

# Why Wait 25 Years for Ottawa Kids to Feel Safe Biking to School?

## Issue a \$275 Million Municipal Green Bond to Build a Generation of Bike Infrastructure Now

A generation ago, it was common for kids to walk or ride bikes to school in Ottawa. There were fewer cars on the road. Those cars were smaller, moved slower, and drivers were not distracted by text messages.

Today, active transportation to school is the exception rather than the rule. Our cities no longer feel sufficiently safe for adults—let alone kids—to navigate on bike.

Former Toronto Mayor, Rob Ford, called cycling on city streets “swimming with the sharks”.

Today, less than a quarter of Canadian kids get to school on foot or by bike. But it doesn't have to be that way.

**Ottawa City Council has the ability to let all kids safely bike to school—and Council could make it happen quickly.**



About a decade ago, the City started building safe biking infrastructure. For kids to feel safe riding to school, we need to build more of that infrastructure. A lot more. The City of Ottawa is committed to building a cycling network that works for all ages and abilities, but it's taking far too long to do it.

Not surprisingly, the issue is money and how bike infrastructure is prioritized against other spending pressures. For 2022, the City of Ottawa is spending about \$15 million for bike and multi-use pathway infrastructure. But considering that a fully separated bike lane might cost \$1 million per kilometre—for each side of the road—our annual budget is not going to get us very far. The low priority placed on safe bike infrastructure can be seen when compared to other budget decisions, such as widening 2.5 kilometres of Bank Street south of Leitrim at a cost of \$22 million this year and a further \$21 million in subsequent years. Because we are spending so

*Neil Saravanamuttoo was formerly the chief economist of the G20's Global Infrastructure Hub and Director of Multilateral Institutions at Finance Canada. April 2022. Twitter: @SocialMotionPro*

little on bike infrastructure, the City's upcoming Transportation Master Plan is looking at cycle projects that would be built in 25 years time. At this rate, an entire generation of kids will miss out on the opportunity to safely bike to school.

If money is the problem, then financial ingenuity might offer a solution. In this case, if we are going to spend \$15 million for each of the next 25 years on bike projects, then we could issue a municipal bond to raise that money now and build out the entire 25 years of projects as quickly as the construction industry can deliver.

It's that simple. We can use capital markets to finance our bike network the same way that we are financing light rail. With LRT, the City of Ottawa was able to borrow at 2.5%. If we assume that the City could finance bike infrastructure debt at the same costs (and despite what anyone might think, we really don't know what interest rates will be when this debt would be issued in a few years time), then the City could issue a \$275 million bond and pay the principal and interest over 25 years for a little less than the \$15 million annually we would be spending anyways.

Building out our bike network now is the smart thing to do, for the kids, but also to reduce emissions, congestion and the unnecessary deaths of cyclists resulting from poor infrastructure. Factor in additional savings from reduced road maintenance costs (due to less wear and tear as more people shift from cars to bikes), a more active community that consumes fewer health care dollars, as well as removing the risk of higher construction costs in the future, and borrowing to build now seems to be the fiscally smart thing to do.

Cities around the world are already coming to this conclusion. Paris, Milan and Chicago are three cities that decided recently to fast track the construction of their bike networks.

Ottawa could be the next major city to fast track its bike network. City finances are very strong and we have plenty of headroom to take on new debt. Furthermore, we could issue this debt as a green bond – as we did for the LRT – trimming our lending costs and providing investors with an opportunity to put their money into something sustainable.

There seems to be few reasons *not* to front load 25 years of spending on bike infrastructure. Pushback may come from those who fear bike lanes will impede cars, but that argument is not consistent with the lived experience. Ottawa built its first protected bike infrastructure along Laurier Ave a decade ago, and this, along with subsequent projects, has had little impact on traffic flow. When parking spots are removed and bike lanes added, the evidence from Toronto and elsewhere suggests that adjacent businesses see revenues grow.

Almost half of Ottawa's greenhouse gas emissions come from transportation, and the bicycle is one the most effective climate change fighting machines we have. Building out our full bike network now should be a no-brainer—for climate, for safety, and to make this a city where every child can enjoy the simple pleasure of growing up riding a bike to school.

