency and accountability by providing clear, accessible information to support Council's decision and public understanding of the proposed investment.

Providing information to continue bringing awareness to the need for this project to allow for the City to continue providing day-to-day services delivered by Parks, Recreation & Culture Operations and Public Works staff is a priority for the City.

The following communication initiatives will be implemented:

- Regular Project Page and/or City webpage updates
- Public updates (e.g. various reports or presentations)
- News releases at important milestones
- Social media updates
- Internal and external FAQs

ALIGNMENT WITH CITY PLAN

The report is aligned with the following City goals:

☒A Green Nanaimo: Resilient and Regenerative Ecosystems
- ✓ C1.1 Greenhouse Gas Emissions Reduction
- ✓ C1.2 Climate Adaptation & Hazard Mitigation
- ✓ C1.3 Urban Tree Canopy, Natural Areas, & Greenways
- ✓ C1.4 Healthy Watersheds
- ✓ C1.5 Water, Sewer, & Stormwater Services
- ✓ C1.6 Solid Waste Management
- ✓ C1.7 Brownfield Sites
- ✓ C1.8 Artificial Lighting & Dark Skies

☒A Connected Nanaimo: Equitable Access and Mobility
- ✓ C2.1 Connected Communities
- ✓ C2.2 Integrated Walk, Roll, Cycle, & Transit Network
- ✓ C2.3 Recreational Trails
- ✓ C2.4 Safe Mobility

☒A Healthy Nanaimo: Community Wellbeing and Livability
- ✓ C3.1 Community Safety & Security
- ✓ C3.5 Emergency Management
- ✓ C3.6 Recreation, Culture, & Wellness

☒An Empowered Nanaimo: Reconciliation, Representation and Inclusion
- ✓ C4.2 Equity & Inclusivity
- ✓ C4.3 Access for All
- ✓ C4.8 Community Events, Festivals, Tournaments, & Gatherings
- ✓ C4.9 Parkland & Park Amenity Management
- ✓ C4.10 Waterfront Use & Protection

☒A Prosperous Nanaimo: Thriving and Resilient Economy
- ✓ C5.1 Economic Capital
- ✓ C5.2 Human, Social, & Environmental Capital
- ✓ C5.3 Business Development
- ✓ C5.4 Innovation & Technology

ALIGNMENT WITH COUNCIL'S STRATEGIC PRIORITIES

The report is aligned with the following Council Strategic Framework priorities:

☒Implementing City Plan Action Plans and Key City Management Plans
☒Social, Health and Public Safety Challenges
☒Maintaining and Growing Current Services
☒Capital Projects
☒Communicating with the Community
☒Governance and Corporate Excellence

OPTIONS

1.

1. That Council direct Staff to increase the budget for the Public Works Yard Updates project by $77,675,000 in the 2026 – 2030 Financial Plan funded by:
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5. That Council direct Staff to negotiate and execute the agreements necessary to complete the Public Works Yard Updates project within the approved budget.

- The advantages of this option: This option would allow the project to immediately proceed and to continue to demonstrate the City's commitment to building a facility from which Operations Staff can deliver services to the community. This option also would allow the project to be largely funded through long-term borrowing, which is well suited for major capital projects that have a long lifespan, and which also allocates the cost amongst current and future taxpayers that will all benefit from the project.
- The disadvantages of this option: This will bring the City's present level of borrowing within the approval-free zone up to 4.8% of the provincially allowable maximum of 10%, potentially limiting other endeavors that Council may wish to pursue with this funding source. As well, repayment of the borrowing will cost an average Nanaimo household approximately $121 per year if the full amount needs to be borrowed.
- Financial Implications: The 2026 – 2030 Financial Plan will be amended for final to include the project budget increase and associated projected debt-servicing impacts.

2. That Council provides alternative direction.

KEY MESSAGES

- Updates to the Public Works Yard are required to sustain the services that a growing community of over 110,000 relies upon daily.
- The project design now accurately accounts for known programming, structural, and sustainability elements, along with contractor supplied pricing.
- The purpose of the Public Works Yard Updates project remains focused on creating a functional place for City crews to work out of as they deliver services to the community.

ATTACHMENTS

ATTACHMENT A: PUBLIC WORKS YARD UPDATES BORROWING BYLAW 2026 NO. 7450
ATTACHMENT B: NANAIMO PUBLIC WORKS UPDATES PRELIMINARY VALIDATION REPORT

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