## FREQUENTLY ASKED QUESTIONS

### What is the source for Ottawa spending data on cycling and active transportation?

Ottawa first reported on the amount spent on cycling and active transportation (AT) in Budget 2022. Mayor Watson's [Budget 2022 Address to Council](#) notes “[O]ur spending on cycling facilities and pathways is set to increase from \$13.1 million to \$14.1 million.” The City has allocated an additional \$700,000 for bicycle parking. Dedicated spending for all active transportation infrastructure, including sidewalks, amounts to \$26.7 million.

While the City does not provide a consolidated breakdown, details on these AT investments can be found throughout the [Transportation Committee 2022 Budget Book](#).

The City additionally spends money on cycling and pedestrian infrastructure through road repairs, integrated road and sewer works, and light rail construction; however, the City does not report an amount allocated to AT through these integrated works.

### Is spending on AT infrastructure growing faster than spending on roads and other types of infrastructure?

No. AT investments grew at a slower rate than did the overall capital budget, or other investments in the transportation sector.

From 2021 to 2022, infrastructure spending in Ottawa grew as follows:

All Capital Investments	+27%
All Capital Transportation Investments	+27%
Road Investments	+56%
Active Transportation Investments	+26%

### How much does bike infrastructure cost?

Fully-built bike infrastructure costs more than some might think, and of course, varies from city to city and project to project. There is also a significant difference between bike infrastructure that is “built to a finished state” and something more preliminary that can be tested and upgraded in the future.

For planning purposes, and based upon a ballpark review of previous projects in Ottawa and elsewhere in Canada, reasonable assumptions for “built to a finished state” bike infrastructure might be \$1 million per kilometre of multi-use pathway or protected bike lane (per side), \$1.25 million per protected intersection, and \$75,000 per kilometre of painted lines.

Providing a ballpark figure for creating preliminary basic infrastructure, designed to be upgraded later, is more context-specific and harder to generalize, but can be done much, much cheaper than projects built to a finished state.

## **If the City issued a \$275 million green bond at 2.5% over 25 years, what would be the annual principal and interest costs?**

A 25-year 2.5% bond would have estimated average annual principal repayments of \$11 million and interest payments of \$3.8 million. The annual total of \$14.8 million is below the expected annual \$15 million spent by the City.

## **Are 2.5% borrowing costs a reasonable assumption?**

The Bank of Canada raised its policy rate in March and April 2022, and has signaled additional rate increases to come this year. Despite recent and expected increases, interest rates in a historical context will remain at low levels for the foreseeable future. If the broader trend for interest rates is “low for long”, then governments will continue to have a funding advantage in building out required infrastructure.

The City of Ottawa issues debt after a project has been completed, using cash held in reserves to pay for construction costs, and then taking on debt to replenish those reserves. Assuming it takes 4-5 years to build out the missing bike infrastructure, we need to think of what interest rates will be in 2027. One possibility is that supply chain issues caused by the pandemic and war in Ukraine will have worked themselves out by then, and that interest rates might have fallen back to very low levels.

## **Does the City have the financial capacity to issue \$275 million in new debt?**

Yes. The City has a 8.5% limit for tax and rate supported debt service charges as a share of “own revenue”. (To over-simplify, annual debt principal and interest payments cannot exceed 8.5% of property taxes, user fees and other revenues that the City controls). This is a conservative financial policy that the City of Ottawa has chosen for itself; the Ontario

Government requirement for municipalities is that total debt service charges not exceed 25% of own revenue.

As of 31 December 2020, Ottawa's tax and rate support debt service charges amounted to \$171 million annually, or 5.98% of own revenue ([City of Ottawa Annual Report 2020](#)). Ottawa could support about an additional \$72 million in annual debt service charges within its 8.5% cap. This proposal would increase debt service charges by an estimated \$14.8 million annually, easily managed within the available debt service headroom.

## **Could other levels of government contribute?**

Quite possibly. The federal government has launched its new Active Transportation Fund, which will certainly include some funding for Ottawa. The provincial government may also choose at some point to support municipal efforts to build active transportation infrastructure.

## **Do bike lanes help or hurt local businesses?**

Many small business owners assume that replacing on-street parking with bike lanes will be financially damaging. The [evidence](#) from Toronto, San Francisco, Los Angeles, Minneapolis and elsewhere, however, suggests that businesses next to bike lanes see revenues grow.